



Cambridge International AS & A Level

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

9706/32

Paper 3 Structured Questions

May/June 2020

3 hours

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 150.
- The number of marks for each question or part question is shown in brackets [].
- The insert contains all of the required information and questions.

This document has **24** pages. Blank pages are indicated.

(d) Prepare an extract of statement of cash flows for the year ended 31 December 2019, showing the net cash from or used in:

(i) operating activities

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..... [3]

(ii) financing activities.

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..... [2]

Workings:

[12]

(c) Explain **two** reasons why Amir and Ishan prefer asking for a loan from Raj instead of from the bank.

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2

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[4]

Additional information

Amir's friend Lala has just left an international IT firm and wants to join the partnership.

(d) Advise whether or not Amir, Ishan and Raj should admit Lala as a partner. Justify your answer.

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..... [3]

[Total: 25]

4 Read Source A4 in the Insert.

- (a) Prepare the summarised equity and liabilities section of the draft statement of financial position of W plc at 31 December 2019.

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Workings:

[4]

Additional information

The non-current liabilities were represented by the bank loan obtained in 2018. The interest is 5% per annum.

Return on capital employed was 22.50%.

(b) Calculate the draft profit for the year ended 31 December 2019.

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Workings:

[3]

Additional information

W plc had the following balances at 1 January 2019.

	\$
Ordinary share capital (\$1 shares)	200 000
Share premium	35 000
General reserve	21 000

In January 2019, 100 000 ordinary shares were issued at \$1.40 per share.

On 30 November 2019, a final dividend was paid. The dividend cover for the year was 2.5 times.

In December 2019, a bonus issue of one ordinary share for every six held was made. The reserves were maintained in their most flexible form.

On 31 December 2019, retained earnings of \$18 000 were transferred to the general reserve.

Additional information

On 18 January 2020, before the draft financial statements were presented to the auditors, it was found that one of the customers, owing \$8000 at 31 December 2019, had been declared bankrupt.

- (d) Define the meaning of the terms 'adjusting events' and 'non-adjusting events' according to IAS 10.

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- (e) Explain the appropriate accounting treatment of the amount of \$8000 owed by a customer declared bankrupt at 31 December 2019.

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[Total: 25]

(c) (i) Calculate the direct labour variance.

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(ii) Analyse the reasons for the direct labour variance. Support your answer with calculations.

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(d) (i) Calculate the total fixed overheads variance.

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(ii) Calculate the fixed overheads expenditure variance.

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(iii) Calculate the fixed overheads volume variance.

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Workings:

[13]

(b) Explain **two** purposes of preparing a monthly cash budget.

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[4]

(c) Assess whether the budgeted April sales will achieve or exceed the break-even point.

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[4]

Additional information

The directors are considering measures to improve the company's cash position.

(d) Explain to what extent making sales exceeding the break-even point will improve the company's cash position.

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[4]

[Total: 25]

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