



Cambridge International AS & A Level

ACCOUNTING

9706/32

Paper 3 Financial Accounting

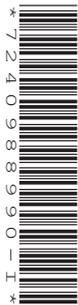
February/March 2025

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.



This document has **8** pages. Any blank pages are indicated.

Source A for Question 1

The statements of financial position of CF Limited were as follows:

| | At 31 December 2024 \$ | At 31 December 2023 \$ |
|-------------------------------------|------------------------------|------------------------------|
| Non-current assets | | |
| Office premises | 418 000 | 320 000 |
| Office equipment | 214 000 | 235 000 |
| Motor vehicles | 116 000 | – |
| | <u>748 000</u> | <u>555 000</u> |
| Current assets | | |
| Inventories | 88 000 | 54 000 |
| Trade receivables | 143 000 | 153 000 |
| Cash at bank | – | 4 800 |
| | <u>231 000</u> | <u>211 800</u> |
| Total assets | <u><u>979 000</u></u> | <u><u>766 800</u></u> |
| Equity and liabilities | | |
| Equity | | |
| Ordinary share capital (\$1 shares) | 400 000 | 300 000 |
| Share premium | – | 80 000 |
| General reserve | 30 000 | – |
| Revaluation reserve | 120 000 | – |
| Retained earnings | 207 000 | 245 800 |
| | <u>757 000</u> | <u>625 800</u> |
| Non-current liabilities | | |
| 8% debenture (2030) | 80 000 | – |
| Current liabilities | | |
| Trade payables | 104 000 | 81 000 |
| Bank overdraft | 38 000 | – |
| 12% debenture (2024) | – | 60 000 |
| | <u>142 000</u> | <u>141 000</u> |
| Total equity and liabilities | <u><u>979 000</u></u> | <u><u>766 800</u></u> |

The following information is available.

- 1 On 1 January 2024, the office premises had been revalued upwards by \$120 000.
- 2 On 1 September 2024, an old photocopier, with a carrying value of \$8400, was part exchanged for a new one with the cost of \$25 000. A loss on disposal of \$3500 was recorded.
- 3 Motor vehicles are depreciated at the rate of 20% per annum using the straight-line method.
- 4 Depreciation on non-current assets for the year ended 31 December 2024 had been made. A full year's depreciation is provided in the year of acquisition and none in the year of disposal.
- 5 On 1 February 2024, a bonus issue of shares was made of one ordinary share for every three shares held. Reserves were maintained in their most flexible form.
- 6 Dividends paid during 2024:

| | |
|----------|-------------------------------------------------------------------------------|
| 1 March | Final dividend of \$0.11 per share on all shares in issue at 31 December 2023 |
| 1 August | Interim dividend of \$0.06 per share on all shares in issue at 31 July 2024 |
- 7 The 12% debenture (2024) of \$60 000 was fully repaid on 30 June 2024. The 8% debenture (2030) of \$80 000 was issued on 1 July 2024. Debenture interest was paid every six months.
- 8 The general reserve was created on 31 December 2024.

Source B for Question 2

Ada and Brian had been in partnership for thirty years, sharing profits and losses in the ratio of 3:2 respectively. They agreed to sell their business to W Limited on 1 January 2025. W Limited took over all the assets except cash at bank. Trade payables were fully settled by the partnership at \$76 000.

The statement of financial position immediately prior to the sale of the partnership business was as follows:

| Statement of financial position at 31 December 2024 | | |
|-----------------------------------------------------|----------|---------|
| | \$ | \$ |
| Non-current assets | | |
| Equipment | 186 000 | |
| Motor vehicles | 55 000 | 241 000 |
| Current assets | | |
| Inventory | 73 000 | |
| Trade receivables | 94 000 | |
| Cash at bank | 14 000 | 181 000 |
| Total assets | | 422 000 |
| Capital account | | |
| Ada | 200 000 | |
| Brian | 150 000 | 350 000 |
| Current account | | |
| Ada | (10 000) | |
| Brian | 5 000 | (5 000) |
| Current liabilities | | |
| Trade payables | | 77 000 |
| Total equity and liabilities | | 422 000 |

The following information is also available.

- 1 The value of assets taken over by W Limited was agreed upon as:

| | \$ |
|-------------------|---------|
| Equipment | 174 000 |
| Motor vehicles | 48 000 |
| Inventory | 89 000 |
| Trade receivables | 91 000 |

- 2 The value of goodwill of the partnership was agreed at three times the average profit for the past three years. The profits of the partnership for the past three years were:

| Year | \$ |
|------|--------|
| 2024 | 37 100 |
| 2023 | 41 300 |
| 2022 | 44 600 |

- 3 The purchase consideration was fully satisfied by the issue of new ordinary shares of W Limited at a value of \$1.75 per share. The shares were to be allocated to the partners according to their profit and loss sharing ratio. Before the takeover, W Limited had five million \$1 ordinary shares in issue.

Source C for Question 3

B plc provided the following financial information for the year ended 31 December 2024.

Statement of financial position at 31 December 2024

| | \$ |
|-------------------------------------|---------------------------|
| Non-current assets | |
| Property, plant and equipment | <u>714 000</u> |
| Current assets | |
| Inventory | 78 000 |
| Trade receivables | 110 000 |
| Cash at bank | <u>24 500</u> |
| | <u>212 500</u> |
| Total assets | <u><u>926 500</u></u> |
| Equity | |
| Ordinary share capital (\$1 shares) | 500 000 |
| Retained earnings | <u>172 000</u> |
| | <u>672 000</u> |
| Non-current liabilities | |
| 10% debenture (2030) | <u>200 000</u> |
| Current liabilities | |
| Trade payables | <u>54 500</u> |
| Total equity and liabilities | <u><u>926 500</u></u> |

Extract of statement of profit or loss for the year ended 31 December 2024

| | \$ | \$ |
|----------------------------|-----------------|--------------------|
| Revenue | | 988 000 |
| Cost of sales | | |
| Inventory 1 January 2024 | 56 000 | |
| Purchases | 570 000 | |
| Inventory 31 December 2024 | <u>(78 000)</u> | |
| | | <u>548 000</u> |
| Gross profit | | <u>440 000</u> |
| Profit for the year | | <u>190 000</u> |

The following information is also available.

- 1 All sales revenue and purchases are on credit.
- 2 Dividends paid during the year:

| | \$ |
|-----------------------|--------|
| 2023 final dividend | 60 000 |
| 2024 interim dividend | 35 000 |

The 2024 proposed final dividend will be 10% higher than that of last year.

- 3 The market price of one ordinary share on 31 December 2024 was \$2.85.

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