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.

DC (SL) 341193/4

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]

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

	Omira $	Peter $
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
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]

(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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.... [5]

DO NOT WRITE IN THIS MARGIN

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]

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]

(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 ....

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2 ....

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[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.

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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]

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.

(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:

[22]

[Total: 25]

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