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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

5997886510

ACCOUNTING **9706/31**

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.

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[Turn over

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1 Read Source A in the insert.

(a) Explain the reason for the treatment of the following entries in the research and development account:

(i) statement of profit or loss

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..... [2]

(ii) balance c/d.

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(b) State the reason for the following entries in the retained earnings account:

(i) ordinary share capital

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(ii) statement of profit or loss.

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Additional information

Depreciation of delivery vehicles for the year amounted to $16 100. After this had been provided, an impairment review of delivery vehicles was undertaken on 31 December 2024. This showed the following:

	value in use $	potential sales value $	estimated selling costs $
Vehicle A	15 600	15 700	150
Vehicle B	21 900	22 600	200
Vehicle C	25 600	24 800	200

(c) Complete the following table to show the recoverable amount and any impairment loss for **each** vehicle.

	carrying amount $	recoverable amount $	impairment loss $
Vehicle A	16 800		
Vehicle B	24 100		
Vehicle C	22 800		

[6]

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Additional information

Other information for the year ended 31 December 2024 was as follows:

	$
Revenue	802 600
Decrease in inventory of finished goods	6 300
Increase in allowance for irrecoverable debts	2 400
Rent of warehouse	5 000
Rent of offices	11 000
Amortisation (depreciation) of intangible assets	500
Wages of administrative staff	31 800
Wages of delivery drivers	11 200
Finance costs	4 500
Cost of production	541 300
Depreciation of office equipment	21 100
Other administrative expenses	71 600
Other distribution costs	32 000

(d) Prepare the statement of profit or loss for the year ended 31 December 2024 in accordance with IAS 1.

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Workings:

[8]

Additional information

One of the directors has suggested that in the coming year the company should pay a dividend.

(e) Advise the directors whether or not the company should pay a dividend. Justify your answer.

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[Total: 25]

2 Read Source B in the insert.

(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.

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..... [6]

Additional information

The receipts and payments account of the club for the year ended 31 December **2024** was as follows:

	$		$
Annual subscriptions	19600	Balance b/d	1450
Life membership fees	1200	Rent	13000
Tournament entry fees	7100	Tournament prizes and trophies	5460
Balance c/d	1520	Wages	4620
		Other operating costs	4890
	29420		29420

The following additional information is also available.

1 Assets and liabilities included:

	1 January 2024 $	31 December 2024 $
inventory of tournament prizes and trophies	50	490
amounts owing for tournament prizes and trophies	800	625
rent paid in advance	0	1000
wages in arrears	100	270

2 On 31 December 2024, five members had **not** paid their annual subscriptions.

3 One-fifth of the wages expense was incurred in holding the tournaments.

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(b) Prepare the income and expenditure account for the year ended 31 December 2024.

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Workings:

[9]

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Additional information

The total assets of the club at 31 December 2024 amounted to $18 620.

(c) Calculate the accumulated fund at 31 December 2024.

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Additional information

The managing committee has received a suggestion that the club starts to operate a shop selling sports clothing and footwear to members.

(d) Advise the committee members whether or not the club should adopt this suggestion. Justify your answer.

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[Total: 25]

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3 Read Source C in the insert.

(a) Explain why a statement of cash flows usually starts with profit.

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(b) Calculate the profit from operations for the year ended 31 August 2025.

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Additional information

The directors are now considering taking a number of different actions to take effect in the year ending 31 August 2026.

(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 or sections 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.

Action: Increasing selling prices, sales volume being unaffected Explanation ....
Action: Making a bonus issue of shares Explanation ....
Action: Paying a dividend Explanation ....

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Action: Doubling the quantity of raw materials kept in the manufacturing facility

Explanation .....

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Action: Selling a building, resulting in a profit on disposal

Explanation .....

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Action: Revaluing the remaining building, debiting both the asset account and the provision for depreciation account

Explanation .....

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[12]

(d) Suggest **two** methods of funding which would **not** be included in the cash flow from financing activities.

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[2]

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(e) State why it is important that the financial statements of PI plc are prepared with professional competence and due care.

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(f) State the **main** difference between the responsibilities of the directors and the responsibilities of the auditor regarding the financial statements.

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[Total: 25]

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