Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/31**

Paper 3 Financial Accounting **October/November 2023**

INSERT **1 hour 30 minutes**

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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

CB plc is a company with 400 000 ordinary shares of $2 each in issue.

The directors of CB plc met to discuss the draft financial statements for the year ended 31 December 2022. These showed a draft profit for the year of $148 250.

The finance director stated that the following matters had **not** been taken into account when preparing the draft statements.

1 The company had been notified of impending legal actions being taken by two dissatisfied customers.

  The first customer was seeking damages of $8000, and it was estimated that the legal action had a 40% chance of succeeding.

  The second customer was seeking damages of $12 000, and it was estimated that the legal action had a 67% chance of succeeding.

2 A credit customer who had owed the business $4750 at the year-end had gone out of business, and the company now expected to receive only $0.20 per dollar owed.

3 A review on 31 December 2022 had indicated that one of the company's vehicles had a value in use of $17 500 but could be sold for only $16 500. Its carrying value was $21 500.

4 The premises had been revalued on 1 January 2022 from $400 000 (50% land and 50% buildings) to $640 000 (60% land and 40% buildings).

  Depreciation for the year for the buildings, which is calculated at a rate of 2% per annum, had been calculated on the original value.

5 Goods with a cost of $2600 and a selling price of $5100 were held by a credit customer on a sale or return basis at the year-end. These goods had been treated as being sold when the draft financial statements had been prepared.

Source B for Question 2

Suhail had been a sole trader for many years when he decided to retire. It was agreed that HJ Limited would buy his business. The company inspected Suhail's accounts as part of negotiating the purchase consideration.

Source C for Question 3

ZZ plc has an accounting year end of 30 June.

The following information was available for the year ended 30 June 2023.

1 On 1 July 2022 the bank overdraft was $46 000, and there were 640 000 ordinary shares of $1 each in issue.

2 The non-current asset schedule was as follows:

	Land and buildings $	Plant and machinery $	Total $
Cost			
At 1 July 2022	500 000	210 000	710 000
Acquisitions		200 000	200 000
Disposals		(130 000)	(130 000)
Revaluation	230 000		230 000
At 30 June 2023	730 000	280 000	1 010 000
Depreciation			
At 1 July 2022	27 000	96 000	123 000
Charge for the year	5 000	28 000	33 000
Eliminated on disposals		(52 000)	(52 000)
Eliminated on revaluation	(27 000)		(27 000)
At 30 June 2023	5 000	72 000	77 000
Carrying value at 30 June 2023	725 000	208 000	933 000
Carrying value at 1 July 2022	473 000	114 000	587 000

3 The acquisition of plant and machinery had been entirely funded by an issue of ordinary shares at a premium of $0.25 per share which took place in August 2022. Proceeds from the disposal of plant and machinery were $91 000.

4 Other payables consisted of taxation and interest payable. The ledger accounts for the year were as follows:

Taxation payable

	$		$
Bank	62 000	Balance b/d	62 000
Balance c/d	52 000	Statement of profit or loss	52 000
	114 000		114 000

Interest payable

	$		$
Bank	51 000	Balance b/d	16 000
Balance c/d	5 000	Statement of profit or loss	40 000
	56 000		56 000

5 Inventory and trade receivables increased by $17 000 and $19 000 respectively. Trade payables decreased by $11 000.

6 A partial repayment of $20 000 was made on a long-term loan.

7 The profit for the year was $118 000. During May 2023 a dividend of $0.08 per share was paid on all shares in issue.

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