CAMBRIDGE
International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

4397367621

ACCOUNTING **9706/31**

Paper 3 Financial Accounting **May/June 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 **12** pages. Any blank pages are indicated.

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

(a) Prepare the manufacturing account for the year ended 31 March 2026.

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(b) Prepare the statement of profit or loss for the year ended 31 March 2026.

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(c) Explain, with reference to an accounting concept, the treatment of unrealised profit included in the statement of financial position at 31 March 2026.

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Additional information

One of the directors suggests that the company should stop the annual review of the rate of factory profit and apply a fixed rate of factory profit.

(d) Advise the directors whether or not they should agree to this suggestion. Justify your answer.

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

(a) (i) State the formula of the non-current asset turnover ratio.

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(ii) Explain the usefulness of the non-current asset turnover ratio.

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(b) Calculate the total net assets at 31 March 2026.

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(c) Calculate the retained earnings at 31 March 2026.

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(d) Calculate, to **two** decimal places, the following ratios:

(i) earnings per share at 31 March 2026

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(ii) price/earnings at 31 March 2026

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(iii) return on capital employed for the year ended 31 March 2026.

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(e) Calculate, to **two** decimal places, the gearing ratio at 31 March 2025 and 31 March 2026.

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Additional information

X plc plans to invest $150 000 in a project which lasts for three years. The expected return on capital employed of the project is 15%. The directors are considering negotiating another bank loan at the current interest rate of 8% per annum to finance this project.

(f) Advise the directors whether or not they should finance the project by another bank loan. Justify your answer.

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[Total: 25]

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

(a) State **three** fundamental principles of ethics for accountants.

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(b) Explain how issue 2 and issue 3 should be accounted for. Support your answer with reference to the relevant International Accounting Standards (IAS) and provide calculations, where appropriate.

(i) issue 2

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(ii) issue 3

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(c) Prepare the revised statement of financial position at 31 December 2025, after considering issues 1 to 4.

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Workings:

[14]

[Total: 25]

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