Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

4403712611

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.

DC (LK) 311669/2

1 **Read Source A in the insert.**

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

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[4]

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

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.... [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.

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.... [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.

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.... [5]

[Total: 25]

2 Read Source B in the insert.

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

(i) price/earnings ratio

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.... [5]

(ii) dividend yield

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.... [1]

(iii) gearing ratio

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.... [3]

(iv) return on capital employed.

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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

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(ii) gearing ratio.

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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.

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.... [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)

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(ii) information 5.

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

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.... [6]

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

[7]

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

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[3]

[Total: 25]