



Cambridge International AS & A Level

CANDIDATE
NAME
CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

9706/33

Paper 3 Structured Questions

October/November 2022

3 hours

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.
- You may use a calculator.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

INFORMATION

- The total mark for this paper is 150.
- The number of marks for each question or part question is shown in brackets [].
- The insert contains all of the required information and questions.

This document has **20** pages. Any blank pages are indicated.

Section A: Financial Accounting

Answer **all** questions.

1 Read Source A1 in the insert.

(a) Prepare the **correct**:

(i) income and expenditure account

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Workings:

(ii) statement of financial position, clearly disclosing the surplus or deficit for the year.

..... [7]

4

- (b) Advise the managing committee whether or not they should introduce a policy of cancelling the membership of members whose subscriptions are overdue by more than one month. Justify your answer.

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..... [3]

Additional information

Some clubs offer life membership.

- (c) Outline the method of accounting for life membership subscriptions and state the accounting concept which is being applied.

Method:

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Accounting concept: [3]

[Total: 25]

2 Read Source A2 in the insert.

(a) State when an intangible asset can be recognised in accordance with IAS 38.

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..... [2]

Additional information

All three companies had ordinary share capital of \$400 000. It is the policy of the companies to charge a full year’s amortisation (depreciation) on any intangible asset.

Information relating to one ordinary share was as follows:

	Par value	Market price
	\$	\$
AB plc	1.00	1.20
CD plc	0.50	1.08
EF plc	0.80	2.35

(b) Calculate for **each** company:

(i) the earnings per share to the nearest **whole cent**

	Workings	Earnings per share
AB plc		
CD plc		
EF plc		

[10]

6

(ii) the price earnings ratio to **two** decimal places.

	Price earnings ratio
AB plc	
CD plc	
EF plc	

[3]

Additional information

Simon is considering investing in one of the three companies.

(c) Name **two** other ratios of these companies which Simon might wish to consider.

1

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[2]

(d) Advise Simon which company he should invest in. Justify your answer.

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..... [4]

Additional information

The directors’ report of AB plc stated that the development costs had enabled the company to drastically reduce its greenhouse gas emissions.

(e) Explain how this information might affect potential investors.

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..... [2]

(f) State **two** other matters which might be covered in the directors’ report of AB plc.

1

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..... [2]

[Total: 25]

3 Read Source A3 in the insert.

(a) Suggest **two** reasons why the merger made possible the savings in administrative expenses.

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[2]

(b) Prepare the forecast income statement for the partnership for the year ending 30 June 2023.

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[8]

Additional information

The partners expect that in the year ending 30 June 2023 they will make drawings as follows:

	\$
Alan	19 800
Doreen	17 200

The partners decided to maintain fluctuating capital accounts.

(c) Prepare the partners' forecast capital accounts for the year ending 30 June 2023.

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Workings:

[10]

10

(d) State **two** advantages of a partnership maintaining fixed capital accounts and current accounts.

1

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[2]

(e) Advise Doreen whether or not merging her business with Alan's business is a good strategy. Justify your answer.

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..... [3]

[Total: 25]

PLEASE TURN OVER

4 Read Source A4 in the insert.

(a) State **three** reasons why a business prepares a statement of cash flows.

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2

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[3]

(b) Prepare the statement of cash flows for XY plc for the year ended 31 December 2021 in accordance with IAS 7. Use the space provided to show your workings.

Workings:

Section B: Cost and Management Accounting

Answer all questions.

5 Read Source B1 in the insert.

(a) Calculate, for month 2, the following:

(i) sales volume variance

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..... [2]

(ii) material price variance

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..... [2]

(iii) material usage variance

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..... [2]

(iv) labour rate variance

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..... [2]

(v) labour efficiency variance.

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..... [2]

(b) Discuss the change between month 1 and month 2 for **each** of the following variances. Suggest **one** reason for the change.

(i) material price variance

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..... [2]

(ii) material usage variance

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..... [2]

(iii) labour rate variance

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..... [2]

(iv) labour efficiency variance

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Additional information

Tommy so far has only calculated variances for sales, direct material and direct labour. His brother has suggested that in future Tommy should extend his variance analysis to fixed overheads.

(c) Advise Tommy whether or not he should also start to calculate fixed overhead variances. Justify your answer.

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..... [5]

(d) State **two** reasons why setting standard costs might be useful, other than for variance analysis.

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[2]

[Total: 25]

6 Read Source B2 in the insert.

(a) State the term used to describe the factor which causes a change in the cost of an activity.

..... [1]

(b) Complete the table to calculate the **total** profit made in the month by **each** of Product A and Product B. Apportion the administration and distribution costs on the basis of the number of units sold.

	Product A \$	Product B \$
Sales value		
Direct material		
Direct labour		
Machine set-ups		
Quality inspections		
Administration and distribution		
Profit		

Workings:

[11]

(c) Calculate the **total** profit made in the month by **each** of Product A and Product B if the administration and distribution costs are apportioned on the basis of sales value. Start your calculation with your answer from (b).

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..... [6]

19

- (d) Suggest **two** different bases which LT plc could use to apportion administration and distribution costs, other than sales units and sales value.

1

[2]

Additional information

The directors are also considering changing their pricing strategy so that a fixed mark-up on total cost is applied to both products.

- (e)** Advise the directors whether or not a fixed mark-up on total cost should be applied. Justify your answer.

..... [5]

[5]

[Total: 25]

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