Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME			
CENTRE NUMBER		CANDIDATE NUMBER	

1422088267

ACCOUNTING **9706/31**

Paper 3 Financial Accounting **May/June 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 **12** pages. Any blank pages are indicated.

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

(a) Identify the costs that may be included in the inventory cost of work in progress.

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.... [4]

(b) Prepare the manufacturing account for the year ended 31 December 2023.

[8]

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

[8]

Additional information

The product of B Limited is well received by the market. The directors plan to incur $100 000 expenditure on researching a new material that will extend the life of the product.

(d) Advise the directors whether or not they should incur expenditure on researching a new material. Justify your answer.

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[Total: 25]

2 Read Source B in the insert.

(a) Explain the stewardship role of the directors in a public limited company.

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(b) Calculate the working capital cycle (in days). Round up the components to the nearest day.

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(c) Calculate, to **two** decimal places, the following ratios:

(i) price/earnings

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(ii) dividend yield

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(iii) interest cover.

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Additional information

X plc, a competitor, has a working capital cycle which is shorter than that of M plc.

(d) Explain why X plc has performed better than M plc in managing the working capital cycle.

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.... [5]

[Total: 25]

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3 Read Source C in the insert.

(a) Prepare the cost section and the accumulated depreciation section of G plc's schedule of non-current assets at 31 December 2023. The total column is **not** required.

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Workings:

[20]

Additional information

The directors have two options to acquire another machine in the coming year.

Option 1: buy a new machine

Option 2: buy two used machines

The cost of option 1 is $17 000 higher than the cost of option 2. In the first year of use, the maximum capacity of each option is the same. The directors wish to select the option which will maximise profit.

(b) Advise the directors which option they should choose. Justify your answer.

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[Total: 25]