* 0000800000001 *

Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

* 7 2 4 0 9 8 8 9 9 0 *

ACCOUNTING **9706/32**

Paper 3 Financial Accounting **February/March 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.

© UCLES 2025

[Turn over

1 Read Source A in the insert.

(a) (i) State how a business creates a general reserve.

.....

..... [1]

(ii) Explain why a business would create a general reserve.

.....

.....

.....

..... [2]

(b) Prepare for the year ended 31 December 2024:

(i) a statement to show the profit from operations

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

BLANK PAGE

(ii) the statement of cash flows in accordance with IAS7.

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Workings:

[12]

Additional information

Before 2024, CF Limited contracted a transportation company to deliver goods to its customers. In 2024, the company terminated the contract and purchased two motor vehicles to take over the delivery services.

(c) Advise whether or not CF Limited has made a good decision to take over the delivery services. Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

[Total: 25]

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

BLANK PAGE

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

2 Read Source B in the insert.

(a) State **three** differences between goodwill and a tangible asset.

1 .....

.....

2 .....

.....

3 .....

.....

[3]

(b) Calculate the purchase consideration payable by W Limited.

.....

.....

.....

.....

.....

.....

.....

..... [3]

(c) Complete the capital accounts of Ada and Brian on **page 9**, showing the final settlement with the partnership's cash at bank account.

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN DO NOT WRITE IN THIS MARGIN DO NOT WRITE IN THIS MARGIN DO NOT WRITE IN THIS MARGIN DO NOT WRITE IN THIS MARGIN

© UCLES 2025

* 0000800000009 *

Capital accounts

	Ada $	Brian $		Ada $	Brian $

Workings:

[8]

[Turn over

(d) Prepare the journal entry of W Limited to record the acquisition of the partnership business.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [2]

Additional information

In negotiating the terms of the sale of the business, Ada and Brian initially requested that goodwill be valued at five times the average profit of the last three years, but W Limited only offered two times. They finally reached an agreement of three times.

(e) Explain why W Limited did **not** accept the initial request for five times the average profit. Support your answer with relevant calculations.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN

Additional information

To satisfy the purchase consideration, Ada and Brian were offered two options by W Limited.

Option 1: fully satisfied by the ordinary shares of W Limited

Option 2: fully satisfied by cash

(f) Evaluate whether or not Ada and Brian made the right decision to choose option 1. Justify your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

[Total: 25]

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

3 Read Source C in the insert.

(a) State **three** limitations of using ratios to evaluate the performance of a business.

1 .....

.....

2 .....

.....

3.....

..... [3]

(b) Calculate, to **two** decimal places, the following ratios:

(i) dividend yield

.....

.....

.....

.....

.....

..... [4]

(ii) price/earnings (PE)

.....

.....

.....

.....

.....

..... [3]

DO NOT WRITE IN THIS MARGIN

(iii) gearing

.....

.....

.....

.....

.....

..... [2]

(c) Calculate the working capital cycle (round up each component to the **next** whole day).

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN

DO NOT WRITE IN THIS MARGIN

Additional information

X plc, a major competitor, has a shorter working capital cycle than B plc.

(d) Discuss the performance of B plc in managing its working capital cycle as compared with X plc.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

Additional information

X plc also has a PE ratio higher than B plc.

(e) Discuss the performance of B plc as measured by its PE ratio as compared with X plc.

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

[Total: 25]

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

BLANK PAGE

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

BLANK PAGE

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.