* 0000800000001 * DFD

CAMBRIDGE
International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

1517407967

ACCOUNTING **9706/32**

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

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. Do **not** use correction fluid or tape.
- 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 **16** pages.

1 Read **Source A** in the insert.

(a) Prepare Gustav's capital account showing the entries to close his books of account.

....

....

....

....

....

.... [3]

(b) 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 **each** of the sole trader businesses.

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

Workings:

[6]

(c) Prepare the statement of financial position of GV Limited on 1 February 2025.

[5]

Additional information

At the end of the first year of trading, GV Limited prepared a draft statement of financial position which showed the following summarised figures.

	$
non-current assets (tangible and intangible)	321 020
current assets	31 250
ordinary share capital	280 000
retained earnings	6 080
current liabilities	66 190

The following additional information is also available.

1 The draft figure for current liabilities included a figure for the bank overdraft of $49 700.

2 On 1 January 2026, the company had taken out a long-term bank loan of $50 000 on which interest was to be charged at the rate of 6% per annum. No entries had been made in the books for either the receipt of the loan or the accrued interest.

3 The company had started building an extension to its premises. On 31 January 2026, the builder working on the extension had an accident, resulting in equipment with a carrying value of $5000 being damaged beyond repair. No entries for this had been made in the books of account. The company had checked the insurance terms and conditions and was now 100% confident that it could claim this amount from the builder's insurer.

4 Goodwill was yet to be amortised (depreciated). It was considered to have a life of 20 years.

5 On 6 February 2026, a credit customer, who had owed $390 at the year end, was declared bankrupt.

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

Workings:

[8]

(e) Explain how your answer to **1(d)** would be different if the company was less confident that the insurance claim would be successful.

....

....

....

....

....

.... [3]

[Total: 25]

Turn over

2 Read **Source B** in the insert.

(a) Prepare the café statement of profit or loss for the year ended 31 December 2025.

Workings:

[6]

(b) Prepare the club's income and expenditure account for the year ended 31 December 2025.

....

....

....

....

....

....

....

....

....

....

....

....

....

....

Workings:

[6]

(c) Calculate the club's accumulated fund at **31 December 2025**.

....

....

....

....

....

....

....

....

....

....

....

.... [4]

Additional information

The club has had an overdraft facility with the bank for several years. The bank intends to withdraw that facility. Therefore, the managing committee wishes to improve the financial standing of the club.

The clubhouse contains several rooms which have **not** been used for years. The managing committee is considering two options.

option 1

To renovate the unused rooms and find a tenant for them.

option 2

To sell the clubhouse and with the proceeds buy smaller premises.

(d) Advise the managing committee which option it should choose. Justify your answer.

.... [5]

Additional information

The managing committee is considering a change in policy such that subscriptions are paid by direct debit.

(e) Discuss the consequences of making this change.

.... [4]

[Total: 25]

3 Read **Source C** in the insert.

(a) Calculate the following for the year ended 31 December 2025:

(i) production cost of goods completed

....

....

.... [1]

(ii) cost of raw materials consumed

....

....

.... [1]

(iii) prime cost.

....

....

.... [1]

(b) Calculate the value of work in progress at 31 December 2025.

....

....

....

....

....

....

....

....

....

.... [3]

Additional information

Kenji is considering increasing the rate of factory profit to 20%.

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

....

....

....

....

....

....

.... [3]

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

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

....

Workings:

[5]

(e) Advise Kenji whether or not he should change the rate of factory profit to 20%.
Justify your answer.

....

....

....

....

....

....

....

....

....

....

....

....

....

.... [5]

Additional information

Kenji plans to expand his business. He will take out a bank loan to finance the purchase of extra raw materials and additional factory machinery.

Kenji wants to include the loan interest in the manufacturing account. His accountant intends to record the interest in the statement of profit or loss.

(f) Discuss why the loan interest should be recorded in the statement of profit or loss rather than the manufacturing account.

....

....

....

....

....

....

....

....

....

.... [5]

(g) State **one** reason why the accountant may go against the wishes of Kenji in this matter.

....

....

....

.... [1]

[Total: 25]