Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/32**

Paper 3 Financial Accounting **February/March 2023**

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.

DC (LK) 311670/2

Source A for Question 1

J Limited is a manufacturing business. It applies a rate of factory profit of 20%.

The following information is available for the year ended 31 December 2022.

	$
Sales revenue	936 000
Purchases of direct materials	216 000
Direct labour	196 200
Factory overheads	85 000
Administrative expenses	234 000
Selling and distribution costs	97 000
Increase in direct materials inventory	1 160
Decrease in work in progress inventory	960
Increase in provision for unrealised profit	600

Finished goods inventory at 1 January 2022 (at transfer value) was $26 400.

Source B for Question 2

X plc started its information technology business on 1 January 2022. Its statement of financial position at 31 December 2022 included the following balances.

	$
Ordinary share capital ($2 shares)	800 000
Share premium	60 000
Revaluation reserve	70 000
Retained earnings	24 000
5% debenture (2026)	100 000
Bank overdraft	14 000

The following information was also available.

1 The 5% debenture was issued on 1 July 2022.

2 The freehold property was revalued upward by $70 000 on 1 August 2022.

3 An interim dividend of $0.12 per share was paid on 1 October 2022.

4 The market price per share at 31 December 2022 was $3.35.

Source C for Question 3

The draft statement of financial position of T Limited at 31 December 2022 is as follows:

	$
Non-current assets	
Property, plant and equipment	425 000
Current assets	
Inventories	42 000
Trade receivables	225 000
Other receivables	6 000
Cash and cash equivalents	74 000
	347 000
Total assets	772 000
Equity	
Ordinary share capital ($1 shares)	400 000
Share premium	35 000
Revaluation reserve	60 000
Retained earnings	86 000
Total equity	581 000
Current liabilities	
Trade payables	152 000
Other payables	39 000
Total liabilities	191 000
Total equity and liabilities	772 000

The following information is also available.

1 A proposed dividend of $0.05 per share had been accounted for and set against the retained earnings accordingly.

2 A machine, cost $42 000, was purchased on 1 July 2022. On the same date, T Limited also paid $8000 for a 4-year repairing contract starting on that date. The total amount, $50 000, had been included in the machinery account. Depreciation on machinery is provided at 20% per annum using the reducing balance method with a full year's depreciation in the year of purchase.

3 The only property of T Limited was revalued upward by $60 000 two years ago. This property was revalued again on 31 December 2022. The decrease in value of $35 000 had been set against the retained earnings.

4 The carrying value of a motor van, \$27 000, was included in the value of the non-current assets on 31 December 2022. The value of the motor van was reviewed on that date. It had a value in use of \$23 200. If it were sold, it could be sold for \$24 500 but a selling cost of \$1800 would be incurred.

5 In December 2022, an employee was injured on the office premises. Legal proceedings have started. The company's lawyer has advised that T Limited will probably be found liable and the compensation would be \$9000. As the case will be heard in court in April 2023, the directors had not accounted for the compensation in the draft financial statements.

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