



Cambridge International AS & A Level

ACCOUNTING

9706/31

Paper 3 Financial Accounting

May/June 2026

INSERT

1 hour 30 minutes

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.



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	(201 600)
	278 400
plant and machinery	156 000
training cost	60 000
	<u>494 400</u>
current assets	
inventory	120 000
trade receivables	175 000
cash at bank	74 000
	<u>369 000</u>
total assets	<u>863 400</u>
equity and liabilities	
share capital (\$1 ordinary shares)	600 000
retained earnings	121 400
total equity	<u>721 400</u>
current liabilities	
trade payables	142 000
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 \$	import tax \$	shipment insurance \$	storage \$	cost to repair \$	selling cost \$	estimated selling price \$
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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