



# Cambridge International AS & A Level

CANDIDATE  
NAMECENTRE  
NUMBER

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## 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.



- ..... [1]

- [5]



- (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.

[3]

[3]





- (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.

..... [5]





### 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).

..... [5]

[Total: 25]



2 Read Source B in the insert.

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

(i) dividend per share

.....  
..... [1]

(ii) dividend cover.

.....  
..... [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 .....  
.....  
.....  
.....  
reason .....  
.....  
.....  
..... [4]



- (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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.....

..... [5]





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

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..... [4]

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

1 .....

.....

.....

.....

2 .....

.....

.....

.....

..... [4]

[Total: 25]



3 Read Source C in the insert.

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

.....  
..... [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]





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

- 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.



- (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:

[illegible]



[22]

[Total: 25]









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