

# Cambridge International AS & A Level

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**ACCOUNTING****9706/32**

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

The following is the receipts and payments account of City Leisure Club for the year ended 31 December 2025.

|                        | \$             |                         | \$             |
|------------------------|----------------|-------------------------|----------------|
| balance 1 January      | 36 000         | club equipment          | 32 000         |
| subscriptions          | 288 000        | café suppliers          | 36 500         |
| café takings           | 57 600         | café wages              | 13 000         |
| sale of club equipment | 6 700          | activities expenses     | 54 300         |
| life membership fees   | 50 000         | administrative expenses | 212 200        |
|                        |                | balance 31 December     | 90 300         |
|                        | <u>438 300</u> |                         | <u>438 300</u> |

The following information is also available.

- 1 Other balances at 31 December:

|                                                | 2024    | 2025  |
|------------------------------------------------|---------|-------|
|                                                | \$      | \$    |
| subscriptions in arrears                       | 11 200  | 9 600 |
| subscriptions in advance                       | 8 800   | 3 200 |
| building (cost \$300 000) carrying value       | 210 000 | ?     |
| club equipment (cost \$164 000) carrying value | 92 000  | ?     |
| café inventory                                 | ?       | 7 000 |
| café suppliers payables                        | 7 700   | 8 400 |
| administrative expenses prepaid                | 7 500   | nil   |
| administrative expenses accrued                | nil     | 4 700 |

- 2 The mark-up of the café was 60%.
- 3 The Club introduced a life membership scheme on 1 January 2025. With advice from an accountant, life membership fees will be recognised equally over a period of 10 years.
- 4 Non-current assets are depreciated using the following methods:

| non-current asset | rate          | depreciation method |
|-------------------|---------------|---------------------|
| building          | 2% per annum  | straight-line       |
| club equipment    | 15% per annum | reducing balance    |

A full year's depreciation is charged in the year of acquisition.

- 5 The Club equipment sold had a carrying value of \$5900 at the time of disposal.

**Turn over**

**Source B for Question 2**

The directors of W plc provided the following statements of financial position.

## Statements of financial position

|                                            | <b>31 March<br/>2026<br/>\$</b> | <b>31 March<br/>2025<br/>\$</b> |
|--------------------------------------------|---------------------------------|---------------------------------|
| assets                                     |                                 |                                 |
| non-current assets                         |                                 |                                 |
| office building                            | 269 500                         | 228 000                         |
| motor vehicles                             | 87 800                          | 74 400                          |
|                                            | <u>357 300</u>                  | <u>302 400</u>                  |
| current assets                             |                                 |                                 |
| inventory                                  | 82 000                          | 99 000                          |
| trade receivables                          | 124 000                         | 103 000                         |
| cash and cash equivalents                  | 263 300                         | 88 100                          |
|                                            | <u>469 300</u>                  | <u>290 100</u>                  |
| total assets                               | <u>826 600</u>                  | <u>592 500</u>                  |
| equity and liabilities                     |                                 |                                 |
| equity                                     |                                 |                                 |
| issued share capital (\$5 ordinary shares) | 420 000                         | 320 000                         |
| share premium                              | 79 000                          | 62 000                          |
| revaluation reserve                        | 66 000                          | nil                             |
| retained earnings                          | 95 600                          | 63 000                          |
|                                            | <u>660 600</u>                  | <u>445 000</u>                  |
| non-current liabilities                    |                                 |                                 |
| 8% bank loan                               | 50 000                          | 50 000                          |
| current liabilities                        |                                 |                                 |
| trade payables                             | 89 000                          | 71 000                          |
| loan interest payable                      | nil                             | 2 000                           |
| tax payable                                | 27 000                          | 24 500                          |
|                                            | <u>116 000</u>                  | <u>97 500</u>                   |
| total equity and liabilities               | <u>826 600</u>                  | <u>592 500</u>                  |

The following information relates to the year ended 31 March 2026.

- 1 Profit for the year was \$103 000.
- 2 The company owned one office building which was revalued on 1 April 2025. This gave rise to a revaluation reserve of \$66 000.
- 3 A motor vehicle, costing \$36 000 and with an accumulated depreciation of \$21 600, was sold for \$11 000. A new motor vehicle, costing \$56 000, was bought on the same day.
- 4 A final dividend for the year ended 31 March 2025 of \$0.75 per share was paid on 15 April 2025.
- 5 An interim dividend of \$0.35 per share in issue was paid on 1 December 2025.
- 6 A new issue of shares at a premium was made on 1 March 2026 and was fully subscribed.
- 7 Taxation for the year ended 31 March 2026 was estimated to be \$27 000.

### Source C for Question 3

Andy and Ben had been in partnership selling timber. The profit and loss sharing ratio of Andy and Ben was 2 : 1 respectively.

G Limited, a furniture manufacturer, took over the partnership business on 31 December 2025. On that date, G Limited had a share capital of \$600 000, comprising of 300 000 ordinary shares of \$2 each. The shares were owned by three shareholders who were also the company's directors.

The information relating to the value of the partnership's assets at 31 December 2025 was as follows:

|                   | carrying value | valuation      |
|-------------------|----------------|----------------|
|                   | \$             | \$             |
| machinery         | 116 000        | 103 000        |
| equipment         | 63 000         | 50 000         |
| motor vehicle A   | 48 000         | 30 000         |
| motor vehicle B   | 55 000         | 46 000         |
| inventory         | 98 000         | 137 000        |
| trade receivables | 113 000        | 108 000        |
| cash at bank      | 37 700         | 37 700         |
| total assets      | <u>530 700</u> | <u>511 700</u> |

At 31 December 2025:

- The balance on Andy's capital account was twice that of Ben's capital account.
- Current account balances were: Andy \$9800 debit, Ben \$12 500 credit.

The following terms had been agreed.

- 1 Andy and Ben would be appointed directors of the company.
- 2 G Limited would take over all the assets except motor vehicle A and cash at bank.
- 3 Motor vehicle A would be taken over by Andy.
- 4 The partnership's only current liabilities, trade payables of \$78 000 at 31 December 2025, would be settled by the partnership. Of these, \$50 000 would be settled with a cash discount of 5%.
- 5 The value of goodwill of the partnership would be twice the average profit for the last three years. Profit for the last three years was:

|      | \$            |
|------|---------------|
| 2025 | 154 000       |
| 2024 | 110 000       |
| 2023 | <u>96 000</u> |

- 6 G Limited would issue 120 000 ordinary shares, at a premium, to each partner to settle the purchase consideration.



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