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Cambridge International AS & A Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER			

ACCOUNTING **9706/22**

Paper 2 Fundamentals of Accounting **February/March 2026**

1 hour 45 minutes

You must answer on the question paper.

No additional materials are needed.

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. Do **not** use correction fluid or tape.
- Do **not** write on any bar codes.
- You may use an HB pencil for any rough working.
- You may use a calculator.
- You should present all accounting statements in good style.
- International accounting terms and formats should be used as appropriate.
- You should show your workings.

INFORMATION
- The total mark for this paper is 90.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **16** pages.

DC (CJ) 363427/1

1 Houssam owns a retail business. He does **not** maintain full accounting records. All sales are made on a cash basis. Purchases of goods for resale are made in cash and on credit.

At 1 January 2025, the business's assets and liabilities included the following:

	$
10% bank loan (repayable 2028)	8400
furniture and equipment at carrying value	20800
inventory	8792
other payable: general expenses	183
other receivable: rent	320
trade payables	4914

The following information is available for the year ended 31 December 2025.

1 The summary of receipts and payments shown on bank statements is as follows:

	$
receipts	
cash takings	79320
proceeds from disposal of equipment	945
	80265
payments	
additional equipment	3200
bank loan interest	630
carriage inwards	148
drawings	14880
general expenses	4410
rent	8380
trade payables	35724
	67372

2 There were unpresented cheques of $680 for payments to trade payables at the year end.

3 Payments to trade payables were made after deducting cash discounts of $390.

4 Cash takings were banked after making the following payments:

	$
drawings	2850
purchases of goods for resale	3172
wages	13860

5 The equipment sold during the year had a carrying value of $800 at the time of sale.

6 At 31 December 2025:

- furniture and equipment was valued at $19500
- rent of $510 was owing
- general expenses of $770 were prepaid
- the balance of trade payables was $5520
- inventory was valued at $11434.

(a) Calculate the total purchases of goods for resale for the year ended 31 December 2025.

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(b) Prepare the statement of profit or loss for the year ended 31 December 2025. Use the space provided to show your workings.

Houssam
Statement of profit or loss for the year ended 31 December 2025

Workings:

revenue
cost of sales
depreciation
general expenses
rent

[14]

(c) Explain, with reference to the relevant accounting concept, how drawings are treated in the financial statements of a business.

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(d) State **two** reasons why Houssam may have chosen **not** to maintain full accounting records.

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[2]

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Additional information

Houssam has now decided that he will need to maintain more detailed accounting records. He is considering using a computerised accounting system.

(e) Advise Houssam whether or not he should use a computerised accounting system. Justify your answer by considering the advantages and disadvantages of computerised accounting systems.

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[Total: 30]

2 A business has a year end of 31 December. On 1 January 2025, the business owned three vehicles.

vehicle	cost $	date of purchase
A	30 000	1 January 2023
B	24 000	1 July 2024
C	33 000	1 August 2024

Vehicles are depreciated by 20% per annum using the straight-line method. The policy is to provide depreciation on a month-by-month basis in the year of purchase but none in the year of sale.

(a) Calculate the total carrying value of vehicles at 1 January 2025.

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Additional information

On 1 September 2025, vehicle D, cost $35 000, was acquired. Vehicle A was given in part exchange, and the balance was settled by a bank transfer of $18 200.

(b) Prepare the vehicles at cost ledger account for the year ended 31 December 2025.

Vehicles at cost

date	details	$	date	details	$

[4]

(c) Calculate the profit or loss on disposal of vehicle A.

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(d) Explain **two** accounting concepts which are applied when non-current assets are depreciated.

concept 1 ....

explanation ....

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concept 2 ....

explanation ....

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[Total: 15]

3 The statement of financial position of N plc at 1 January 2025 included the following:

equity	**$**
issued capital: ordinary shares of $0.25 each	660 000
share premium	175 000
revaluation reserve	110 000
retained earnings	367 000
total equity	1 312 000

During the year ended 31 December 2025, the following took place:

1 April	Property was revalued at $740 000 from $880 000.
1 July	A bonus issue of 3 ordinary shares for every 5 ordinary shares held on this date was made. Reserves were maintained in their most flexible form.
1 September	A dividend of $0.02 per share was paid on all shares in issue at this date.
1 December	A rights issue of 1 ordinary share for every 3 ordinary shares in issue at this date was made. The shares were issued at $0.35 per share. The issue was fully subscribed.

The profit for the year ended 31 December 2025 was $92 500.

(a) Prepare the statement of changes in equity for the year ended 31 December 2025.

N plc
Statement of changes in equity for the year ended 31 December 2025

	share capital $	**share premium $**	**revaluation reserve $**	**retained earnings $**	**total $**
at 1 January 2025	660 000	175 000	110 000	367 000	1 312 000
at 31 December 2025					

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(b) Explain **two** advantages to a company of making a rights issue of shares rather than a new issue of shares.

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Additional information

The directors are considering creating a general reserve.

(c) Explain **one** reason for creating a general reserve.

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[Total: 15]

4 V Limited makes one type of product and uses marginal costing.

(a) Define **each** of the following terms:

(i) marginal cost

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(ii) stepped costs.

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Additional information

The following information is available about current production.

	per unit
selling price	$84
direct materials	3 kg at $8 per kg
direct labour	4 hours at $12 per hour

Units made and sold per month: 3600

Fixed costs per month: $28 260

(b) Calculate the current profit per month.

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Additional information

The directors have made the following decisions:

- Increase the labour rate per hour by 5%.
- Set a target profit per month of $18 000.
- Maintain current levels of production and sales.

The directors are aware that they will need to increase the selling price per unit as a result of these decisions.

(c) Calculate the **increase** in the selling price per unit in order to achieve the target profit.

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Additional information

At another factory, which also uses marginal costing, a different product is made. The following forecast information is available.

	per unit **$**
selling price	28
direct materials	9
direct labour	12

Units made and sold per month: 8000

Fixed costs per month: $28 700

The factory is currently operating at full capacity.

The directors have been informed of a large increase in direct material costs of 50% per unit. They are considering two options.

option A

- Alter the design of the product so that 20% less materials are required to make one unit.
- Increase monthly expenditure on advertising by $4000 as a result of which monthly demand should increase by 10%. The factory can operate in overtime conditions.
- In overtime conditions, direct labour is paid a premium of 40%.

option B

- Order all direct materials from a new supplier.
- Maintain current levels of production and sales.
- This supplier will also charge the increased cost per unit but is prepared to offer a trade discount of 30% for making bulk orders.

(d) Prepare marginal costing statements to show the **monthly** profit to be made for **each** option.

(i) option A

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(ii) option B

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Additional information

All direct materials are ordered from one supplier. Under option A, the Just in Time (JIT) method of inventory control is used. It is **not** possible to use JIT for option B.

(e) Advise the directors which option they should choose. Justify your choice by discussing **both** financial and non-financial factors.

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[Total: 30]