Cambridge International AS & A Level

ACCOUNTING **9706/32**

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

MARK SCHEME

Maximum Mark: 75

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 February/March 2026 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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.

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.

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.

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
AO	An extraneous figure
NO	No working shown
AE	Addition error (Arithmetic error)
R1	Required item 1
R2	Required item 2
OF	Own figure

Annotation	**Meaning**
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

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 has to 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.

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>Prepare Gustav’s capital account showing the entries to close his books of account.

Capital account – Gustav
<table><tr><td></td><td>$</td><td></td><td></td><td>$</td><td></td></tr><tr><td>GV Limited</td><td>140 000</td><td>(1)</td><td>Balance b/d</td><td>91 640</td><td>(1)</td></tr><tr><td></td><td></td><td></td><td>Realisation</td><td>48 360</td><td>(1)</td></tr><tr><td></td><td>140 000</td><td></td><td></td><td>140 000</td><td></td></tr></table></td><td>3</td></tr>
<tr><td>1(b)</td><td>Analyse whether it was reasonable for the shares to be held equally by Gustav and Vera. Support your answer with a calculation of the value of goodwill which arose from the acquisition by the company of <u>each</u> of the sole trader businesses.

Calculations
Goodwill arising from the acquisition of Gustav’s business = 140 000 – (101 000 + 11 500 + 8 600 + 4 100 + 3 200 + 4 320 – 2 620) = $9 900 (1)
Goodwill arising from the acquisition of Vera’s business = 140 000 – (51 000 + 19 500 + 10 200 + 9 620 + 12 130 – 11 330) = $48 880 (1)

Comments (Max 2)
The two traders had almost equal capital before realisation (1)
Vera’s business brought a lower value of assets to the company so could have warranted a smaller proportion of the shares (1)
The goodwill figures would have changed if the division of shares had been different (1)
The company may believe that future profits arising from the acquisition of Vera’s business will be greater than those arising from the acquisition of Gustav’s business (1)

Plus any two of:
Vera’s business might have had a better reputation than Gustav’s (1)
Vera might have rented premises which are in a better location than Gustav’s (1)
Vera’s workforce might have been more skilled than Gustav’s (1)

Accept other valid responses.</td><td>6</td></tr>
</table>

Question	Answer	Marks
1(c)	**Prepare the statement of financial position of GV Limited on 1 February 2025.**	**5**

GV Limited
Statement of financial position at 1 February 2025

	$	
Assets		
Goodwill	58 780	**(1)OF**
Tangible non-current assets		
Premises	101 000	**}**
Equipment	62 500	**}**
Motor vehicles	28 100	**}(1)**
	250 380	
Current assets		
Inventory	14 300	**}**
Trade receivables	12 820	**}(1)**
Bank	2 500	**(1)**
	29 620	
Total assets	280 000	
Equity		
Ordinary shares	280 000	**(1)**
Total equity	280 000	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>

Prepare the summarised statement of financial position at 31 January 2026.

GV Limited
Statement of financial position at 31 January 2026

	$	
Assets		
Non-current assets **W1**	313 081	**(1)OF**
Current assets **W2**	36 160	**(2)**
Total assets	349 241	
Equity		
Ordinary shares	280 000	
Retained earnings **W3**	2 501	**(3)**
	282 501	
Non-current liabilities		
Bank loan	50 000	**(1)**
Current liabilities **W4**	16 740	**(1)**
Total equity and liabilities	349 241	

W1 321020 – write off 5 000 (CF) – goodwill 2 939 (OF) = 313 081 **(1)OF**
W2 31 250 + insurance claim 5 000 **(1)** + [bank 300 – debt 390] **(1)** = 36 160
W3 6080 – interest 250 **(1)** – debt 390 **(1)** – goodwill 2 939 **(1)OF** = 2 501
W4 66190 – overdraft 49 700 + interest 250 = 16 740 **(1)**

</td><td>8</td></tr>
<tr><td>1(e)</td><td>

Explain how your answer to <u>(d)</u> would be different if the company was less confident that the insurance claim would be successful.
The other receivables / current assets would reduce by $5 000 **(1)**.
In accordance with IAS 37 **(1)** this would be a contingent asset **(1)** and would be shown as a note to the accounts if success was considered probable **(1)** or ignored if only possible **(1).**

Accept other valid responses

Max 3.

</td><td>3</td></tr>
</table>

Question	Answer	Marks
2(a)	**Prepare the café statement of profit or loss for the year ended 31 December 2025.**	**6**

CM Club
Café statement of profit or loss for the year ended 31 December 2025

	$		$	
Revenue **W1**			15 600	**(1)**
Cost of sales:				
Café inventory at 1 January 2025	350			
Purchases **W2**	6 100	**(1)**		
	6 450			
Café inventory at 31 December 2025	(390)			
			6 060	**(1)OF**
Gross profit			9 540	
Wages of café staff	5 200			
Heating and lighting **W3**	2 200	**(1)**		
Depreciation **W4**	550	**(1)**	7 950	
Profit for the year			1 590	**(1)OF**

W1 10 400 + 5 200 = $15 600 **(1)**
W2 6 410 – 990 + 680 = $6 100 **(1)**
W3 (5 420 + 460 – 380) × 40% = $2 200 **(1)**
W4 (17 800 – 3 100 + 1 800) × 10% × 1/3 = $550 **(1)**

Question	Answer	Marks
2(b)	**Prepare the club's income and expenditure account for the year ended 31 December 2025.**	**6**

CM Club
Income and expenditure account for the year ended
31 December 2025

	$		$	
Income				
Subscriptions **W1**			10 600	**(2)**
Café profit			1 590	**(1)OF**
			12 190	
Expenditure				
Heating and lighting **W2**	3 300	**(1)**		
Bank interest	190			
Club manager's salary	7 000			
Other operating costs	2 440			
Depreciation **W3**	1 100	**(1)**	14 030	
Deficit			1 840	**(1)OF**

W1 10 100 + (1 200 – 800) **(1)** + (300 – 200) **(1)** = 10 600
W2 (2 200/0.4) × 0.6 = 3 300 **(1)**
W3 (550÷1/3) × 2/3 = 1 100 **(1)**

Question	Answer	Marks
2(c)	**Calculate the club's accumulated fund at 31 December 2025.**	**4**

	$	
Clubhouse	63 000	
Other non-current assets **W1**	14 850	**(1)OF**
Subscriptions in arrears	1 200	**}**
Café inventory	390	**}(1)**
Trade payables	(680)	**}**
Subscriptions in advance	(200)	**}**
Accrued heating and lighting	(460)	**}**
Bank overdraft	(3 230)	**}(1)OF**
Accumulated fund	74 870	**(1)OF**

W1 17800 – 3100 + 1800 – 1650 = 14 850 **(1)OF**

Question	Answer	Marks
2(c)	**Alternative presentation**	

	$	
Clubhouse	63000	
Other non-current assets	14700	**(1)**
Subscriptions in arrears	800	**}**
Café inventory	350	**}**
Trade payables	(990)	**}**
Subscriptions in advance	(300)	**}**
Accrued heating and lighting	(380)	**}**
Bank overdraft	(470)	**}(1)**
Deficit	(1840)	**(1)OF**
Accumulated fund	74870	**(1)OF**

Question	Answer	Marks
2(d)	**Advise the managing committee which option it should choose. Justify your answer.** **Option 1 (Max 2)** There would be a steady stream of income which would improve the deficit situation **(1).** The club lacks the funds to pay for the renovation **(1).** The rental income might not come in quickly enough to pay off the overdraft **(1).** Costs such as heating, lighting and insurance would be likely to increase **(1).** The activities of the tenant might interfere with the smooth running of the club **(1).** **Option 2 (Max 2)** Assuming the new premises cost less, then there could be a substantial net cash inflow **(1).** Running costs of smaller premises would be lower, reducing the deficit **(1).** Some members could be upset by the change or find themselves unable to access the new premises **(1).** There might be a lot of work needed to organise the move and inform everyone **(1).** The value of non-current assets will reduce / smaller space for facilities **(1).** The move might not be achieved quickly enough to satisfy the bank **(1).** **Decision** supported by a reason **(1).** **Accept other valid responses.**	**5**
2(e)	**Discuss the consequences of making this change.** It improves cash flow / liquidity **(1)** which may reduce irrecoverable debts **(1)**. It is likely to reduce the arrears **(1)** which have been increasing **(1).** The change might be welcomed by some members, but others might be unable/unwilling to pay in this way **(1).** There would be some work involved in setting up the arrangement **(1).** Once set up, it would be likely to reduce the administrative burdens of the treasurer/secretary **(1).** **Accept other valid responses** **Max 4**	**4**

Question	Answer	Marks
3(a)(i)	**Calculate the following for the year ended 31 December 2025:** **production cost of goods completed** 308 000 – 28 000 = $280 000 **(1)**	1
3(a)(ii)	**Calculate the following for the year ended 31 December 2025:** **cost of raw materials consumed** 6 000 + 101 000 + 700 – 5 200 = $102 500 **(1)**	1
3(a)(iii)	**Calculate the following for the year ended 31 December 2025:** **prime cost.** 102 500 + 91 600 = $194 100 **(1)OF**	1
3(b)	**Calculate the value of work in progress at 31 December 2025.**	3

	$	
Factory cost		
prime cost	194 100	
supervisors' salaries	23 100	
general factory overheads	59 700	
	276 900	**(1)OF**
Less cost of production	(280 000)	**(1)OF**
	(3 100)	
Add opening work in progress	13 300	
Closing work in progress	10 200	**(1)OF**

Question	Answer	Marks
3(c)	**Prepare the provision for unrealised profit account for the year ended 31 December 2025, using the rate of 20%.**	**3**

Provision for unrealised profit account

	$			$	
			Balance b/d	2 000	**(1)**
Balance c/d	4 800	**(1)**	Statement of profit or loss	2 800	**(1)OF**
	4 800			4 800	
			Balance b/d	4 800	

Question	Answer	Marks
3(d)	**Prepare a revised statement of profit or loss for the year ended 31 December 2025, using the rate of 20%.**	**5**

Revised 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 **W1**	336 000	**(1)**		
Purchases of finished goods	16 400			
	374 400			
Closing inventory of finished goods (at transfer price) **W2**	(28 800)	***(1) both**		
Cost of sales			345 600	
Gross profit			139 400	
Factory profit			56 000	**(1)**
Administrative expenses **W3**	(105 900)	**(2)**		
Distribution costs	(68 200)		(174 100)	
Profit for the year			21 300	

W1 308 000/1.1 × 1.2 = $336 000 **(1)**
W2 26 400/1.1 × 1.2 = $28 800 **(1)**
W3 103 500 – 400 **(1)** + 2 800 **(1)OF** = $105 900

Question	Answer	Marks
3(e)	**Advise Kenji whether or not he should change the rate of factory profit to 20%. Justify your answer.** **For Max (2)** It may mean that the transfer price mimics the buy in price more closely **(1).** It may help in assessing the profitability of the factory/give rise to a more realistic profit from manufacturing **(1).** **Against (Max 2)** It would breach the concept of consistency **(1).** It would distort the gross profit margin/It would be difficult to make meaningful comparisons with prior years **(1).** It would not increase the total profit of the business **(1).** **Decision** supported by a reason **(1)** **Accept other valid responses.**	**5**
3(f)	**Discuss why the loan interest should be recorded in the statement of profit or loss rather than the manufacturing account.** The manufacturing account is for the recording of production costs only **(1).** Loan interest is a financing expense rather than a production expense **(1).** If the rate of factory profit is constant it will increase the factory profit even though the factory is not being more efficient **(1).** It will make comparisons between the transfer price and the buy in price more difficult **(1).** If a constant mark-up is used it may compromise the competitiveness of the business's selling prices **(1).** It will distort the gross profit margin **(1).** **Max 5** **Accept other valid responses.**	**5**
3(g)	**State <u>one</u> reason why the accountant may go against the wishes of Kenji in this matter.** An accountant should act in an ethical/professional manner **(1)** and apply the principle of integrity **(1)** and work with competence and due care **(1).** **Max 1** **Accept other valid responses.**	**1**