



Cambridge International AS & A Level

CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

9706/32

Paper 3 Structured Questions

February/March 2022

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 **20** pages.

2 Read Source A2 in the insert.

(a) Explain why a business may need to impair its non-current assets.

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..... [3]

(b) Explain to what extent the value of the diesel lorry is to be impaired. Support your answer with calculations.

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..... [6]

PLEASE TURN OVER

(c) Calculate the following:

(i) sales price variance

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..... [1]

(ii) sales volume variance

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..... [1]

(iii) direct material total variance

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..... [1]

(iv) direct labour total variance

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..... [1]

(v) fixed overhead total variance.

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..... [1]

Additional information

The directors are interested in further analysis of the variances in direct materials.

(d) (i) Calculate the **two** variances which combine to give the direct material total variance.

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..... [4]

(ii) Explain the likely causes of the variances calculated in **(d)(i)**.

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..... [4]

6 Read Source B2 in the insert.

(a) Explain what is meant by the term 'cost of capital'.

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..... [2]

(b) Calculate for the proposed investment:

(i) payback period (in years and months)

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..... [2]

(ii) accounting rate of return (to **two** decimal places)

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..... [3]

(iii) net present value (NPV)

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..... [3]

(iv) internal rate of return (IRR) (to **two** decimal places).

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(c) Advise the directors whether or not the company should purchase the machine. Justify your answer.

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..... [3]

Additional information

The directors decide to use the NPV method for investment appraisal. Due to recent adverse economic conditions, the directors think that they should use a cost of capital of 16%.

(d) Explain the impact on the directors' decision to purchase the machine if the cost of capital is 16%.

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..... [2]

