



Cambridge International AS & A Level

CANDIDATE
NAME

CENTRE
NUMBER

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ACCOUNTING

9706/31

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.

Workings:

[Empty box for workings]

[14]

Additional information

The factory manager has suggested that a rate of factory profit of 50% should be applied every year.

(d) Advise Barry whether or not he should apply a rate of factory profit of 50%. Justify your answer.

[Dotted lines for answer (d)]

[5]

(e) Explain where carriage on raw materials is recorded in the financial statements of a manufacturing business.

[Dotted lines for answer (e)]

[2]

[Total: 25]

[Turn over

2 Read Source A2 in the insert.

(a) Calculate the profit for the year ended 31 December 2019.

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..... [3]

(b) Prepare the **correct** equity and liabilities section of the **statement of financial position** at 31 December 2019.

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Workings:

[16]

Additional information

The financial statements of PL plc also contain a value for goodwill.

- (c) Explain the event which has taken place and caused the company to record the value for goodwill.

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..... [2]

- (d) State **two** other reasons why goodwill might arise.

1

2 [2]

- (e) Explain what is meant by the term 'audit'.

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..... [2]

[Total: 25]

3 Read Source A3 in the insert.

(a) Prepare the following in Maria's books of account.

(i) Consignment to Nakula account

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[5]

(ii) Consignment to Pedro account

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[4]

(b) Calculate the rate of commission paid to Pedro.

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Additional information

By the accounting year end, Pedro had remitted to Maria all the monies due to her from the consignment. However, Nakula had made no remittances of monies to Maria.

(c) Prepare the following in Maria's books of account.

(i) Nakula account

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..... [4]

(ii) Pedro account

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..... [4]

(d) Explain how unsold goods held by an agent are valued.

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..... [3]

(e) Calculate the number of units held in inventory by Nakula at 31 March 2020.

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..... [3]

[Total: 25]

4 Read Source A4 in the insert.

(a) Explain why the use of ratios may be helpful in analysing accounting data.

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..... [3]

(b) (i) Calculate, to **two** decimal places, TC plc's income gearing ratio.

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..... [2]

(ii) State what this ratio tells an investor about the risk of the company.

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..... [1]

(iii) Name **one** other ratio which assesses the relationship between fixed cost capital and total capital.

..... [1]

(c) (i) Calculate, to **two** decimal places, TC plc's dividend cover.

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..... [2]

(ii) State what this ratio tells an investor about the company's potential for capital growth.

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..... [1]

(d) (i) Calculate, to **two** decimal places, TC plc's dividend yield.

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..... [2]

(ii) State what this ratio tells an investor in the company who needs income.

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..... [1]

(e) Name and calculate the ratio which shows the amount of profit attributable to each ordinary share.

Name

Calculation

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..... [3]

(f) Name and calculate, to **two** decimal places, the ratio which measures the confidence investors have in the future of the business.

Name

Calculation

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..... [4]

Additional information

Fred is considering investing in TC plc. His brother says that in order to make a decision, Fred does **not** need to look at the income statement and statement of financial position, but only needs to look at the directors' report.

(g) Advise Fred whether or not he should follow his brother's advice. Justify your answer.

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[Total: 25]

PLEASE TURN OVER

6 Read Source B2 in the insert.

(a) Calculate the **total** revenue for **each** year for:

(i) the original plan

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..... [1]

(ii) the revised plan.

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..... [1]

Additional information

The majority of the running costs of the cruises will be fixed. Variable costs are expected to amount to \$30 for each ticket sold.

(b) Calculate the **total** variable cost for **each** year for:

(i) the original plan

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..... [2]

(ii) the revised plan.

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..... [2]

(e) Assess any concerns Samir might have about the revised plan.

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(f) Advise Samir whether or not he should implement the revised plan. Justify your answer.

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..... [3]

(g) Explain how sensitivity analysis helps in investment appraisal.

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..... [3]

[Total: 25]

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