Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/32**

Paper 3 Financial Accounting **May/June 2025**

INSERT **1 hour 30 minutes**

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INFORMATION

- This insert contains all of the sources referred to in the questions.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

This document has **4** pages.

Source A for Question 1

Nadim makes and sells toys. To satisfy unexpected sales orders, he also purchases finished goods from other manufacturers. His trial balance at 31 December 2024 is as follows:

	Debit	Credit
	$	$
Works machinery at cost	180 000	
Office equipment at cost	74 000	
Provision for depreciation at 1 January 2024		
Works machinery		78 000
Office equipment		32 000
Trade receivables	102 300	
Trade payables		84 500
Cash at bank	7 110	
Capital		61 600
Sales revenue		724 000
Purchases of finished goods	28 000	
Purchases of direct materials	104 000	
Inventory at 1 January 2024		
Direct materials	16 600	
Work in progress	28 400	
Finished goods (all manufactured)	48 000	
Factory wages	156 200	
Factory supervisor's salary	19 000	
Carriage inwards	8 500	
Carriage outwards	9 440	
Factory indirect expenses	33 350	
Office expenses	174 800	
Provision for unrealised profit		9 600
	989 700	989 700

Further information is available.

1 Inventory at 31 December 2024

	$
Direct materials	17 200
Work in progress	20 200
Finished goods	10% of the goods manufactured at transfer price during the year

There was no inventory of purchased finished goods.

2 Carriage inwards of $8500 should be apportioned 90% to the purchases of direct materials and 10% to the purchases of finished goods.

3 Light and heat of $9200 included in the office expenses should be apportioned 75% to the factory and 25% to the office.

4 Non-current assets are depreciated at 15% per annum using the reducing balance method.

5 The rate of factory profit is to be increased by 5% for the year 2024.

Source B for Question 2

GT plc has prepared draft financial statements for the year ended 31 December 2024 which included the following:

	$
Delivery vans – at cost	95000
Delivery vans – accumulated depreciation	31960
Trade receivables (net of allowance for irrecoverable debts)	83600
Inventory	67400
Draft profit for the year	104000

The following matters have **not** been taken into account when preparing the draft financial statements.

1 On 4 January 2025, a customer, who had owed $7000 at 31 December 2024, was declared bankrupt. This was not expected to be recovered.

2 Allowance for irrecoverable debts should have been increased from 5% to 6%.

3 All goods are sold at a mark-up of 50%. Inventory included some defective goods returned from customers at their sales value of $7500. These goods could only be sold for $6600 after $1800 is incurred for repairs.

4 The company owns two delivery vans, Van A and Van B, which are depreciated at 20% per annum using the reducing balance method. A full year's depreciation is provided in the year of acquisition and none in the year of disposal.

The value of Van A was reviewed at the year end. It had a fair value of $20000 and a value in use of $21000.

Van B was purchased on 1 July 2024. The following costs had been recorded in the delivery van account.

	$
Cost of Van B	32000
Engine upgraded	6000
12-month service (commencing from 1 July 2024)	12000
	50000

5 Another customer had lodged a lawsuit against GT plc, claiming that the late delivery of goods in November 2024 had caused the customer financial loss. The company's lawyer advised that it is probable that GT plc will have to pay $5200.

Source C for Question 3

Ahmed and Betty were in partnership for many years but they did not have a partnership agreement. The partnership's statement of financial position at 31 December 2024 was as follows:

	$	$
Non-current assets		
Equipment	185 000	
Motor vehicles	148 000	333 000
Current assets		
Inventory	82 000	
Trade receivables	76 500	
Bank	20 800	179 300
		512 300
Capital account – Ahmed	250 000	
– Betty	180 000	430 000
Current account – Ahmed	(9 500)	
– Betty	5 500	(4 000)
Loan from Betty		15 000
Current liabilities		
Trade payables		71 300
		512 300

Betty retired on 1 January 2025 and Chandra was admitted as a partner on the same date. Ahmed and Chandra agreed to share profits and losses in the ratio of 3:2. The following arrangements had also been agreed by all of them.

1 Assets on 31 December 2024 were revalued as follows:

	$
Equipment	161 000
Motor vehicles	117 000
Inventory	105 000

2 Goodwill at 31 December 2024 was valued at $90 000. No goodwill account is to be maintained in the books of the partnership business.

3 The amount owed to Betty was settled in full on 1 January 2025.

4 Chandra introduced cash to:
- pay for her share of goodwill
- contribute capital so that the capital account balances at 1 January 2025 are in the profit sharing ratio
- make a loan of $40 000 to the partnership.

5 Ahmed introduced cash to pay off his current account debit balance.