

Cambridge International AS & A Level

ACCOUNTING 9706/31

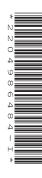
Paper 3 Financial Accounting

May/June 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.



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Source A for Question 1

Alan and Betty had been in partnership for many years, sharing profits and losses in the ratio of 3:2. The capital contributed by each partner was: Alan \$300000, Betty \$240000. The interest on capital is calculated at 4% per annum.

Their business was acquired by J Limited on 1 April 2022. J Limited took over all the assets except the bank account.

The following information relating to the assets taken over was available.

	Book	Revalued
	value	amount
	\$	\$
Premises	308 000	330 000
Equipment	85 000	73 000
Inventory	64 000	77 000
Trade receivables	92000	90000
	549 000	570 000

The value of goodwill was twice that of the partnership's profit for the year ended 31 March 2022.

Some information relating to the partners' current accounts for the year ended 31 March 2022 was as follows:

	Balance at		Residual
	1 April 2021	Drawings	profit shared
	\$	\$	\$
Alan	7000 credit	32000	24 240
Betty	2600 credit	34 000	16 160

The partnership paid \$37000 in full settlement of the trade payables of \$39000 on 31 March 2022 out of the partnership's bank account.

The purchase consideration was settled as follows:

- 1 Both partners received sufficient 8% debentures to give the same amount of interest on capital as they had been entitled to in the partnership.
- **2** Each partner received 150 000 ordinary shares of \$1 each. These shares had a value of \$1.30 per share.
- 3 The balance was settled in cash and paid into the partnership bank account.

The partners also agreed that if there was any deficit on a partner's capital account, the partner would pay cash in to the partnership bank account to make up for the deficit.

Source B for Question 2

The directors of Z plc provided the following information.

For the year ended 31 December 2022

Revenue (all credit sales)	\$825 000
Purchases (all on credit)	\$405000
Non-current asset turnover	1.6 times
Interim dividend paid (per share)	\$0.30
Final dividend proposed (per share)	\$0.15
Gross profit margin	48%
Dividend yield	4%
Price / earnings ratio	18

At 31 December 2022

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	\$
Inventory	44 000
Trade receivables	76400
Trade payables	32900
Cash at bank	81000
6% debenture (2026)	100 000
Ordinary share capital (\$1 shares)	300 000
Share premium	30 000

Source C for Question 3

The directors of W Limited, a manufacturing company, have provided the following information for the year ended 31 December 2022.

	\$
Revenue	984 000
Purchases of raw materials	198 000
Direct labour	164 000
Carriage inwards	3100
Carriage outwards	6200
Factory overheads	98 000
Administrative expenses	223 500
Selling and distribution costs	84 000
Rent and rates	74 000
Factory machinery (at cost)	144 000
Office equipment (at cost)	66 000
Delivery van (at cost)	48 000
Inventories (at cost) at 1 January 2022	
Raw materials	8 000
Work in progress	17 300
Finished goods	45 000
Provision for depreciation at 1 January 2022	
Factory machinery	84 000
Office equipment	32000
Delivery van	28800

The following information is also available.

- 1 W Limited maintained a provision for unrealised profit account.
- 2 At 31 December 2021, finished goods were transferred to the trading section of the statement of profit or loss at cost plus 20%.
- 3 At 31 December 2022, finished goods were transferred from the manufacturing account to the trading section of the statement of profit or loss at a transfer value of \$632400.
- 4 Inventories were valued at cost on 31 December 2022 as follows:

Ψ
10500
16900
52000

- 5 Rent, \$6000, was accrued on 31 December 2022. Rent and rates are to be split between the factory overheads, the administrative expenses and the selling and distribution costs in the ratio of 5:2:3 respectively.
- 6 Depreciation is to be provided as follows:

Factory machinery – 15% per annum using the reducing balance method Office equipment – 15% per annum using the reducing balance method Delivery van – 20% per annum using the straight-line method

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