



Cambridge International AS & A Level

ACCOUNTING

9706/32

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

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

	31 March 2026 \$	31 March 2025 \$
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 \$12500 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	96 000

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

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