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CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/31**

Paper 3 Structured Questions **October/November 2025**

MARK SCHEME

Maximum Mark: 150

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct and relevant point made in answering the question.
	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repeat
A0	An extraneous figure
N0	No working shown
AE	Addition error (Arithmetic error)
R1	Required item 1
R2	Required item 2
OF	Own figure
EVAL	Evaluation
NAQ	Not answered question
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
Highlight	Highlight
Off page Comment	Off page comment

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Abbreviations and guidance
The following abbreviations may be used in the mark scheme:

OF = own figure. The answer will be marked correct if a candidate has correctly used their own figure from a previous part or calculation.

W = working. The working for a figure is given below. Where the figure has more than one mark associated with it, the working will show where individual marks are to be awarded.

CF = correct figure. The figure must be correct i.e. no extraneous items have been included in the calculation

Extraneous item = an item that should not have been included in a calculation, including indirect expenses such as salaries in calculation of gross profit when there is one **OF** mark for gross profit'

Curly brackets, }, are used to show where one mark is given for more than one figure. If the figures are not adjacent, each is marked with a curly bracket and a symbol e.g.} *****

row = all figures in the row must be correct for this mark to be awarded

Marks for figures are dependent on correct sign/direction

Accept other valid responses. This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally
valid.

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Question	Answer	Marks
1(a)(i)	**Explain the reason for the treatment of the following entries in the research and development account:** **statement of profit or loss** This is the amount treated as revenue expenditure/written off as an expense **(1)** plus reason such as: because it is pure research/costs for an item which cannot be shown to be capable of being sold / gives no future benefit **(1).**	**2**
1(a)(ii)	**Explain the reason for the treatment of the following entries in the research and development account:** **balance c/d.** This is the amount treated as capital expenditure **(1)** plus reason such as: because it could be demonstrated to improve the company's product / gives future benefit **(1).**	**2**
1(b)(i)	**State the reason for the following entries in the retained earnings account:** **ordinary share capital** funding all or part of a bonus issue of shares **(1)**	**1**
1(b)(ii)	**State the reason for the following entries in the retained earnings account:** **statement of profit or loss.** transfer to retained earnings of the loss for the year **(1)**	**1**
1(c)	**Complete the following table to show the recoverable amount and any impairment loss for <u>each</u> vehicle.**	**6**

vehicle	carrying amount $	recoverable amount $	impairment loss $
A	16 800	15 600 **(1)**	1 200 **(1)**
B	24 100	22 400 **(1)**	1 700 **(1)**
C	22 800	25 600 **(1)**	0 **(1)**

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Question	Answer	Marks
1(d)	**Prepare the statement of profit or loss for the year ended 31 December 2024 in accordance with IAS1.**	**8**

Statement of profit or loss for the year ended 31 December 2024

	$	
Revenue	802 600	
Cost of sales **W1**	547 600	**(1)**
Gross profit	255 000	
Distribution costs **W2**	67 200	**(2)**
Administrative expenses **W3**	195 500	**(3)**
Loss from operations	7700	**(1)**
Finance costs	4 500	
Loss for the year	12 200	**(1)**

W1 6 300 + 541 300 = 547 600

W2

	$	
Rent of warehouse	5 000	
Wages of delivery drivers	11 200	
Other distribution costs	32 000	
Depreciation	16 100	**}**
Impairment loss	2 900	**} (1) OF**
	67 200	**(1) OF**

W3

	$	
Increase in allowance for irrecoverable debts	2 400	**(1)**
Rent of offices	11 000	
Amortisation (depreciation) of intangible assets	500	
Wages of administrative staff	31 800	
Depreciation of office equipment	21 100	
Other administrative expenses	71 600	
Research and development	57 100	**(1)**
	195 500	**(1) OF**

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Question	Answer	Marks
1(e)	**Advise the directors whether or not the company should pay a dividend. Justify your answer.** **For (Max 2)** Would please shareholders **(1)** Bonus issue of shares may not have satisfied shareholders **(1)** Would improve reputation of and confidence in the company **(1)** If the research and development was a 'one off' the company may well return to profitability in the coming year **(1)** **Against (Max 2)** Cash may not be available to pay the dividend **(1)** If company continues to makes losses there might soon be no distributable reserves **(1)** and will not be able to invest in growth **(1)** Shareholders have already received a bonus issue **(1)** **Decision supported with a comment (1)** **Accept other valid responses.**	**5**

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Question	Answer	Marks
2(a)	**Discuss the significance of changes in membership and the effect on the club's funds with reference to the entries in these ledger accounts.** The number of members paying annual subscriptions has fallen from 397 to 386/by 11 **(1).** The amount received has nevertheless increased **(1)** because of fluctuations in the number of members in arrears **(1).** In 2022 the amount received was less than the amount earned / in 2023 the amount received was more than the amount earned **(1).** Numbers taking out life membership rose **(1)** from 1 in 2022 to 4 in 2023 **(1).** Life membership fees are released to income over a period of 10 years **(1).** The club will earn less income per year from a life member than from a member paying an annual subscription **(1).** However, the earlier receipt of funds could help cash flow/ameliorate any overdraft **(1).** Life membership reduces the number of members paying in arrears **(1).** **Accept other valid responses** **Max 6**	**6**
2(b)	**Prepare the income and expenditure account for the year ended 31 December 2024.** Income and expenditure account for the year ended 31 December 2024 Income — $ — $ Annual subscriptions (19600 + 250 – 100) — 19 750 **(1)** Life membership fees (8 × 40) — 320 **(1)** Profit from tournaments **W1** — 1 297 **(4)** 21 367 Expenditure Rent — 12 000 **(1)** Wages — 3 832 **(1)** Other operating costs — 4 890 20 722 Surplus — 645 **(1)OF** **W1** — $ purchases (5460 + 625 – 800) — 5 285 **(1)** increase in inventory of prizes (50 – 490) — (440) **(1)** wages (20% × 4790) — 958 **(1)** 5 803 receipts — 7 100 1 297 **(1)OF**	**9**

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Question	Answer	Marks
2(c)	**Calculate the accumulated fund at 31 December 2024.** $ Total assets 18 620 Life membership fund **W1** (2 640) **(2)** Bank overdraft (1 520) **(1)** Other liabilities (270+625) (895) **(1)** Accumulated fund 31 December 2024 13 565 **(1) OF** **W1** $ Opening balance 1 760 **}** Bank 1 200 **} (1)** Transferred to income (320) **(1) OF** 2 640	**5**
2(d)	**Advise the committee members whether or not the club should adopt this suggestion. Justify your answer.** Advantages **(Max 2)** The shop profit would increase the surplus **(1).** Might raise the profile of the club **(1).** Might improve members' satisfaction with the club/increase membership **(1).** Disadvantages **(Max 2)** Start-up costs may be high **(1).** The overdraft would make difficult the purchase of the necessary inventory to start trading **(1).** Might be difficult to get volunteers to run the shop / paid staff would reduce profits **(1).** Might not have adequate space for storage etc. **(1).** There is a risk of losses **(1).** **Decision supported with a comment (1)** **Accept other valid responses**	**5**

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Question	Answer	Marks
3(a)	**Explain why a statement of cash flows usually starts with profit.** Because the statement reconciles profit with changes in cash and cash equivalents **(1)** to explain reasons why they differ **(1)** **Accept other valid responses.**	**2**
3(b)	**Calculate the profit from operations for the year ended 31 August 2025.** $ decrease in retained earnings (28 000) **(1)** transfer to general reserve 30 000 **(1)** finance costs **W1** 17 000 **(2)** profit from operations 19 000 **(1)OF** **W1** (12 000 + 6 000 – 3 000) **(1)** + 2 000 **(1)**	**5**

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Question	Answer	Marks
3(c)	**Complete the following table to explain the effect each action would have on the statement of cash flows.** **As part of the explanation indicate the section(s) of the statement of cash flows which would be affected.** **If an action does not affect the statement of cash flows explain why it does not affect it.**	**12**

Increasing selling prices, sales volume being unaffected: This would cause net cash from operating activities to increase **(1)** as it increases profit from operations **(1)**.
Making a bonus issue of shares This would not affect the statement of cash flows **(1)** as it does not involve a movement of funds/is funded from reserves rather than cash **(1).**
Paying a dividend This would decrease the cash from financing activities **(1)** as it involves an outflow/application of funds **(1).**
Doubling the quantity of raw materials kept in the manufacturing facility This would decrease the net cash from operating activities **(1)** as it involves an outflow/application of funds **(1).**
Selling a building, resulting in a profit on disposal The sale proceeds would increase the cash from investing activities **(1)** as it involves inflow of funds **(1).** Profit on disposal reduces cash from operating activities **(1)** as the profit element is included in cash inflow in investing activities **(1).**
Revaluing the remaining building, debiting both the asset account and the provision for depreciation account This would not affect the statement of cash flows **(1)** as it does not involve a movement of funds/credits the revaluation reserve rather than cash **(1).**

	Accept other valid responses.	
3(d)	**Suggest <u>two</u> methods of funding which would <u>not</u> be included in the cash flow from financing activities.** Bank overdraft **(1)** Trade credit **(1)** Payment by instalments **(1)** Rental / leasing as an alternative to purchase **(1)** **Max 2** **Accept other valid responses.**	**2**

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Question	Answer	Marks
3(e)	**State why it is important that the financial statements of Pl plc are prepared with professional competence and due care.** So that they give a fair presentation / true and fair view **(1)** To comply with International Accounting Standards / company legislation **(1)** facilitate comparisons / aid decision making **(1)** and to avoid the auditors making a qualified report **(1).** **Max 2** **Accept other valid responses.**	**2**
3(f)	**State the main difference between the responsibilities of the directors and the responsibilities of the auditor regarding the financial statements.** The directors are responsible for the preparation of the financial statements **(1)** and the auditor is responsible for reporting on them **(1).** **Accept other valid responses.**	**2**

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