



Cambridge International AS & A Level

ACCOUNTING

9706/31

Paper 3 Financial Accounting

October/November 2024

INSERT

1 hour 30 minutes

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 **8** pages. Any blank pages are indicated.

Source A for Question 1

Angie and Harry have been in partnership for some years. They maintain both current and capital accounts. Their financial year end is 31 December.

Their partnership agreement stated that they shared profits and losses equally. Angie had a partner's salary of \$10 000 per annum, and interest on capital was calculated at 10% per annum.

On 1 July 2023, the partnership agreement was changed. The profit-sharing ratio between Angie and Harry became 3:1. Angie's salary and the rate of interest on capital were unchanged, but Harry was to receive a salary of \$12 000 per annum.

The following information was available.

- 1 Balances at 1 January 2023 were:

	\$
Capital account – Angie	50 000
– Harry	30 000
Premises (at cost)	90 000
Provision for depreciation of premises	9 000
Other non-current assets (at cost)	16 000

- 2 The value of premises is split into 50% land and 50% buildings. The buildings are being depreciated at the rate of 4% per annum using the straight-line method. The other non-current assets are being depreciated in equal instalments over a five-year period.
- 3 Profit and loss data for the year ended 31 December 2023 included:

	1 January–30 June	1 July–31 December
	\$	\$
Revenue	106 600	119 000
Cost of sales	61 700	63 790
Wages and salaries	19 700	27 320
Other operating costs (excluding depreciation)	22 100	23 200

Partners' salaries were included in the wages and salaries figures.

- 4 On 30 June 2023, the premises were revalued to \$150 000 and the useful life was reassessed. Depreciation continues to be calculated at the same rate.
- 5 Goodwill on 1 July 2023 was valued at \$30 000 although it was **not** to be retained in the books of account.

Source B for Question 2

T plc is a business which occupies rented premises. It has only two types of non-current assets. It provided the following information about carrying values of these two assets.

	at 31 December	
	2023	2022
	\$	\$
Machinery	217 250	151 500
Motor vehicle	?	25 600

The company also provided the following additional information.

- 1 Depreciation is calculated as follows:

	Rate per annum	Method
Machinery	10%	straight-line
Motor vehicle	20%	reducing balance

Depreciation is calculated in accordance with the months of ownership.

- 2 T plc operates two machines and one vehicle.

Machine A was bought for \$90 000 on 1 July 2019.

Machine B was bought on 1 October 2020.

The vehicle was bought for \$40 000 on 1 January 2021.

- 3 Machine A was sold on 1 February 2023. Machine C was bought on the same date for \$150 000.
- 4 On 31 December 2023, after the depreciation for the year had been provided, an impairment review indicated that there was an impairment loss of \$2480 on the vehicle.

Source C for Question 3

GS plc is a manufacturing company with a financial year end of 31 December. In 2022, it applied a rate of factory profit of 19%. In 2023, the rate was 20%.

An inexperienced member of staff prepared draft summarised financial statements for the year ended 31 December 2023 and wrote up the ledger account for the provision for unrealised profit. These contained errors and were as follows:

Manufacturing account

	\$
Prime cost	192 600
Factory overheads	82 300
Increase in work in progress	<u>(1 700)</u>
Cost of production	273 200
Factory profit	<u>54 640</u>
Transfer price of manufactured goods	<u>327 840</u>

Provision for unrealised profit account

	\$		\$
Balance c/d	67 940	Balance b/d	13 300
		Manufacturing account	<u>54 640</u>
	<u>67 940</u>		<u>67 940</u>

Statement of profit or loss

	\$	\$
Revenue		681 000
Opening inventory of finished goods (at transfer price)	83 300	
Transfer price of manufactured goods	<u>327 840</u>	
	411 140	
Closing inventory of finished goods (at transfer price)	<u>(76 800)</u>	
Cost of sales		<u>334 340</u>
Gross profit		346 660
Administrative expenses		(51 700)
Distribution costs		<u>(44 200)</u>
Profit from operations		250 760
Finance costs		<u>(21 600)</u>
Profit for the year		<u>229 160</u>

Statement of financial position

	\$
Non-current assets	<u>762 000</u>
Current assets	
Inventory – raw materials	72 000
– work in progress	9 800
– finished goods (at transfer price)	76 800
Trade receivables	<u>101 100</u>
	<u>259 700</u>
Total assets	<u>1 021 700</u>
Equity	
Ordinary share capital	500 000
Retained earnings	<u>182 760</u>
	<u>682 760</u>
Non-current liabilities	
7% debentures	<u>200 000</u>
Current liabilities	
Trade payables	70 000
Provision for unrealised profit	67 940
Bank overdraft	<u>1 000</u>
	<u>138 940</u>
Total equity and liabilities	<u>1 021 700</u>

The following information is also available.

- 1 The value of work in progress at 31 December 2023 had been understated by \$2000.
- 2 Depreciation on factory machinery amounting to \$10 000 had been treated as depreciation on office equipment.
- 3 Three months' unpaid interest on the debentures had **not** been accounted for.
- 4 A delivery vehicle with a carrying value of \$22 000 was found to have a value in use of \$19 100 on 31 December 2023. It was estimated that it could be sold for \$20 000 but that selling expenses of \$100 would be incurred.
- 5 The values of inventory in the draft statement of profit or loss were found to **not** need amending.
- 6 Raw materials valued at \$5000 had been stolen on 4 January 2024.

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