GradeMax

* 0000800000001 * DFD

CAMBRIDGE
International Education

# Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

* 4 3 9 7 3 6 7 6 2 1 *

**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.

DC (LO) 369838
© Cambridge University Press & Assessment 2026

**[Turn over**

GradeMax



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

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

..... [11]

© Cambridge University Press & Assessment 2026 

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

GradeMax



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

.....

.....

.....

GradeMax



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

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [3]

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

© Cambridge University Press & Assessment 2026 

GradeMax



DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

**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.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

[Total: 25]

© Cambridge University Press & Assessment 2026

GradeMax



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

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

.....

..... [1]

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

.....

.....

.....

..... [2]

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

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

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

.....

.....

.....

..... [2]

© Cambridge University Press & Assessment 2026 

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

GradeMax



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

**(i)** earnings per share at 31 March 2026

.....

.....

.....

.....

.....

..... [3]

**(ii)** price/earnings at 31 March 2026

.....

..... [1]

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

.....

.....

.....

.....

.....

..... [3]

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

.....

.....

.....

.....

.....

.....

.....

..... [4]

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

© Cambridge University Press & Assessment 2026 

GradeMax



**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.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [5]

[Total: 25]

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

© Cambridge University Press & Assessment 2026 

GradeMax



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

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

1 .....

.....

2 .....

.....

3 .....

..... [3]

**(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

.....

.....

.....

.....

.....

.....

..... [4]

**(ii)** issue 3

.....

.....

.....

.....

.....

.....

.....

..... [4]

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

GradeMax



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

DO NOT WRITE IN THIS MARGIN

© Cambridge University Press & Assessment 2026 

GradeMax



Workings:

[14]

[Total: 25]

© Cambridge University Press & Assessment 2026 

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

GradeMax



**BLANK PAGE**

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (Cambridge University Press & Assessment) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in our Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge International Education is the name of our awarding body and a part of Cambridge University Press & Assessment, which is a department of the University of Cambridge.

© Cambridge University Press & Assessment 2026 