



Cambridge International AS & A Level

CANDIDATE
NAME

CENTRE
NUMBER

CANDIDATE
NUMBER

ACCOUNTING

9706/31

Paper 3 Financial Accounting

October/November 2024

1 hour 30 minutes

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 75.
- The number of marks for each question or part question is shown in brackets [].
- The insert contains all of the sources referred to in the questions.

This document has **16** pages. Any blank pages are indicated.



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- (b)** Prepare appropriation accounts for **both** the six months ended 30 June 2023 and the six months ended 31 December 2023.

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Workings:





- (c) Calculate, to **two** decimal places, the profit margin of the partnership for the six months ended 31 December 2023.

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.....

..... [1]

Additional information

Harry is also a shareholder in a large company in a different industry. When he looked at the financial statements of the company, he found that it had a higher profit margin than the partnership. He also saw that it had a qualified audit report.

- (d) Discuss whether Harry should be comparing the profit margin of the company with that of the partnership.

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..... [3]

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**2 Read Source B in the insert.****(a) Calculate at 31 December 2022:****(i) the accumulated depreciation on Machine A**

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(ii) the carrying value of Machine B

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..... [1]

(iii) the original cost of Machine B.

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**Additional information**

The directors use ratio analysis to assess performance.

- (c) Name the efficiency ratio which would be affected by the outcome of the impairment review.

..... [1]

Additional information

- 1 Revenue for the year ended 31 December 2023 was \$322 500.

- 2 Assets and liabilities included the following:

	At 31 December	
	2023	2022
	\$	\$
Inventory	112 000	76 000
Trade receivables	48 000	56 000
Trade payables	31 000	29 000

- 3 The directors calculate ratios using year-end balances. They are now considering using average figures in future.

- (d) Calculate the net working assets to revenue ratio for 31 December **2023** using year-end balances.

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..... [2]

- (e) Assess the effect the change in formula would have on:

- (i) the company's net working assets to revenue ratio (calculations are **not** required)

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.....
..... [2]





(ii) the perceived performance of the company.

[2]

(f) Advise the directors whether or not they should use average figures when calculating the net working assets to revenue ratio in future. Justify your answer.

[5]

[Total: 25]



3 Read Source C in the insert.

(a) Explain **one** reason why the rate of factory profit had changed between 2022 and 2023.

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..... [2]

(b) Prepare a corrected provision for unrealised profit account for the year ended 31 December 2023.

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(c) (i) Prepare a corrected statement of profit or loss for the year ended 31 December 2023.

[8]





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Additional information

One of the directors is concerned that, after ten years of trading, the balance on the retained earnings account is low in relation to the profit for the year. He says this shows that the dividends paid were too high.

- (d)** Advise the directors whether or not the balance on the retained earnings account is too low as a result of paying excessive dividends. Justify your answer.

[5]

[Total: 25]





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