

CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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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 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 **15** printed pages, **1** blank page and **1** Insert.

Question 3

Read Source A3 in the Insert.

(a) Explain what is meant by keeping reserves in their most flexible form.

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..... [3]

(b) Prepare the statement of changes in equity for Whittlesford plc for the year ended 31 December 2012.

	\$000	\$000	\$000	\$000	\$000

[13]

(c) Explain whether the event on 17 January 2013 was an adjusting event or a non-adjusting event.

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..... [2]

(d) State **three** characteristics of an auditor's report.

- 1
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- 2
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- 3
- [3]

Additional information

The auditor's report for Whittlesford plc did not give an unqualified opinion on the financial statements because \$150000 of investments included in non-current assets have become worthless but have not been written off.

(e) Assess the effect that this auditor's report will have on shareholders.

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- [4]

[Total: 25]

Question 4

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
	\$	\$	\$	\$	\$

[8]

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).

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..... [2]

(d) Outline why Harko might have doubts about proceeding with the extension, based on the NPV.

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..... [3]

(e) Explain why Harko chose to use net present value as a basis for his decision rather than the payback method.

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..... [4]

[Total: 25]

Question 6

Read Source B2 in the Insert.

(a) Prepare the original budget and the flexed budget for April to show total budgeted contribution.

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[8]

(b) Calculate the actual total contribution achieved in April.

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[1]

(c) Prepare a statement to reconcile the contribution from the flexed budget in **(a)** with the actual contribution from **(b)**.

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[10]

(d) Suggest **one** reason why each of the following variances had arisen.

(i) Material usage variance

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..... [2]

(ii) Labour rate variance

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..... [2]

(e) State **two** similarities in use between standard costing and activity based costing.

1
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2
..... [2]

[Total: 25]

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