



Cambridge Assessment International Education

Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE NAME					
CENTRE NUMBER		CANDIDAT NUMBER	E		

ACCOUNTING 9706/32

Paper 3 Structured Questions

February/March 2019

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

1 Read Source A1 in the Inse	ert	ln:	he	tŀ	in	1	Α	ce.	ur	So	ad	Re	1
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(a)	Prepare the income and expenditure account for the year ended 30 June 2018.	
		[7]

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(b)	State two differences between an income and expenditure account and a receipts and payments account.
	1
	2
	[2]
(c)	Prepare the statement of financial position at 30 June 2018.

[7
17

At 1 July 2017 the following balances for the restaurant were availa
--

\$ 15700 Inventory Trade payables 13900 (d) Calculate the restaurant cash surplus or deficit for the year ended 30 June 2018. [4] **Additional information** The club plans to improve the clubhouse next year at a cost of \$50000. The chairman is considering financing the improvement by either members' loans or taking a bank loan. (e) Evaluate whether the club should finance the improvement by members' loans or take a bank loan. Justify your answer.

[Total: 25]

[5]

2 Read Source A2 in the Insert.

Calculate the working capital cycle in days.
[5]

The company allows its customers 60 days credit.

The company is allowed 30 days credit by its suppliers.

The inventory turnover ratio for the previous year was 104 days.

The net working assets to revenue ratio has risen from 27.85% to 32.74%.

Trade payables had fallen and trade receivables had risen since 31 March 2017.

(b)	Analyse the liquidity of F Limited.
	[5]

(c)	Analyse the change in the net working assets to revenue ratio of F Limited.
	161

Blair, an investor, wishes to invest in either F Limited or a competitor, C Limited. The market value of one ordinary share in both companies is \$1.50.

C Limited

F Limited

Blair's main requirement is a regular income from the investment.

Relevant information for the two companies is as follows:

		r Lillilea	C Limited	
	Gearing	20%	25%	
	Earnings per share	\$0.18	\$0.21	
	Dividend cover	3 times	4 times	
	Dividend per share	\$0.09	\$0.12	
	Dividend per snare	φυ.υθ	ψ0.12	
(d)	Advise Blair in which compa	ny he should invest.	. Justify your answer.	
				[9]

3 Read Source A3 in the Insert.

(a)

Calculate the value of the closing inventory.	
	[4]

(b)	Pre	pare the following accounts in the books of account of SH Limited.	
	(i)	Consignment account	
			[7]
	(ii)	Maureen account	
			[5]

(c)	Calculate the profit per container.
	[2]
(d)	Explain what the closing balance on Maureen account represents.
	[3]
(0)	Explain two differences between a consignment and a joint venture.
(6)	
	1
	2
	[4]

[Total: 25]

Rea	ad S	ource A4 in the Insert.
(a)	(i)	State why a bonus issue of shares would not be recorded in a statement of cash flows.
		[1]
	(ii)	Name one financial item, other than a bonus issue of shares and a transfer to general reserve, which would not be recorded in a statement of cash flows.
		[1]
(b)		pare the non-current assets schedule for the year ended 31 December 2018 for inclusion ne notes to the financial statements of the company. A total column is required.
	••••	
	••••	
	••••	

	••••	
	••••	
	••••	
	••••	[9]

(c)	Prepare the statement of changes in equity for the year ended 31 December 2018. A total column is required.

The directors are considering publishing a cash budget instead of preparing a statement of cash flows in the future.

(d)	Advise the directors whether or not to proceed with this change. Justify your answer.
	[5]
	[Total: 25]

Section B: Cost and Management Accounting

Answer all questions

5 I	Read	Source	• B1 in	the	Insert.
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(a)	Calculate the cost pe	r unit for eacl	n product using	g absorption costing	

					[3]
Add	litional information				
	ewly recruited manag ting (ABC). He has pro				ould adopt activity based
		Cost \$	C	Cost driver	Annual quantity
	Materials requisition Machine set up Inspection	90 000 240 000 150 000 480 000	Number of s	naterial requisitions etups nspection hours	75 60 5000
Bud	geted use of cost driv	er for each pr	oduct for June	2019 is as follows:	
	Number of material re Number of setups Number of inspection	•	Premier 2 2 120	Standard 6 3 320	
(b)	Explain the meaning	of the term 'c	ost driver'.		

					[2]

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(c)	State two advantages and three disadvantages of ABC.				
	Advantage 1				
	Advantage 2				
	Disadvantage 1				
	Disadvantage 2				
	Disadvantage 3				
	[5]				

d)	Calculate the cost per unit for each product if ABC is adopted.
	Workings:

[8]

The selling price of **each** product is cost plus 40%.

(e)	(i)	Calculate the selling price of each product using absorption costing.
		[2]
	(ii)	Calculate the selling price of each product using ABC.
		[2]
	/:::\	Evaluing quitable calculations, why your answers in (i) and (ii) are different
	(111)	Explain, using suitable calculations, why your answers in (i) and (ii) are different.
,	(111)	Explain, using suitable calculations, why your answers in (i) and (ii) are different.
,	(111)	Explain, using suitable calculations, why your answers in (i) and (ii) are different.
,	(111)	
,	(III)	Explain, using suitable calculations, why your answers in (i) and (ii) are different.
•	(111)	
•	(111)	
,	(111)	
•	(III)	
•	(III)	
	(111)	
	(111)	

6 Read Source B2 in the Inser	t.
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(a)	Cal	culate the following variances for the month of September.	
	(i)	Material price	
			•••••
			[2]
	(ii)	Material usage	
			•••••
			[2]
	(iii)	Labour rate	
			•••••
			[2]
	(iv)	Labour efficiency	
			•••••
			[2]

(b)	Sug	Suggest one possible cause for each of the variances calculated in (a).				
	Ма	terial price variance				
	Ма	terial usage variance				
	Lab	oour rate variance				
	Lak	oour efficiency variance				
			[4]			
(c)	Cal	culate the following variances for the month of September.				
	(i)	Fixed overhead expenditure				
			[2]			
	(ii)	Fixed overhead volume				
			[2]			

For the month of October, Jack has calculated an adverse fixed overhead volume variance.

d)	Jack with more information about the performance of the business.
	[5

(e)	State two advantages and two disadvantages to Jack of using standard costing system.
	Advantage 1
	Advantage 2
	Disadvantage 1
	Disadvantage 2
	[4]

[Total: 25]

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