

# Cambridge International AS & A Level

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**ACCOUNTING****9706/31**

Paper 3 Financial Accounting

**May/June 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.



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This document has **8** pages. Any blank pages are indicated.

**Source A for Question 1**

Y Limited manufactures furniture. The following balances have been extracted from the books of account of the company at 31 March 2026.

|                                              | \$      |
|----------------------------------------------|---------|
| plant and machinery at cost                  | 286 000 |
| office equipment at cost                     | 185 000 |
| provision for depreciation 1 April 2025      |         |
| plant and machinery                          | 154 000 |
| office equipment                             | 97 000  |
| inventory 1 April 2025                       |         |
| raw materials                                | 20 500  |
| work in progress                             | 34 000  |
| finished goods (at transfer price)           | 45 000  |
| revenue                                      | 988 000 |
| purchases of raw materials                   | 138 000 |
| direct wages                                 | 188 000 |
| indirect wages                               | 43 000  |
| royalty expenses                             | 8 300   |
| rent and rates                               | 132 000 |
| carriage inwards                             | 4 200   |
| carriage outwards                            | 12 200  |
| insurance                                    | 20 400  |
| administrative expenses                      | 233 000 |
| provision for unrealised profit 1 April 2025 | 9 000   |

The following information is also available.

- 1 It is the policy of the company to review each year whether the rate of factory profit is appropriate. They have decided to increase the factory profit rate for the year ended 31 March 2026 by 5%.
- 2 Inventory at 31 March 2026 is as follows:

|                                    | \$     |
|------------------------------------|--------|
| raw materials                      | 16 300 |
| work in progress                   | 28 000 |
| finished goods (at transfer price) | 65 000 |

- 3 Expenses are apportioned between the factory and office as follows:

|                | factory | office |
|----------------|---------|--------|
| rent and rates | 60%     | 40%    |
| insurance      | 75%     | 25%    |

- 4 Non-current assets are depreciated as follows:

|                     | rate per annum | method           |
|---------------------|----------------|------------------|
| plant and machinery | 15%            | reducing balance |
| office equipment    | 20%            | straight line    |

- 5 On 31 March 2026, rent and rates unpaid were \$13 000 and insurance paid in advance was \$4000.

**Source B for Question 2**

X plc provided the following information for the year ended 31 March 2026.

- |   |                                     |             |
|---|-------------------------------------|-------------|
| 1 | revenue                             | \$4 500 000 |
|   | non-current asset turnover ratio    | 6.25 times  |
|   | net working assets to revenue ratio | 4.45%       |

- 2 Equity and non-current liabilities at 1 April 2025:

|                             | \$             |
|-----------------------------|----------------|
| ordinary shares of \$1 each | 320 000        |
| share premium               | 30 000         |
| retained earnings           | <u>62 000</u>  |
| total equity                | <u>412 000</u> |
| non-current liabilities     |                |
| 8% bank loan                | <u>280 000</u> |

- 3 On 1 July 2025, a one-for-four bonus issue was made. It is the company's policy to keep its reserves in the most flexible form. No cash dividend was paid.
- 4 On 1 October 2025, a further 8% bank loan of \$175 000 was obtained.
- 5 Market price of one share was \$1.25 at the year end.
- 6 On 31 March 2026, the cash at bank balance was \$10 000.

**Turn over**

### Source C for Question 3

Z plc sells beauty products.

The draft statement of financial position of Z plc at 31 December 2025 is as follows:

|                                             | \$               |
|---------------------------------------------|------------------|
| non-current assets                          |                  |
| building – at cost                          | 480 000          |
| – accumulated depreciation 31 December 2025 | <u>(201 600)</u> |
|                                             | 278 400          |
| plant and machinery                         | 156 000          |
| training cost                               | <u>60 000</u>    |
|                                             | <u>494 400</u>   |
| current assets                              |                  |
| inventory                                   | 120 000          |
| trade receivables                           | 175 000          |
| cash at bank                                | <u>74 000</u>    |
|                                             | <u>369 000</u>   |
| total assets                                | <u>863 400</u>   |
| equity and liabilities                      |                  |
| share capital (\$1 ordinary shares)         | 600 000          |
| retained earnings                           | <u>121 400</u>   |
| total equity                                | <u>721 400</u>   |
| current liabilities                         |                  |
| trade payables                              | <u>142 000</u>   |
| total equity and liabilities                | <u>863 400</u>   |

The following issues have **not** yet been taken into consideration.

- 1 The building, with an estimated useful life of 50 years and no residual value, is depreciated by using the straight-line method. This building was revalued at \$510 000 on 1 January 2025. The revaluation on that date has **not** yet been accounted for.
- 2 Included in the plant and machinery is the carrying value of a machine of \$43 000. A review of the machine at the end of the year showed that it is expected to be sold for \$40 000, after incurring selling expenses of \$5 000. The estimated present value of future net cash inflows from using the machine is \$33 000.
- 3 During the year ended 31 December 2025, a training cost of \$80 000 was incurred. The directors are of the opinion that well-trained staff can bring benefits to the company in the coming years. The training cost had been classified as a non-current asset, and depreciation had been provided accordingly.
- 4 The inventory value of \$120 000 represents the total purchase cost of three types of inventories. Further details are on the next page.

| type  | condition | purchase cost<br>\$ | import tax<br>\$ | shipment insurance<br>\$ | storage<br>\$ | cost to repair<br>\$ | selling cost<br>\$ | estimated selling price<br>\$ |
|-------|-----------|---------------------|------------------|--------------------------|---------------|----------------------|--------------------|-------------------------------|
| A     | good      | 84 600              | 4800             | 2660                     | 1100          | –                    | 3400               | 144 000                       |
| B     | good      | 23 400              | –                | –                        | 820           | –                    | 2750               | 22 500                        |
| C     | damaged   | 12 000              | 850              | 720                      | 580           | 2800                 | 1010               | 10 000                        |
| total |           | 120 000             |                  |                          |               |                      |                    |                               |

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