CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/32**

Paper 3 Structured Questions **October/November 2025**

MARK SCHEME

Maximum Mark: 150

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1: Marks must be awarded in line with: • the specific content of the mark scheme or the generic level descriptors for the question • the specific skills defined in the mark scheme or in the generic level descriptors for the question • the standard of response required by a candidate as exemplified by the standardisation scripts.
GENERIC MARKING PRINCIPLE 2: Marks awarded are always **whole marks** (not half marks, or other fractions).
GENERIC MARKING PRINCIPLE 3: Marks must be awarded **positively**: • marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate • marks are awarded when candidates clearly demonstrate what they know and can do • marks are not deducted for errors • marks are not deducted for omissions • answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.
GENERIC MARKING PRINCIPLE 4: Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions: • The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer • If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown. • Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages. • Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.	
4 Annotation: • For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking. • For levels of response marking, the level awarded should be annotated on the script. • Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.	

Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
✓	Correct and relevant point made in answering the question.
✗	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repeat
A0	An extraneous figure
N0	No working shown
AE	Addition error (Arithmetic error)
R1	Required item 1
R2	Required item 2
OF	Own figure

Annotation	**Meaning**
EVAL	Evaluation
NAQ	Not answered question
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
Highlight	Highlight
Off page Comment	Off page comment

Abbreviations and guidance
The following abbreviations may be used in the mark scheme:

OF = own figure. The answer will be marked correct if a candidate has correctly used their own figure from a previous part or calculation.

W = working. The working for a figure is given below. Where the figure has more than one mark associated with it, the working will show where individual marks are to be awarded.

CF = correct figure. The figure has to be correct i.e. no extraneous items have been included in the calculation

Extraneous item = an item that should not have been included in a calculation, including indirect expenses such as salaries in calculation of gross profit when there is one **OF** mark for gross profit'

Curly brackets, }, are used to show where one mark is given for more than one figure. If the figures are not adjacent, each is marked with a curly bracket and a symbol e.g. **}***

row = all figures in the row must be correct for this mark to be awarded

Marks for figures are dependent on correct sign/direction

Accept other valid responses. This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally
valid.

Question	Answer	Marks
1(a)	**Suggest <u>one</u> reason why QW plc might want to purchase the partnership.** Economies of scale / synergy **(1)** Greater geographical coverage **(1)** Increased market share / more customers / more sales **(1)** Diversification of markets **(1)** Elimination of competitors **(1)** **Max 1** **Accept other valid responses.**	**1**
1(b)	**Prepare the realisation account if <u>option 1</u> is adopted.**	**5**

Realisation account

	$			$	
Non-current assets	51 500	*	Trade payables	7 900	***(1) all three**
Current assets	20 900	*	Capital – Omira (motor vehicle)	12 200	**}****
Bank (legal fees)	3 100	**}**	Capital – Peter (motor vehicle)	5 200	**}**(1)**
Bank (redundancy pay)	20 000	**}(1)**	QW plc – purchase consideration	200 000	**(1)**
Capital – Omira (profit)	77 880	**}***			
Capital – Peter (profit)	51 920	**}*(1)OF**			
	225 300			225 300	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>

Calculate the amount of cash payable to or receivable from <u>each</u> partner if <u>option 1</u> is adopted.

<table>
<tr><th></th><th>Omira
$</th><th>Peter
$</th><th></th></tr>
<tr><td>Capital account</td><td>35 000</td><td>25 000</td><td>(1) both</td></tr>
<tr><td>Current account</td><td>(2 900)</td><td>6 000</td><td>(1) both</td></tr>
<tr><td>Realisation (profit)</td><td>77 880</td><td>51 920</td><td>(1)OF both</td></tr>
<tr><td>Realisation (vehicles)</td><td>(12 200)</td><td>(5 200)</td><td>(1) both</td></tr>
<tr><td>QW plc (Shares)</td><td>(50 000)</td><td>(50 000)</td><td>(1) both</td></tr>
<tr><td>Cash</td><td>47 780</td><td>27 720</td><td>(1)OF both</td></tr>
</table>

</td><td>6</td></tr>
<tr><td>1(d)</td><td>

Prepare the bank account of the partnership showing the entries to close the business if <u>option 1</u> is adopted.

Bank account

<table>
<tr><th></th><th>$</th><th></th><th></th><th>$</th><th></th></tr>
<tr><td>QW plc</td><td>100 000</td><td>(1)</td><td>Balance b/d</td><td>1 400</td><td></td></tr>
<tr><td></td><td></td><td></td><td>Legal fees</td><td>3 100</td><td>}</td></tr>
<tr><td></td><td></td><td></td><td>Redundancy pay</td><td>20 000</td><td>}(1)</td></tr>
<tr><td></td><td></td><td></td><td>Capital – Omira</td><td>47 780</td><td>}*</td></tr>
<tr><td></td><td></td><td></td><td>Capital – Peter</td><td>27 720</td><td>}*(1)OF</td></tr>
<tr><td></td><td>100 000</td><td></td><td></td><td>100 000</td><td></td></tr>
</table>

</td><td>3</td></tr>
</table>

Question	Answer	Marks
1(e)	**Assess <u>both</u> options put forward by QW plc for the acquisition, recommending the better option for the partners. Your answer should cover <u>both</u> financial and non-financial factors.** **Financial (Max 3)** The purchase consideration / realisation profit is higher for option 1 **(1).** The salaries on offer under option 1 would be attractive as they are very generous **(1).** Partners might prefer to own shares as they might increase in value over time **(1).** Partners might prefer to be in receipt of dividends as these might increase **(1).** Partners might prefer to receive debenture interest as it is fixed / payable whether profits are made or not **(1).** **Non-financial (Max 3)** Staff being made redundant may adversely affect the partners' reputation **(1).** Training new staff could be stressful **(1).** Option 1 provides voting rights **(1).** Partners may be hoping for a quiet retirement / do not want to work for an extra year **(1).** **Decision supported with a reason (1)** **Accept other valid responses.**	**5**

Question	Answer	Marks
1(f)	**Discuss this statement made by the director. Support your answer by referring to the relevant international accounting standard (IAS).** Provisions are covered in IAS 37 **(1).** A provision needs to be made if there is a greater than 50% likelihood (probable) of an obligation requiring settlement **(1).** The provision would be included in the financial statements of the company **(1).** If the likelihood is less than 50% (possible) it is a contingent liability **(1)** and it needs to be shown as a note to the financial statements **(1).** No action is needed if the likelihood is remote **(1).** The directors need to make an assessment of how likely it is that the staff will be made redundant **(1).** The directors might decide that the redundancy payment would not be material in relation to the size of the company and therefore not make the provision **(1).** **Max 5 (1 mark for IAS and 4 marks for discussion)** **Accept other valid responses**	5

Question	Answer	Marks
2(a)(i)	**Calculate the following for Company AZ to <u>two</u> decimal places.** **dividend per share** dividend per share $18 000/300 000 = $0.06 **(1)**	1
2(a)(ii)	**Calculate the following for Company AZ to <u>two</u> decimal places.** **Dividend cover** dividend cover $80 000/$18 000 = 4.44 times **(1)**	1

Question	Answer	Marks
2(b)	**Describe the type of investor who might prefer to invest in Company AZ rather than Company BY after considering these ratios. Give a reason for your answer.** Description **(max 2)** A long-term investor **(1)** who is prepared to wait to receive a capital gain **(1)** and accepts lower dividends now / expects increased dividends in the future **(1).** Reason Company AZ pays out a lower proportion of profit in the form of dividends / ploughs back a higher proportion of profit into the business / presents less risk **(1)** which may result in its expansion **(1).** **Accept other valid responses.** Answers on OF basis	**4**
2(c)	**Explain how the investor's decision might be different if Company AZ was paying interest of 12% per annum on a long-term loan of $440 000 while Company BY had interest cover of 9 times. Support your answer with relevant calculations.** Interest cover for Company AZ = $\frac{(80\,000 + 52\,800)\,\textbf{(1)}}{52\,800}$ = 2.52 times **(1)OF** This suggests that Company AZ is much more highly geared than Company BY **(1)** and therefore an investment in Company AZ is much riskier **(1)** and the company is more likely to go into liquidation if profit falls **(1).** **Max 2 for calculation and Max 2 for comments**	**4**

Question	Answer	Marks
2(d)	**Suggest <u>two</u> investment ratios a prospective investor might consider, other than dividend per share and dividend cover.** earnings per share **(1)** price/earnings **(1)** dividend yield **(1)** **Max 2**	**2**

Question	Answer	Marks
2(e)	**Advise the directors whether or not they should adopt ratio analysis to assess performance. Justify your answer.** Adopt (**Max 2)** Identify trends over time **(1)** Identify problem areas **(1)** Aids decision making by stakeholders e.g. investors **(1)** Comparison with other businesses **(1)** Don't adopt (**Max 2)** Based on historic data **(1)** Not necessarily comparable with other companies / companies may use different accounting policies **(1)** Doesn't take into account non-financial factors **(1)** Doesn't take into account external factors **(1)** Doesn't explain cause or reason **(1)** **Decision supported with a comment (1)** **Accept other valid responses**	**5**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(f)</td><td>Discuss whether the external auditors of a company would be interested in the ratios of a business.

The auditors may not be interested (1) as the ratios do not make up part of the financial statements (1) and the auditors do not have to give an opinion on them (1).

The auditors may be interested (1) to identify areas of concern where their attention should be directed (1).

Accept other valid responses.
Max 4</td><td>4</td></tr>
<tr><td>2(g)</td><td>State <u>two</u> differences between external and internal auditors.

<table>
<tr><td>External auditors</td><td>Internal auditors</td></tr>
<tr><td>Appointed by the shareholders (1)</td><td>Appointed by the company / directors (1)</td></tr>
<tr><td>Paid a fee / independent / hired (1)</td><td>Paid a salary / employee (1)</td></tr>
<tr><td>Should be professionally qualified (1)</td><td>May not be professionally qualified (1)</td></tr>
<tr><td>Usually perform one annual audit (1)</td><td>Usually audit throughout the year (1)</td></tr>
<tr><td>Give an opinion / audit report on the financial statements (1)</td><td>Review business practices and internal control measures and make recommendations (1)</td></tr>
</table>
Max 4</td><td>4</td></tr>
</table>

Question	Answer	Marks
3(a)	**State one reason why a business should treat some research and development costs as revenue expenditure.** Because there is no expectation that the expenditure will benefit future years **(1)** To comply with IAS 38 **(1)** To avoid profits/assets being overstated **(1)** For prudence **(1)** **Accept other valid responses** **Max 1**	**1**
3(b)	**Name two items, other than research and development expenditure, which might be included in a statement of financial position as an intangible asset.** Patent **(1)** Trademark / Logos / Brands **(1)** Licence **(1)** Goodwill **(1)** Copyright **(1)** **Accept other valid responses** **Max 2**	**2**

Question	Answer	Marks
3(c)	**Prepare the statement of cash flows for the year ended 31 December 2024 in accordance with IAS 7. Include in your answer a value for the amortisation (depreciation) of intangible assets.**	**22**

AP plc
Statement of cash flows for the year ended 31 December 2024

	$	$	
Profit from operations **W1**		178 000	**(1)**
Depreciation **W2**		36 000	**(3)**
Amortisation (depreciation) of intangible assets **W3**		9 000	**(2)**
Loss on disposal		10 000	**(1)**
Profit on disposal		(2 000)	**(1)**
Increase in inventory		(8 000)	**}**
Increase in trade receivables		(3 000)	**}**
Decrease in trade payables		(8 000)	**} (1)**
Cash from operations		212 000	
Interest paid **W4**		(5 000)	**(1)**
Tax paid		(21 000)	**(1)**
Net cash from operating activities		186 000	**(1)OF**

Question	Answer	Marks
3(c)	see table and workings below	

	$	$	
Cash flow from investing activities			
Purchases of machinery	(103 000)		**}**
Purchases of motor vehicles **W5**	(29 000)		**}(1)**
Expenditure on research and development	(90 000)		**(1)**
Proceeds of sale of machinery	13 000		**}***
Proceeds of sale of motor vehicles (7 + 2)	9 000		**}*(1)**
Net cash used in investing activities		(200 000)	**(1)OF**
Cash flow from financing activities			
Loan received	25 000		**}****
Share issue	125 000		**}**(1)**
Dividends paid **W6**	(145 000)		**(2)**
Net cash from financing activities		5 000	**(1)OF**
Net increase / (decrease) in cash and cash equivalents		(9 000)	**(1)**
Cash and cash equivalents at 31 December 2023		15 000	**}*****
Cash and cash equivalents at 31 December 2024		6 000	**} ***(1)**

W1 156 000 + 15 000 + 7000 = 178 000 **(1)**
W2 Premises (308 000 – 304 000) = 4000
Machinery (96 000 + 103 000 – 23 000 – 157 000) = 19 000
4000 **(1)** + 19 000 **(1)** + 13 000 **(1)** = 36 000
W3 58 000 + 90 000 **(1)** – 139 000 = 9000 **(1)**
W4 7000 + (4000 – 6000) = 5000 **(1)**
W5 (63 000 + 13 000 + 7000 – 54 000) = 29 000 **(1)**
W6 (102 000 – 93 000) **(1)** + (156 000 – 20 000) **(1)** = 145 000