

CANDIDATE  
NAME

CENTRE  
NUMBER

--	--	--	--	--

CANDIDATE  
NUMBER

--	--	--	--



**ACCOUNTING**

**9706/32**

Paper 3 Structured Questions

**February/March 2018**

QUESTION PAPER

**3 hours**

Candidates answer on the Question Paper.

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name in the spaces at the top of this page.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, glue or correction fluid.

DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.

The Insert contains all the sources referred to in the questions.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [ ] at the end of each question or part question.

International accounting terms and formats should be used as appropriate.

Workings should be shown.

You may use a calculator.

This document consists of **23** printed pages, **1** blank page and **1** Insert.

**Section A: Financial Accounting**  
**Answer all questions**

**Question 1**

**Read Source A1 in the Insert.**

- (a) Prepare the manufacturing account for Marco for the year ended 31 January 2018.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [12]

**(b)** Prepare an extract from the statement of financial position at 31 January 2018 to show how inventories are recorded.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [3]

(c) State **two** accounting concepts relating to the provision for unrealised profit.

1 .....

2 ..... [2]

(d) (i) Explain why it is important for Marco to create a provision for unrealised profit.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

(ii) Analyse the effect on profit if Marco does **not** create a provision for unrealised profit.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

[Total: 25]



(ii) joint venture account with Raj in John's books of account.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [7]

(c) State **one** benefit to **both** Raj and John of setting up a joint venture.

.....  
.....  
..... [2]









**Additional information**

- 1 Purchase consideration will be \$180 000 payable to Joe Tu by issuing 150 000 ordinary shares of R Limited.
- 2 R Limited will take over Joe Tu's assets and liabilities, except the bank account, at the following values:

	\$	
Land and buildings	139 000	
Plant and equipment	14 000	
Inventory	40 000	
Trade receivables	36 000	
Trade payables	67 000	

- 3 The directors of R Limited will also revalue their own land and buildings upwards by \$28 000.

**(b)** State why a business may revalue its assets when it is being purchased by another business.

.....

.....

..... [1]

**(c)** Prepare the statement of financial position of R Limited at 31 December 2017 if Joe Tu's business was purchased by it on that date.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [11]



**Question 4**

**Read Source A4 in the Insert.**

**(a)** Distinguish between the roles of the shareholders and the directors of a limited company.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

**(b)** State **one** reason why a sole trader does not require an audit of their financial statements.

.....

.....

.....

..... [1]



(e) Prepare the statement of changes in equity for the year ended 31 December 2017.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [4]

**Additional information**

The directors are trying to obtain a bank loan for expanding the business. The bank has requested the audited financial statements for the last three years.

(f) Advise the directors whether or not the audited financial statements provide all the information required in order for the bank to make its decision. Justify your answer.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [4]

[Total: 25]



**Section B: Cost and Management Accounting**  
**Answer all questions**

**Question 5**

**Read Source B1 in the Insert.**

(a) Explain what is meant by the term 'budgetary control'.

.....  
.....  
..... [2]

(b) Prepare the labour budget for the year ending 31 January 2018.

Clearly show the number of labour hours, the number of employees and the annual labour cost for each department.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [9]

(c) Analyse the benefits to Hyung Min of using budgetary control in order to achieve his target profit.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [6]



- (e) Advise Hyung Min whether or not he should be concerned about labour variances. Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

[4]

[Total: 25]

**Question 6**

**Read Source B2 in the Insert.**

- (a) Explain the difference between the net present value and payback methods of investment appraisal.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

- (b) Calculate:

- (i) the payback period for Machine B

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [2]

(ii) the net present value for Machine A

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [8]

(ii) the average rate of return for both machines.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

(c) Advise Daniyar which machine he should purchase. Justify your decision.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

[Total: 25]

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.