Cambridge Assessment International Education

# Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

**ACCOUNTING** **9706/32**

Paper 3 Financial Accounting **October/November 2025**

**1 hour 30 minutes**

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 75.
- The number of marks for each question or part question is shown in brackets [ ].
- The insert contains all of the sources referred to in the questions.

This document has **16** pages. Any blank pages are indicated.

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**1 Read Source A in the insert.**

**(a)** Suggest **one** reason why QW plc might want to purchase the partnership.

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..... [1]

**(b)** Prepare the realisation account if **option 1** is adopted.

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..... [5]

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**(c)** Calculate the amount of cash payable to or receivable from **each** partner if **option 1** is adopted.

| | Omira<br>$ | Peter<br>$ |
|---|---|---|
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| ..... | ..... | ..... |
| Cash | ..... | ..... |

[6]

**(d)** Prepare the bank account of the partnership, showing the entries to close the business if **option 1** is adopted.

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..... [3]



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**(e)** Assess **both** options put forward by QW plc for the acquisition, recommending the better option for the partners. Your answer should cover **both** financial **and** non-financial factors.

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**Additional information**

One of the directors of QW plc has said that if the partners adopt option 2, then the company should record a provision for future redundancy payments for the partnership employees.

**(f)** Discuss this statement made by the director. Support your answer by referring to the relevant international accounting standard (IAS).

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..... [5]

[Total: 25]



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**2 Read Source B in the insert.**

**(a)** Calculate the following for Company AZ to **two** decimal places.

**(i)** dividend per share

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..... [1]

**(ii)** dividend cover.

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..... [1]

**(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 .....

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reason .....

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[4]

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**(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.

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..... [4]

**(d)** Suggest **two** investment ratios a prospective investor might consider, other than dividend per share and dividend cover.

1 .....

2 .....

[2]

**Additional information**

The directors of Company BY are considering adopting ratio analysis to assess the performance of the business.

**(e)** Advise the directors whether or not they should adopt ratio analysis to assess performance. Justify your answer.

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**(f)** Discuss whether the external auditors of a company would be interested in the ratios of a business.

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**(g)** State **two** differences between external and internal auditors.

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[4]

[Total: 25]

DO NOT WRITE IN THIS MARGIN

**3 Read Source C in the insert.**

**(a)** State **one** reason why a business should treat some research and development costs as revenue expenditure.

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..... [1]

**(b)** Name **two** items, other than research and development expenditure, which might be included in a statement of financial position as an intangible asset.

1 .....

2 .....
[2]

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**Additional information**

The following information is available for the company.

1 The statements of financial position of the company recorded the following values.

| | at 31 December 2024 $ | at 31 December 2023 $ |
|---|---|---|
| Non-current assets at carrying value | | |
| Premises | 304 000 | 308 000 |
| Machinery | 157 000 | 96 000 |
| Motor vehicles | 63 000 | 54 000 |
| | 524 000 | 458 000 |
| Intangible assets | 139 000 | 58 000 |
| | 663 000 | 516 000 |
| Current assets | | |
| Inventory | 84 000 | 76 000 |
| Trade receivables | 54 000 | 51 000 |
| Bank | 6 000 | 15 000 |
| | 144 000 | 142 000 |
| Total assets | 807 000 | 658 000 |
| Equity | | |
| Ordinary share capital ($1 shares) | 500 000 | 400 000 |
| Share premium | 25 000 | 0 |
| Retained earnings | 93 000 | 102 000 |
| General reserve | 50 000 | 30 000 |
| | 668 000 | 532 000 |
| Non-current liabilities | | |
| Bank loans | 85 000 | 60 000 |
| Current liabilities | | |
| Trade payables | 33 000 | 41 000 |
| Other payables | | |
| Tax charge for the year | 15 000 | 21 000 |
| Interest payable | 6 000 | 4 000 |
| | 54 000 | 66 000 |
| Total equity and liabilities | 807 000 | 658 000 |

2 Profit for the year ended 31 December 2024, after allowing for tax and for interest of $7000, amounted to $156 000. A dividend was paid and a transfer to the general reserve was made.

3 Premises are depreciated over the expected lifetime of the buildings.

New machinery costing $103 000 was purchased during the year. An old machine with a carrying value of $23 000 was sold for $13 000.

The depreciation charge for the year for motor vehicles was $13 000. One motor vehicle with a carrying value of $7000 was sold at a profit of $2000.



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**(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.

Workings:



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[22]

[Total: 25]

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