CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/32**

Paper 3 Financial Accounting **February/March 2026**

INSERT **1 hour 30 minutes**

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INFORMATION

- This insert contains all of the sources referred to in the questions.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

This document has **4** pages.

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Source A for Question 1

Gustav and Vera had both been in business as sole traders for some years. They decided to join their businesses together and form a limited company, GV Limited.

The balances in their books of account on 31 January 2025 were as follows:

	Gustav **$**	**Vera** **$**
premises	60 000	nil
equipment	14 000	51 000
motor vehicles	8 500	19 860
inventory	4 140	11 200
trade receivables	3 300	9 960
bank	4 320	12 130
trade payables	2 620	11 330
capital	91 640	92 820

It was decided that both traders would pay the trade payables from their business bank accounts and then form the new company on 1 February 2025. The company took over all the assets of both businesses, including the bank accounts. The assets were revalued as follows:

	Gustav **$**	**Vera** **$**
premises	101 000	nil
equipment	11 500	51 000
motor vehicles	8 600	19 500
inventory	4 100	10 200
trade receivables	3 200	9 620

The company was formed with the issue of 280 000 ordinary shares of $1 each, which were shared equally between Gustav and Vera.

Source B for Question 2

CM Club is a social club which also runs a café for use by members. The summarised bank account for the year ended 31 December 2025 was as follows:

	$		$
café takings	10400	balance b/d	470
subscriptions	10100	café suppliers	6410
balance c/d	3230	non-current asset	1800
		heating and lighting	5420
		bank interest	190
		club manager's salary	7000
		other operating costs	2440
	23730		23730
		balance b/d	3230

The following additional information is available.

1 All sales in the café are made for cash. The café staff were paid $5200 out of these cash takings, and the remainder was paid into the bank.

2 Assets and liabilities of the club were:

	at 1 January 2025 $	at 31 December 2025 $
amounts owed to café suppliers	990	680
accrued heating and lighting	380	460
clubhouse	63000	63000
other non-current assets at cost	17800	?
provision for depreciation	3100	?
subscriptions in advance	300	200
subscriptions in arrears	800	1200
café inventory	350	390

3 The club does **not** provide depreciation on the clubhouse. Other non-current assets are depreciated using the reducing balance method at the rate of 10% per annum. A full year's depreciation is charged on assets acquired during the year.

4 Expenses charged to the café are one-third of total depreciation and 40% of the total cost of heating and lighting.

5 All subscriptions are paid into the bank account.

Source C for Question 3

Kenji owns a manufacturing business. He has applied a rate of factory profit of 10% since the business started. The accountant has prepared the following draft statement of profit or loss using that rate.

Draft statement of profit or loss for the year ended 31 December 2025

	$	$
revenue		485 000
opening inventory of finished goods (at transfer price)	22 000	
transfer price of manufactured goods	308 000	
purchases of finished goods	16 400	
	346 400	
closing inventory of finished goods (at transfer price)	(26 400)	
cost of sales		320 000
gross profit		165 000
factory profit		28 000
administrative expenses (including change in provision for unrealised profit)	(103 500)	
distribution costs	(68 200)	(171 700)
profit for the year		21 300

Further information relating to the year ended 31 December 2025 is as follows:

1 Costs included:

	$
machine operators' wages	91 600
supervisors' salaries	23 100
purchases of raw materials	101 000
general factory overheads	59 700
carriage inwards on raw materials	700

2 Inventories were:

	at 1 January 2025 **$**	**at 31 December 2025** **$**
raw materials	6 000	5 200
work in progress	13 300	?

