



Cambridge International AS & A Level

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

9706/32

Paper 3 Structured Questions

October/November 2020

3 hours

You must answer on the question paper.

You will need: Insert (enclosed)

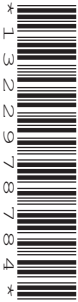
INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.
- You may use a calculator.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

INFORMATION

- The total mark for this paper is 150.
- The number of marks for each question or part question is shown in brackets [].
- The insert contains all of the required information and questions.

This document has **20** pages. Blank pages are indicated.



PLEASE TURN OVER

..... [19]

(b) Explain how a premium on an issue of shares is dealt with differently in a statement of cash flows as compared to the books of account of a company.

..... [3]

(c) State **three** reasons why a company might prepare a statement of cash flows.

1

2

3

..... [3]

[Total: 25]

3 Read Source A3 in the insert.

(a) Suggest **two** items, purchased by a business, which could be included in its intangible assets.

1

2 [2]

(b) Prepare, showing the adjustments made during the merger on 1 January 2020,

(i) the capital account of Babak

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..... [3]

(ii) the capital account of Alice.

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..... [6]

PLEASE TURN OVER

- (c) Explain why having cash sales and cash purchases might affect the usefulness of the working capital cycle ratio to the directors.

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..... [2]

- (d) Calculate the net working assets to revenue ratio.

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..... [4]

Additional information

The industry average for the net working assets to revenue ratio is 21%.

- (e) Compare your answer to (d) with the industry average. Suggest reasons for the difference.

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..... [3]

Additional information

One of the directors has suggested offering cash discount to credit customers.

- (f) Advise the directors whether or not the company should start offering cash discount to credit customers. Justify your answer.

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..... [3]

[Total: 25]

[Turn over

Additional information

Each unit of production requires five kilos of raw material. It is the policy of the company to keep an inventory of raw material sufficient for the production process for the first two weeks of the coming period.

The raw material costs \$10 per kilo.

(c) Prepare the purchases budget for **both** period 1 and period 2:

(i) in kilos

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..... [7]

(ii) in dollars.

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..... [2]

6 Read Source B2 in the insert.

(a) Calculate for the month of March:

(i) the amount of direct materials used (in kilos)

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..... [3]

(ii) the amount paid per kilo for the direct materials

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..... [3]

(iii) the labour rate variance

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..... [2]

(iv) the labour efficiency variance

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..... [2]

(v) the actual profit.

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..... [5]

(b) Prepare a statement reconciling the profit of \$476 000 from the flexed budget with the actual profit.

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..... [6]

(c) Name **two other** variances which the directors could calculate if they wished to do further analysis of the change in the fixed overheads.

1

2 [2]

(d) Suggest **one** reason for the company's:

(i) materials price variance

.....

..... [1]

(ii) materials usage variance.

.....

..... [1]

[Total: 25]

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