



Cambridge International Examinations

Cambridge International Advanced Subsidiary and Advanced Level

CANDIDATE NAME				
CENTRE NUMBER		CANDIDATE NUMBER		

ACCOUNTING 9706/03

Paper 3 Structured Questions

For Examination from 2018

SPECIMEN 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 guestions.

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.



Section A: Financial Accounting Answer all questions

Question 1

Read Source A1 in the Insert.

(a)	Calculate the gain on realisation arising from the sale of the partnership.
	[5]
(b)	Calculate the amount in cash due to each partner on the sale of the partnership.
(D)	Calculate the amount in cash due to each partitler on the sale of the partitlership.
	[5]

(c)	Prepare the partnership bank account showing the entries to close the account.	
		•••••
		. [5]
ماء ۸	didio not information	
	a thinks it is unfair that Ayanda received more cash than she did.	
(a)	Give four reasons why it is fair that Ayanda received more cash than Bola.	
	1	
	2	
	3	
	4	
		. [4]

Additional information

Hetl Limited pays a dividend of \$0.25 per share each year. Surplus funds can be put on deposit in a bank and earn 6% interest a year.

Ayanda has accepted a job with Hetl Limited at a salary of \$20 000 a year.

(e)	Compare Ayanda's current income with his earnings as a partner.
	[5]
(f)	Suggest one non-financial reason why Ayanda might prefer to be an employee rather than a partner.

[Total: 25]

Read Source A2 in the Insert.

(a)	Prepare the consignment account in the books of Lee for the year ended 31 December 2013.
	[8]

(b)	Prepare Albert's account in the books of Lee for the year ended 31 December 2013.
	[6
(c)	Calculate the number of unsold lawn mowers Albert was holding on 31 December 2013.
	15

Additional information

Lee is considering whether to concentrate his efforts on sales in Indonesia or in Jamaica.

(d)	Advise Lee where to concentrate his sales effort. Support your answer with calculations.
	[6]

[Total: 25]

Read Source A3 in the Insert.

Prepare the statement of changes in 31 December 2012.	n equity for	Whittlesfo	ord plc fo	or the ye	ear end
	\$000	\$000	\$000	\$000	\$000
	am. 2012 was	an adiust	ina even	t or a nor	ı-adius

(d)	State three characteristics of an auditor's report.
	1
	2
	3
	[3]
Add	ditional information
stat	e auditor's report for Whittlesford plc did not give an unqualified opinion on the financial ements because \$150000 of investments included in non-current assets have become thless but have not been written off.
(e)	Assess the effect that this auditor's report will have on shareholders.
	[4]
	[Total: 25]

Read Source A4 in the Insert.

(a) Identify and calculate for **each** potential investor the ratio for ABC plc which would **particularly** interest him or her.

Investor	Ratio	Calculation of ratio
Jazgul		
Jackson		
Khan		
Madge		
Bernard		
		[10]

(b) Explain what the ratio you have calculated for **each** investor shows the investor.

Investor	Explanation
Jazgul	
Jackson	
Khan	
Madge	
Bernard	
	[10]

(c) Decide which is the most suitable investment for **each** investor.

Investor	Decision
Jazgul	
Jackson	
Khan	
Madge	
Bernard	

[5]

[Total: 25]

Section B: Cost and Management Accounting Answer all questions

Question 5

Read Source B1 in the Insert.

(a) Calculate the annual cash flows arising from the building of the extension.

Cash flows

Year 0	Year 1	Year 2	Year 3	Year 4	
\$	\$ \$		\$	\$	
 		1			

Additional information

Hanco's cost of capital is 10%. Discount factors are as follows.

Year	Discount factor
0	1.000
1	0.909
2	0.826
3	0.751
4	0.683

(b) Calculate the net present value (NPV) of building the extension. Round calculations to the nearest dollar (\$).

Year 0	Year 1	Year 2	Year 3	Year 4	Total	
\$	\$	\$	\$	\$	\$	

[8]

(c)	Advise Harko whether he should proceed with the extension, based on your figures from (b) .					
	[2]					
(d)	Outline why Harko might have doubts about proceeding with the extension, based on the NPV.					
	[3]					
(e)	Explain why Harko chose to use net present value as a basis for his decision rather than the payback method.					
	[4]					

[Total: 25]

Read Source B2 in the Insert.

	[
C	Calculate the actual total contribution achieved in April.
•	[
	repare a statement to reconcile the contribution from the flexed budget in (a) with the actu ontribution from (b) .

(d)	Suggest one reason why each of the following variances had arisen.					
	(i)	Material usage variance				
			[2]			
	(ii)	Labour rate variance				
			[2]			
(e)	Sta	ate two similarities in use between standard costing and activity based costing.				
	1					
			otal: 25]			

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