



**Cambridge International Examinations**  
Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE  
NAME

CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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**ACCOUNTING**

**9706/32**

Paper 3 Structured Questions

**February/March 2018**

QUESTION PAPER

**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.



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**(b)** Prepare an extract from the statement of financial position at 31 January 2018 to show how inventories are recorded.

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..... [3]

(c) State **two** accounting concepts relating to the provision for unrealised profit.

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(d) (i) Explain why it is important for Marco to create a provision for unrealised profit.

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(ii) Analyse the effect on profit if Marco does **not** create a provision for unrealised profit.

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[Total: 25]



(ii) joint venture account with Raj in John's books of account.

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(c) State **one** benefit to **both** Raj and John of setting up a joint venture.

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- (ii) Prepare a statement to calculate the expected additional profit R Limited will make for the year ended 31 December 2018 if it buys Joe Tu's business.

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**Additional information**

- 1 Purchase consideration will be \$180 000 payable to Joe Tu by issuing 150 000 ordinary shares of R Limited.
- 2 R Limited will take over Joe Tu’s assets and liabilities, except the bank account, at the following values:

	\$
Land and buildings	139 000
Plant and equipment	14 000
Inventory	40 000
Trade receivables	36 000
Trade payables	67 000

- 3 The directors of R Limited will also revalue their own land and buildings upwards by \$28 000.

**(b)** State why a business may revalue its assets when it is being purchased by another business.

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**(c)** Prepare the statement of financial position of R Limited at 31 December 2017 if Joe Tu’s business was purchased by it on that date.

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**Question 4**

**Read Source A4 in the Insert.**

(a) Distinguish between the roles of the shareholders and the directors of a limited company.

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(b) State **one** reason why a sole trader does not require an audit of their financial statements.

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(c) Calculate the adjusted profit for the year ended 31 December 2017.

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(d) Explain the accounting treatment of information items 1 and 2.

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(e) Prepare the statement of changes in equity for the year ended 31 December 2017.

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**Additional information**

The directors are trying to obtain a bank loan for expanding the business. The bank has requested the audited financial statements for the last three years.

(f) Advise the directors whether or not the audited financial statements provide all the information required in order for the bank to make its decision. Justify your answer.

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[Total: 25]











**Question 6**

**Read Source B2 in the Insert.**

- (a) Explain the difference between the net present value and payback methods of investment appraisal.

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- (b) Calculate:

- (i) the payback period for Machine B

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