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Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

I declare this is my own work.

A-level ACCOUNTING

Paper 1 Financial Accounting

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	



Section A



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

For each answer 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 is the correct formula for trade payable days?

[1 mark]

A $\frac{\text{Trade payables}}{\text{Credit purchases}} \times 100$

B $\frac{\text{Trade payables}}{\text{Credit purchases}} \times 365$

C $\frac{\text{Trade payables}}{\text{Total purchases}} \times 100$

D $\frac{\text{Trade payables}}{\text{Total purchases}} \times 365$

0 2

The accountant of a business is considering changing its depreciation method from 25% straight line to 40% reducing balance.

Which accounting concept would this conflict with?

[1 mark]**A** Accruals **B** Consistency **C** Money measurement **D** Prudence 

0 3

Which is **not** a purpose of international accounting standards?

[1 mark]

- A To improve the comparability of financial statements.
- B To improve the reliability of financial statements.
- C To provide a set of rules which suits all companies.
- D To provide standard treatment of accounting issues.

0 4

The following information is available for a sole trader.

	£
Capital introduced	3 000
Closing capital	36 700
Drawings	12 300
Opening capital	26 500

Which is the correct profit or loss figure for the year?

[1 mark]

- A £900 loss
- B £25 500 loss
- C £5 100 profit
- D £19 500 profit

Turn over for the next question

Turn over ►



0 5

Which will be applied if there is no formal partnership agreement in place?

[1 mark]

- A** Interest paid on loans at 5% per annum
Interest paid on capital at 5% per annum
- B** Interest paid on loans at 5% per annum
No interest paid on capital
- C** No interest paid on loans
Interest paid on capital at 5% per annum
- D** No interest paid on loans
No interest paid on capital

0 6

Which is the correct formula for dividend yield?

[1 mark]

- A** $\frac{\text{Dividend per share}}{\text{Market price per share}} \times 100$
- B** $\frac{\text{Dividend per share}}{\text{Profit for the year}} \times 100$
- C** $\frac{\text{Market price per share}}{\text{Dividend per share}} \times 100$
- D** $\frac{\text{Profit for the year}}{\text{Dividend per share}} \times 100$



0 7

Bilal and Ben are in a partnership sharing profits and losses in the ratio 3:2 respectively. Before Wahid joins the partnership, the following valuations are agreed.

	Old valuation	New valuation
	£	£
Land and Buildings	170 000	200 000
Inventory	14 000	11 000
Trade receivables	7 000	5 000
Vehicles	14 000	15 000

Which is the increase in capital that Ben will receive from the changes in valuations?

[1 mark]

- A £10 400
- B £12 000
- C £13 000
- D £14 400

0 8

A business has completed a physical stocktake with a figure of £17 444.

Not included in the stocktake figure was an item returned by a customer. The selling price of this item was £270 and the business has a 50% mark up on all goods sold.

Which is the inventory valuation?

[1 mark]

- A £17 264
- B £17 579
- C £17 624
- D £17 714

Turn over ►



0 9

A business received its bank statement with a balance of £236 Dr shown at the end of the month.

After completing a bank reconciliation statement, two items were not shown on the bank statement but had been recorded in the cash book:

Item 1 – a cheque payment to a supplier of £87

Item 2 – a cheque received from a customer of £190.

Which is the cash book balance?

[1 mark]

- A £133 Cr
- B £339 Cr
- C £133 Dr
- D £339 Dr

1 0

A business has just completed its first year of trading on 30 April 2021. The following information is available.

	£
Discount received	500
Cheques paid to trade payables	12 000
Total cash and credit purchases	45 000

40% of all purchases made are on credit.

Which is the balance of the trade payables at 30 April 2021?

[1 mark]

- A £5 500
- B £6 500
- C £32 500
- D £33 500



1	1
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The accounts of a business need to be prepared on a going concern basis.

Explain why it is important to apply the going concern concept.

[3 marks]

Turn over for the next question

Turn over ►



1 2

The bookkeeper of Le Clare Ltd is completing the accounts for the year ended 30 April 2021. On 23 April 2021, Le Clare Ltd sold some equipment for £27 500 for which they received a cheque. This equipment had originally cost £67 500 when purchased on 1 May 2017. The bookkeeper has yet to record the disposal in the accounts.

Additional information

Depreciation is charged using the reducing balance method at a rate of $33\frac{1}{3}\%$ per annum.

A full year's depreciation is charged in the year of purchase and none in the year of disposal.

1 2 . 1

Prepare the equipment disposal account. Show clearly the amount to be transferred to the income statement.

Dates are **not** required.

[6 marks]

Dr	Equipment Disposal Account		Cr
Details	£	Details	£



Le Clare Ltd maintains a provision for doubtful debts at 2% of trade receivables. The balances in the ledger accounts at 30 April 2021 were as follows:

	£
Provision for doubtful debts at 1 May 2020	786
Trade receivables at 30 April 2021	33 450

An irrecoverable debt of £1 350 had not yet been accounted for.

1 2 . 2

Prepare the provision for doubtful debts account. Balance the account and bring the balance down on 1 May 2021.

[3 marks]

Dr			Provision for Doubtful Debts Account			Cr		
Date	Details	£	Date	Details	£			

Turn over for the next question

Turn over ►



1	3
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The bookkeeper of Crofty Ltd has provided the following information:

	At 30 April 2021	At 30 April 2020
	£	£
Taxation owed	3 102	2 561
8% debenture	60 000	60 000
6% debenture	20 000	–

Additional information

1. The draft profit from operations was £45 586. This profit does not include a returns outwards of £1 030 and a prepaid expense at the end of the year of £670.
2. Taxation paid during the year was £8 863.
3. The additional debenture was taken out on 1 August 2020.

1	3
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Prepare an extract of the income statement for Crofty Ltd for the year ended 30 April 2021. Your answer should start with the profit from operations.

[8 marks]

Crofty Ltd
Extract from Income Statement for the year ended 30 April 2021



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Workings

30

Turn over ►



Section BAnswer **all** questions in this section.**1 4**

Sue and Tom have been in partnership for many years and the financial year ends on 31 January. On 1 September 2020, Usma was admitted to the partnership.

The following information has been provided from the Deeds of Partnership.

	Sue and Tom Partnership	Sue, Tom and Usma Partnership
Interest on capital	6%	4%
Annual salary		
Tom	£24 600	£24 600
Profit and loss sharing ratio		
Sue	50%	35%
Tom	50%	40%
Usma		25%

Additional information

- At 1 February 2020, the balance brought down on Sue and Tom's capital accounts was £45 000 and £84 000 respectively.
- On 1 September 2020, Sue paid additional capital into the partnership bank account of £25 500.
- On admission to the partnership, Usma made a capital investment of £21 000.
- Goodwill has been agreed at a valuation of £54 000. It has been agreed that goodwill will not be maintained in the books of account.
- The profit for the year ended 31 January 2021 was £100 500. Profits accrue evenly throughout the year.
- At 31 January 2021, the partners' drawings for the year were:

Sue	£26 000
Tom	£35 000
Usma	£10 000



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Workings _____



1 4 . 2

On joining the partnership, Usma noticed that Sue and Tom maintain separate capital and current accounts. Usma would like to change this so that each partner has a combined capital and current account.

Assess whether the partnership should make this change.

[6 marks]

Turn over ▶



1 5

Peter's draft trial balance at 31 October 2020 did not balance. Upon investigation the following were identified.

1. An invoice totalling £53 600 posted to motor vehicles account included £3 500 which related to vehicle maintenance charges. (Ignore depreciation.)
2. The sales account was undercast by £1 575.
3. A cash purchase for £560 was posted to the purchases account as £650. All other entries are correct.
4. Peter rents storage space for personal and business use. His drawings account has been debited with £2 500 which represents 25% private usage of the storage rental cost.

After discussion with his accountant the private element of storage rental cost is to be reduced to 20%.

5. In September 2020, 1 400 tyres were purchased from Kaplinson Ltd at a cost price of £35 each, less a trade discount of 6%. This transaction has been correctly posted to the ledgers.

In October 2020, 35% of the tyres purchased were returned to the supplier and the credit note received was debited to both the returns inwards account and Kaplinson Ltd account.

6. In September 2020, goods totalling £15 000 were supplied on credit to Optical. This transaction has been correctly posted to the ledgers.

In October 2020, 60% of the goods were paid for by Optical less 2% cash discount. This receipt has not been posted.

1 5 . 1

Prepare entries in the journal required to make the necessary adjustments.

Dates and narratives are **not** required.

[14 marks]



Section C

Answer **all** questions in this section.

1 6

Bruschett is a chain of nine Italian restaurants. Set up by the owner Enzo, there was only one restaurant for many years until his son Charles persuaded him to grow the business. They have successfully opened two new restaurants a year since Charles became a partner four years ago. This expansion has caused occasional cash flow problems as Enzo is keen to avoid borrowing money.

Currently the accounts are recorded manually using a single-entry system. To reduce paperwork, Enzo has always paid immediately for supplies, which means he benefits from prompt payment discounts with certain suppliers. Sometimes Enzo bulk buys to save money, but this often results in food waste. It also takes up storage space, which Charles believes could be converted to provide additional seating. Enzo pays his staff weekly in cash, which is time consuming. Customer orders are taken using a pen and paper. As a result, there are minimal records kept. Enzo pays an accountant £6 000 a year to check his financial records, which he spends time preparing himself.

Charles feels that the company needs to move with the times. He has seen larger chains where the staff use mobile technology in the restaurants to take orders and payments from customers electronically. Charles would like to introduce this in the Bruschett restaurants.

Charles has researched and found accounting software packages which will do the following:

- inventory tracking
- employee payroll (hours worked and employee payments)
- double entry bookkeeping
- Income Statements and Statements of Financial Position created.

From speaking to his staff, Charles knows there may be some staff resistance to the introduction of the software. A supervisor at the most profitable restaurant is quite opposed to any changes. This restaurant has regularly had small amounts of money missing from the tills. Charles is also aware of the amount of time each restaurant manager spends checking the tills and banking money.

Charles has estimated Bruschett will have the following costs for switching systems:

	£
Purchase and installation of ten computers (one per restaurant plus one for the office)	15 000
Accounting software cost for all computers	150 per month
Staff training	2 000
Transfer of system from old to new	1 000



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1 7

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Prost plc manufactures and sells exercise equipment. Most of its customers are large chains of retailers and gyms. Following a difficult trading year in 2020 where sales fell significantly, it is now showing a recovery in its sales revenue. Unlike its competitors, Prost plc does not have an online outlet to sell its goods to the public, and as a result, during 2020 it lost sales to its competitors who were able to sell direct to the public.

During 2020, Prost plc saw its share price fall from £4 per share to £2 per share. The share price did initially start to recover with an increase to £2.56 per share, but it has remained around £2.50 for the last six months. Other companies also found a similar trend, as many investors remain cautious in their choice of company to invest in. As a result, some companies' recent share issues have not proved successful. There are also considerable costs in raising awareness of a share issue to potential investors.

Prost plc wants to expand its business by purchasing Ayrton Aerobics plc, a fast-growing company that sells gym equipment for home use through online sales. Ayrton Aerobics plc has not really been affected by the fall in share prices. Its share price has doubled in the last three years, partly caused by profits growing by an average of 25% each year.

Prost plc wants to issue 5 000 000 shares at a discount of 8% to the current market price of £2.50 per share in order to fund the purchase. Ayrton Aerobics plc's Statement of Financial Position has the company valued at around £8 000 000, although its current share price suggests a stock market valuation of around £11 000 000 at the present time. It has been estimated that the costs incurred when issuing the shares will be around £1 500 000 in total.

The following information has been provided.

	Prost plc Extracts of Financial Information		Industry average
	2021 (projected figures if Ayrton Aerobics plc is purchased)	2020	2019
Gearing	60%	75%	42%
Profit compared with previous year	29% increase	12% decrease	6% increase



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