



Cambridge International AS & A Level

CANDIDATE
NAME

--

CENTRE
NUMBER

--	--	--	--	--

CANDIDATE
NUMBER

--	--	--	--

ACCOUNTING

9706/32

Paper 3 Financial Accounting

February/March 2023

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 **12** pages.



1 Read Source A in the insert.

(a) Explain **two** reasons why a business may apply a rate of factory profit.

1

.....

.....

.....

2

.....

.....

.....

[4]

(b) Prepare the provision for unrealised profit account for the year ended 31 December 2022.

.....

.....

.....

.....

.....

.....

.....

.....

[2]

Additional information

- 1 The direct labour cost included \$3000 for workers repairing factory machinery.
- 2 Office equipment, cost \$10 000, purchased in January 2022, was classified as factory machinery. Both office equipment and factory machinery had been depreciated at the rate of 10% per annum using the straight-line method.
- 3 J Limited obtained a loan to buy a delivery van. The interest on the loan, \$4000, had been included in selling and distribution costs.

(c) Prepare the manufacturing account for the year ended 31 December 2022.

[6]

(d) Prepare the statement of profit or loss for the year ended 31 December 2022.

[8]

Additional information

The sales manager of J Limited received a sales order at the value of \$40 000 from a new customer in a country that J Limited has never traded with. The new order allows J Limited to earn the same gross profit margin, but an additional \$9500 transportation cost will be incurred.

- (e)** Advise the sales manager whether or not J Limited should accept the sales order. Justify your answer and support your answer with relevant calculations.

[5]

[Total: 25]

2 Read Source B in the insert.

(a) Calculate to **two** decimal places:

(i) price/earnings ratio

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

(ii) dividend yield

.....

.....

..... [1]

(iii) gearing ratio

.....

.....

.....

.....

.....

..... [3]

- (iv) return on capital employed.

.....

.....

.....

.....

.....

..... [3]

Additional information

The industry average ratios for 2022 are:

	industry average
price/earnings ratio	16
gearing ratio	25%

- (b) Analyse the performance of X plc, comparing the results with the industry average in respect of:

- (i) price/earnings ratio

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

(ii) gearing ratio.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

Additional information

One of the directors suggests that no final dividend for 2022 should be proposed.

(c) Advise whether or not the directors should propose a final dividend for 2022. Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

[Total: 25]

3 Read Source C in the insert.

- (a)** Explain, with reference to the relevant International Accounting Standards, the appropriate accounting treatments for the items in:

- (i) information 4 (support your answer with calculations)

[5]

- (ii) information 5.

[4]

(b) Prepare a statement showing the adjusted retained earnings at 31 December 2022.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

(c) Prepare an adjusted statement of financial position at 31 December 2022.

[7]

(d) State **three** responsibilities of an external auditor.

- 1
-
- 2
-
- 3
-

[3]

[Total: 25]

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.