



# Cambridge International AS & A Level

CANDIDATE  
NAME
CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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## 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.

- ..... [1]

- ..... [2]

- ..... [5]

\* 0000800000003 \*



3

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This image shows a full page of a worksheet designed for handwriting practice. It features approximately 20 horizontal dashed lines spaced evenly across the page, providing a guide for letter height and placement. The background is plain white, and there are no other markings or text present.



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Workings:



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

[5]

[Total: 25]

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7

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2 Read Source B in the insert.

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

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[3]

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

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[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.







Capital accounts

	Ada \$	Brian \$		Ada \$	Brian \$

Workings:





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

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..... [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.

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..... [4]





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]

**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]





(iii) gearing

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

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..... [4]



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

..... [5]

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

[4]







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