



# Cambridge International AS & A Level

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NUMBER

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## ACCOUNTING

9706/33

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 **12** pages. Any blank pages are indicated.



1 Read Source A in the insert.

(a) Explain why a manufacturing business might decide to account for factory profit.

.....

.....

.....

..... [2]

(b) Explain the recording of the provision for unrealised profit in the statement of financial position.

.....

.....

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..... [2]

(c) Calculate the **rate** of factory profit applied in 2024.

.....

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..... [6]





- (d)** Calculate the profit for the year ended 31 December 2024. Start your answer with the gross profit shown in information point 5.

[8]





### Additional information

Faizan has been contacted by a new customer who wishes to place a special order. This order would increase sales volume by 50%, but Faizan's business is already working at 90% capacity.

- (e) Discuss the factors Faizan should consider before responding to the new customer. Support your answer by considering **two** ways in which he could fulfil the order.

..... [7]

[Total: 25]



## 2 Read Source B in the insert.

- (a) Complete the following table to calculate the profit for **each** six-month period **and** the profit for the year ended 31 December 2024.

|                    | January to June | July to December | Full year 2024 |
|--------------------|-----------------|------------------|----------------|
|                    | \$              | \$               | \$             |
| Revenue            |                 |                  |                |
| Cost of sales      |                 |                  |                |
| Gross profit       |                 |                  |                |
| Wages and salaries |                 |                  |                |
| Rent               |                 |                  |                |
| Depreciation       |                 |                  |                |
| Other expenses     |                 |                  |                |
| Profit             |                 |                  |                |

Workings:

[10]





- (b)** Discuss whether the decision to admit Sami into the partnership has benefited Aimee and Benny.

..... [5]

- (c)** Calculate the total income for Sami for the six-month period ended 31 December 2024.

..... [5]





### Additional information

To obtain all the capital he introduced into the partnership, Sami took out a long-term loan which was secured on his family home. Interest on this loan was payable at the rate of 8% per annum.

- (d)** Evaluate whether or not Sami's decision to join the partnership has benefited him. Justify your answer.

[5]

[Total: 25]



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

(a) Calculate, to **two** decimal places, the following ratios.

(i) dividend per share in 2024

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

(ii) dividend cover in 2024

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

(iii) gearing at 31 December 2024.

.....  
.....  
.....  
.....  
..... [2]

**Additional information**

The directors believed that if the company invested \$220 000 in new non-current assets on 1 January 2025 then the profit from operations would increase by 15%. They had considered two options for raising the necessary funds.

**Option 1**

To take out a long-term bank loan of \$220 000, at an annual interest rate of 10%. The company would continue to pay one dividend a year but would increase the dividend per share by \$0.01.

**Option 2**

To raise \$220 000 by issuing 160 000 new ordinary shares of \$1 each at a premium. These shares would be eligible to receive the annual dividend, but the dividend per share would remain at the 2024 level.



- (b) Calculate the expected annual profit from operations if the investment in new non-current assets takes place.

.....

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.....

.....

..... [2]

- (c) Calculate, to **two** decimal places, the dividend cover in 2025 **and** the gearing ratio at 31 December 2025 for **each** option.

|                | Option 1 | Option 2 |
|----------------|----------|----------|
| Dividend cover |          |          |
| Gearing ratio  |          |          |

Workings:





### Additional information

The directors decided to implement Option 1.

- (d)** Assess whether or not the directors made the right decision in choosing Option 1. Justify your answer.

[5]

[Total: 25]







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