Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

2323785214

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.

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1 Read Source A in the insert.

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

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.... [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]

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

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.... [8]

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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]

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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]

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

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.... [5]

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

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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.

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.... [5]

[Total: 25]

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

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

(i) dividend per share in 2024

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.... [1]

(ii) dividend cover in 2024

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.... [1]

(iii) gearing at 31 December 2024.

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.... [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.

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(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:

[14]

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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.

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[Total: 25]

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