

Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

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Forename(s)

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Candidate signature

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I declare this is my own work.

# A-level ACCOUNTING

## Paper 1 Financial Accounting

Wednesday 20 May 2020

Afternoon

Time allowed: 3 hours

### Materials

For this paper you must have:

- a calculator.

### Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

### Information

- The marks for each question are shown in brackets.
- The maximum mark for this paper is 120.

For Examiner's Use

Section

Mark

A

B

C

**TOTAL**



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**Section A**Answer **all** questions in this section.Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

**0 1**

Which of the following is the source document to show that a cheque paid to a credit supplier was dishonoured?

**[1 mark]****A** Bank statement☐**B** Cash receipt☐**C** Cheque counterfoil☐**D** Paying-in slip counterfoil☐**0 2**

Which of these errors is revealed by a trial balance?

**[1 mark]****A** Commission☐**B** Compensating☐**C** Original entry☐**D** Partial omission☐

**0 3**

Which of these would be used to record the purchase of a non-current asset on credit?

**[1 mark]****A** Cash book☐**B** General journal☐**C** Purchases journal☐**D** Sales journal☐**0 4**

For a partnership that maintains separate current and capital accounts, which entry would appear on the credit side of the current account?

**[1 mark]****A** Drawings☐**B** Goodwill☐**C** Interest on capital☐**D** Interest on drawings☐**0 5**

Which would best describe the cash received by a business from a bank loan?

**[1 mark]****A** Capital expenditure☐**B** Capital income☐**C** Revenue expenditure☐**D** Revenue income☐**Turn over for the next question****Turn over ►**

**0 6** Which is the correct formula for Return on Capital Employed (ROCE)?

**[1 mark]**

- A**  $\frac{\text{Equity + current liabilities}}{\text{Profit from operations}} \times 100$  ☐
- B**  $\frac{\text{Equity + non-current liabilities}}{\text{Profit from operations}} \times 100$  ☐
- C**  $\frac{\text{Profit from operations}}{\text{Equity + current liabilities}} \times 100$  ☐
- D**  $\frac{\text{Profit from operations}}{\text{Equity + non-current liabilities}} \times 100$  ☐

**0 7** A book-keeper recorded the payment of a cheque for rent payable for £50 by debiting the bank account with £50 and crediting the rent payable account with £50.

Which of the following entries would correct this error?

**[1 mark]**

	Debit	Credit	
<b>A</b>	Bank £50	Rent payable £50	<input type="radio"/>
<b>B</b>	Bank £100	Rent payable £100	<input type="radio"/>
<b>C</b>	Rent payable £50	Bank £50	<input type="radio"/>
<b>D</b>	Rent payable £100	Bank £100	<input type="radio"/>

**0 8** What does CCAB stand for?

**[1 mark]**

- A** Chartered Committee of Accountancy Bodies ☐
- B** Committee of Consulting Accountancy Bodies ☐
- C** Common Committee of Accountancy Bodies ☐
- D** Consultative Committee of Accountancy Bodies ☐



**0 9**

A company owed £560 in corporation tax at 1 April 2019.

For the year ended 31 March 2020, taxation in the income statement was £14 760 and £450 was still owed at 31 March 2020.

How much tax was paid during the year?

**[1 mark]****A** £13 750☐**B** £14 650☐**C** £14 870☐**D** £15 770☐**1 0**

A business sells goods valued at £400 to a customer on 1 May 2020.

The customer regularly buys on credit and receives a 20% trade discount and a 5% cash discount if payment is made within 14 days. The customer pays on 12 May 2020.

How much will the customer pay for this transaction?

**[1 mark]****A** £300☐**B** £304☐**C** £320☐**D** £380☐

**Turn over for the next question**

**Turn over ►**

1 1

Explain why a business might choose to employ book-keepers and ledger clerks as well as use the services of a professional accountant.

[3 marks]

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1 2

Monisha runs a business selling computer games. She has received her bank statement for the month ended 31 March 2020. The figures shown on the bank statement are correct. Her cash book balance at that date did not agree with the closing balance on her bank statement.

She realised the following entries had not been made:

1. a cheque from G Steiner for £830 had been dishonoured
2. bank charges of £53 had not been recorded.

1 2 . 1

Record the necessary entries in Monisha's cash book. Bring down any updated balance on 1 April 2020. Dates are **not** required.

[3 marks]

Dr		Cash book (bank columns)		Cr	
Details	£	Details	£		
Balance b/d	807				



Monisha has also noted that two items she has recorded in her cash book are not showing on her latest bank statement:

1. a cheque paid to a supplier for £45
2. cash deposited at the bank totalling £380.

**1 2 . 2** Prepare a bank reconciliation statement at 31 March 2020.

**[3 marks]**

**Monisha**  
**Bank reconciliation statement at 31 March 2020**

£

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**1 2 . 3** Explain **two** reasons why a business would prepare a bank reconciliation statement.

**[6 marks]**

Reason 1 \_\_\_\_\_

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Reason 2 \_\_\_\_\_

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**Turn over ►**



Chandhok plc has provided you with the following information from the statement of financial position at 31 March 2019.

Equity	£
Issued share capital	500 000
Share premium	284 367
Retained earnings	346 345

**Additional information:**

- Each share has a nominal value of 50p.
- On 1 April 2019, the directors made a bonus issue of ordinary shares on the basis of two new shares for every five existing shares. The directors intend to maintain their reserves in their most distributable form.
- On 1 July 2019, an interim dividend of 4p per share was paid. This was based on all shares in issue at that date.
- Profit for the year ended 31 March 2020 was £72 100.

**1 3**

Prepare the statement of changes in equity for Chandhok plc for the year ended 31 March 2020. A total column is **not** required.

**[5 marks]**

**Chandhok plc**  
**Statement of changes in equity for the year ended 31 March 2020**

	Issued share capital	Share premium	Retained earnings
	£	£	£
At 31 March 2019	500 000	284 367	346 345

**30**





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ANSWER IN THE SPACES PROVIDED**

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**Section B**Answer **all** questions in this section.**1 4**

Kubica plc is a chain of fast food shops. It has provided an extract from its statement of financial position together with some additional information.

**Kubica plc**  
**Extract from the statement of financial position at 31 March 2019**

	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Fixtures and fittings</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cost at 31 March 2019	800 000	250 000	85 900
Provision for depreciation at 31 March 2019	72 000	122 000	30 924
Net book value	728 000	128 000	54 976

**Additional information:**

During the year ended 31 March 2020 the following changes occurred:

1. Land valued at £200 000 was included in the land and buildings figure with the rest being the value of its buildings. Land is to be revalued to £500 000.
2. Some plant and machinery were disposed of. These originally cost £16 000 and were sold for £10 000, which meant a loss on disposal of £240 was recorded.
3. Fixtures and fittings were purchased at a cost of £12 000. Some old fixtures and fittings were used in part exchange at a value of £3 000, which meant a profit of £376 was recorded. The fixtures which were part exchanged originally cost £4 100.
4. No other additions or disposals of non-current assets took place.

**Extract of accounting policies:**

1. Land is not depreciated. Buildings are depreciated at 3% per annum using the straight line method.
2. Plant and machinery is depreciated at 20% using the reducing line method.
3. Fixtures and fittings are depreciated using the straight line method at 20% per annum.
4. All non-current assets are charged a full year's depreciation in the year of acquisition, but none in the year of disposal.



1 4 . 1

Complete the schedule of non-current assets for Kubica plc for the year ended 31 March 2020. A total column is **not** required.

[14 marks]

**Kubica plc**  
**Schedule of non-current assets for the year ended 31 March 2020**

	Land and buildings	Plant and machinery	Fixtures and fittings
<b>Cost</b>	£	£	£
At 1 April 2019	800 000	250 000	85 900
<b>Depreciation</b>			
At 1 April 2019	72 000	122 000	30 924
<b>Net book value</b>			
At 31 March 2020			
At 31 March 2019	728 000	128 000	54 976

Turn over ►



Workings

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**[6 marks]**

**Turn over ►**



1 5

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Rachel runs an online shop. She has provided you with a trial balance together with additional information.

**Rachel**  
**Trial Balance at 31 March 2020**

	Dr	Cr
	£	£
Bank overdraft		2 456
Capital		53 533
Discounts	460	820
Drawings	17 345	
Inventory at 1 April 2019	16 276	
Fixtures and fittings – at cost	96 000	
Fixtures and fittings – provision for depreciation		42 000
Purchases	82 567	
General expenses	26 500	
Rent and rates	14 000	
Revenue		162 468
Trade payables		19 742
Trade receivables	27 871	
	281 019	281 019

**Additional information**

1. All goods are sold on a credit basis.
2. Revenue included goods on a sale or return basis which had been sent to a customer on 24 March 2020. These goods were invoiced at a selling price of £6 000 with a mark-up of 25% and were recorded in both the general ledger and receivables ledger. The customer returned the goods on 3 April 2020.
3. Closing inventory was £19 267. This included items with a cost price of £925. However, they need to be repaired at a cost of £160 before they can be sold for £1 020.
4. Annual rent of £9 000 was paid to 31 May 2020.
5. The purchases figure included the purchase of some fixtures and fittings on 1 December 2019 at a cost of £12 000.
6. Depreciation is charged on a time apportioned basis using the straight line method at a depreciation rate of 20% per annum.
7. A cheque paid to a supplier for £1 500 on 30 March 2020 had not yet been accounted for.



**[14 marks]**

[illegible]

Workings

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### Section C

Answer **all** questions in this section.

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**1 6**

Karun has life savings of £100 000 and wishes to buy ordinary shares as an investment. He needs an annual income from this investment.

He has researched two companies and has provided you with the following information based on the last two years' trading for each company.

	Rayd plc		Bloo plc	
	2019	2018	2019	2018
Dividend per share	6p	5.4p	2.2p	1.8p
Earnings per share	8p	5p	16p	12p
Dividend cover	1.33 times	0.93 times	7.28 times	6.67 times
Price earnings ratio	12	14.4	6.875	3.75
Market price per share at year end	96p	72p	110p	45p
Dividend yield	6.25%	7.5%	2%	4%

Rayd plc is involved in banking and other financial services. They are an established company which has been trading for around 50 years. Rayd plc has high-street banks in most major UK cities and these buildings are of significant value to Rayd plc. These buildings are used as security against long-term loans. Rayd plc has a policy of only investing in companies which behave ethically in their treatment of its stakeholders.

Bloo plc is an online only retailer which sells electronic goods. It has been trading for seven years. Bloo plc has a modern warehouse on which there is no debt. Bloo plc has recently been in the news for paying its staff the minimum wage and staff complaints about poor working conditions.



Evaluate **both** businesses from Karun's perspective as a potential investor. Make a recommendation on how he should invest his savings.

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[illegible]

[illegible]

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Jhene is the Finance Director at Gow plc. As an incentive towards achieving profit growth the directors receive a bonus. The directors set a target of achieving a 7% increase in profits. Most directors have large shareholdings.

Upon reviewing the draft profit figure for the first half of the year, Jhene has noticed an increase in profitability of 4%. Herbert, the Chief Operating Officer of Gow plc, has told Jhene to ensure the accounts show the 7% increase in profits at the end of the year.

Herbert has suggested the following changes to the accounts:

1. Change the depreciation method used on all fixtures and fittings from 20% straight line to 20% reducing balance method. The original cost of the fixtures and fittings was £1 200 000 with the balance on the provision for depreciation of fixtures and fittings being £480 000.
2. Ignore adjusting for all accrued expenses which have not yet been paid. This includes a substantial amount of staff wages totalling £44 000.
3. Sell two buildings. They have already received an offer of £850 000 for the buildings which is higher than they expected them to be worth. The current net book value of the buildings is £800 000.

Jhene has a long-established relationship with the auditors of Gow plc. One of the auditors at the company is a close friend of Jhene. He is sure that the auditors could allow some adjustments to the accounts in order to achieve the levels of profitability required. However, Jhene is aware of the principles of ethical behaviour in accounting and how it impacts on his role as the accountant.





Evaluate whether Jhene should make the suggested changes to the accounts. Your answer should include the associated ethical implications.

[illegible]

[illegible]

[illegible]

[illegible]

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