* 0000800000001 *

Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

* 0 3 6 4 5 7 8 4 6 4 *

ACCOUNTING **9706/32**

Paper 3 Financial Accounting **May/June 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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[Turn over

1 Read Source A in the insert.

(a) Prepare the manufacturing account for the year ended 31 December 2024.

[8]

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(b) Prepare the statement of profit or loss for the year ended 31 December 2024.

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(c) **(i)** Explain why unrealised profit occurs in some manufacturing businesses.

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..... [2]

(ii) Explain why the provision for unrealised profit is accounted for in the statement of financial position.

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..... [3]

Additional information

Nadim plans to incorporate his business. His only concern is that the financial statements may then have to be audited.

(d) Advise Nadim whether or not he should incorporate his business in view of his only concern. Justify your answer.

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[Total: 25]

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2 Read Source B in the insert.

(a) State the conditions of recognising a provision in the financial statements in accordance with IAS 37.

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(b) Prepare a statement to adjust the draft profit for the year ended 31 December 2024 after considering the information in matters 1 to 5. Use the space provided for workings to show your workings.

Workings:

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(c) Prepare the journal entry to record the impairment loss of delivery Van A.
A narrative is **not** required.

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Additional information

In December 2024, a company made a claim against GT plc for the infringement of patent rights relating to the goods GT plc sold in 2024. The outcome of the claim and the amount involved are still uncertain. The directors suggest that no dividend for the year 2024 should be paid even though dividends had been paid every year in the past.

(d) Advise the directors whether or not GT plc should pay the 2024 dividend. Justify your answer.

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[Total: 25]

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3 Read Source C in the insert.

(a) (i) State **two** reasons why a business may have goodwill.

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2 .....

..... [2]

(ii) State **one** reason why Chandra has to pay for the goodwill.

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..... [1]

(b) State **three** reasons why a goodwill account is **not** maintained in the partnership's books.

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(c) Calculate the amount payable to Betty on 1 January 2025.

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(d) Calculate the amount of cash introduced by Chandra on 1 January 2025.

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(e) Prepare the statement of financial position of the new partnership at 1 January 2025.

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