

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

9706/32

Paper 3 Structured Questions

May/June 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.

Section A: Financial Accounting

Answer **all** questions.

Question 1

Read Source A1 in the Insert.

(a) Calculate for 2017:

(i) revenue for the year

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..... [1]

(ii) cost of sales for the year

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..... [1]

(iii) trade receivables at the year end

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..... [1]

(iv) average inventory at cost price.

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..... [3]

(b) State what is measured by the working capital cycle.

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..... [2]

(c) Calculate the working capital cycle for the year.

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Additional information

The directors of the business are considering a new strategy of increasing the selling price to \$90 per unit and offering 10% cash discount for payment in the month following sale. The directors believe that demand will be unchanged and that all customers will take the discount offered.

- (d) Calculate a revised working capital cycle for 2017 if this strategy had been implemented from the start of the year.

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- (e) Advise the directors whether or not they should proceed with this strategy. Justify your answer.

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[Total: 25]

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[15]

(b) Calculate the balance on the revaluation reserve account at 1 January 2017 following the revaluation.

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Additional information

There was a water leak in the company’s printing room in January 2018. This destroyed the new photocopier which was not insured.

(c) State how this should be treated in **both** 2017 financial statements **and** 2018 financial statements.

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..... [3]

(d) State what is meant by impairment loss in respect of non-current assets.

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[Total: 25]

Question 3

Read Source A3 in the Insert.

(a) Calculate the cost per unit to be used when valuing inventory.

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(b) Prepare the consignment account in the books of Y Limited for the year ended 31 December 2017.

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(ii) Calculate the net present value (NPV) of investing in the building, using Bob's estimation of the sale proceeds.

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(b) Calculate the sales proceeds at the end of year 4 which would result in a net present value (NPV) of zero.

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(c) Advise Jason whether or not he should proceed with investing in the building. Justify your answer.

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(d) State **two** reasons why the calculation of the payback period is a less useful investment appraisal technique than the calculation of net present value (NPV).

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[Total: 25]

PLEASE TURN OVER

Question 6

Read the Source B2 in the Insert.

(a) State **two** limitations of a standard costing system.

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..... [2]

(b) Calculate the following variances:

(i) direct materials price

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(ii) direct materials usage

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(iii) direct labour rate

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(iv) direct labour efficiency

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(v) fixed overhead expenditure

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(vi) fixed overhead volume

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[12]

Additional information

The directors are considering using higher quality wood and increasing the selling price.

(d) Advise the directors whether or not they should make these changes. Justify your answer.

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..... [3]

[Total: 25]

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