



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.

(c) Prepare for the year ended 31 December 2019:

(i) the **corrected** provision for unrealised profit account

..... [3]

(ii) the **corrected** income statement.

..... [9]

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]

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

.....
..... [2]

(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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