



Cambridge International AS & A Level

ACCOUNTING

9706/03

Paper 3 Financial Accounting

For examination from 2023

SPECIMEN INSERT

1 hour 30 minutes

INFORMATION

- This insert contains all of the resources 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 **6** pages.

Source A for Question 1

The finance director of Y Limited has provided the following statements of financial position for the years ended 31 December 2020 (draft) and 2019:

Y Limited
Statements of financial position

	2020 (draft) \$000	2019 \$000
Assets		
Non-current assets		
Premises	248	111
Plant and machinery	<u>34</u>	<u>52</u>
	<u>282</u>	<u>163</u>
Current assets		
Inventory	48	36
Trade receivables	46	49
Cash and cash equivalents	<u>40</u>	<u>14</u>
	<u>134</u>	<u>99</u>
Total assets	<u>416</u>	<u>262</u>
Equity and liabilities		
Equity		
Ordinary share capital (\$1 shares)	150	100
Share premium	20	–
Revaluation reserve	100	–
Retained earnings	<u>18</u>	<u>57</u>
Total equity	<u>288</u>	<u>157</u>
Non-current liabilities		
Bank loan	<u>95</u>	<u>70</u>
Current liabilities		
Trade payables	33	25
Taxation	<u>–</u>	<u>10</u>
	<u>33</u>	<u>35</u>
Total liabilities	<u>128</u>	<u>105</u>
Total equity and liabilities	<u>416</u>	<u>262</u>

The following information for the year ended 31 December 2020 was also available:

1 The loss from operations for the year was \$14 000.

2 Depreciation charged was:

	\$
Premises	2 000
Plant and machinery	11 000

3 Plant and equipment that had cost \$12 000 was sold for \$6000 during the year. Accumulated depreciation at the date of disposal was \$5000.

4 The premises were revalued upwards by \$100 000 on 1 April.

5 Bank interest charged in the statement of profit or loss and paid during the year was \$4000.

6 A final dividend of \$0.12 per ordinary share was paid on 31 March to shareholders on the register at 31 December 2019.

7 On 1 September the company made a rights issue of 1 new ordinary share for every 2 ordinary shares held at a premium of \$0.40. The rights issue was fully subscribed.

8 An interim dividend of \$0.06 per ordinary share was paid on 30 November to shareholders on the register at 31 October.

9 There was no provision for taxation for the year ended 31 December 2020.

Source B for Question 2

Z plc had the following balances at 1 January 2020:

	\$
Ordinary share capital (\$2 shares)	500 000
General reserve	40 000
Retained earnings	460 000
4% Debenture (repayable 2031)	400 000

Source C for Question 3

Amil and James are in partnership. Their statement of financial position on 1 January 2020 was as follows:

	\$
Assets	
Non-current assets	
Land and buildings	40 000
Office equipment	<u>16 000</u>
	<u>56 000</u>
Current assets	
Inventory	10 000
Trade receivables	19 000
Cash at bank	<u>6 000</u>
	<u>35 000</u>
Total assets	<u>91 000</u>
Capital and liabilities	
Capital Accounts	
Amil	43 000
James	<u>25 000</u>
	<u>68 000</u>
Non-current liabilities	
4% Loan from James	<u>9 000</u>
Current liabilities	<u>14 000</u>
Total liabilities	<u>23 000</u>
Total capital and liabilities	<u>91 000</u>

M Limited took over the business of the partnership of Amil and James on 1 January 2020.

The following information is also available:

- 1 The partners did not keep separate current accounts.
- 2 Amil and James shared profits and losses in the ratio 2 : 3 respectively.
- 3 The assets of Amil and James are to be valued at:

	\$
Land and buildings	50 000
Office equipment	14 000
Inventory	8 000
Trade receivables	16 000

- 4 Amil will take a computer valued at \$2500.
- 5 M Limited will take over all the remaining assets and liabilities of the partnership with the exception of James's loan and the cash at bank.
- 6 The terms of the sale are:
 - M Limited will issue a 6% debenture (2029) to cover the loan from James and to ensure his annual interest income remains the same.
 - The company will issue 50 000 ordinary shares of \$1 each at a premium of \$0.20 per share. These are to be allocated to Amil and James in their profit sharing ratios.
 - The balance of the sale proceeds will be \$20 000 and will be paid into the partnerships' bank account.

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