

Please write clearly, in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

A-level ACCOUNTING

Paper 1 Financial Accounting

Specimen

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.
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

Advice

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

Section A

Answer **all** questions in this section

For questions with four responses 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

The owner of a restaurant purchased some equipment on credit for business use, but returned the equipment to the supplier as it was damaged.

How should the return of the equipment be recorded in the books of the restaurant?

		Debit	Credit	
A	General journal	Equipment	Supplier	<input type="radio"/>
B	General journal	Supplier	Equipment	<input type="radio"/>
C	Purchases returns journal	Purchases returns	Supplier	<input type="radio"/>
D	Purchases returns journal	Supplier	Purchases returns	<input type="radio"/>

[1 mark]

0 2

A bookkeeper recorded a payment for vehicle repairs in the vehicles account.

Which of the following correctly describes the type of error and corrections to be made?

	Type of error	Entries to correct the error		
		Debit	Credit	
A	Commission	Vehicle repairs	Vehicles	<input type="radio"/>
B	Commission	Vehicles	Vehicle repairs	<input type="radio"/>
C	Principle	Vehicle repairs	Vehicles	<input type="radio"/>
D	Principle	Vehicles	Vehicle repairs	<input type="radio"/>

[1 mark]

0 3

A sole trader has not maintained proper books of account. The following information is available relating to trade receivables for the year ended 30 June 2016.

	£
Receipts from trade receivables	205 000
Sales returns	7 000
Trade receivables, 1 July 2015	14 000
Trade receivables, 30 June 2016	12 000

What is the value of credit sales for the year ended 30 June 2016?

- A** £196 000
- B** £200 000
- C** £210 000
- D** £214 000

[1 mark]**0 4**

The following information was provided by a sole trader for the year ended 31 December 2015.

	£
Capital 1 January 2015	32 000
Capital 31 December 2015	29 000
Drawings	11 000

What was the business's profit or loss for 2015?

- A** loss £8000
- B** loss £14 000
- C** profit £8000
- D** profit £14 000

[1 mark]

0 5

A sole trader received an order from a credit customer on the last day of the financial year 31 May 2016. No entries were made in the accounting records for the sale of goods until the invoice was raised on 3 June 2016.

Which accounting concept is being applied?

- A** consistency
- B** going concern
- C** prudence
- D** realisation

[1 mark]**0 6**

Which of the following correctly lists items to be shown in a partnership appropriation account?

- A** drawings, interest on drawings, partnership salaries
- B** interest on drawings, interest on a partner's loan, shares of residual loss
- C** interest on capital accounts, interest on drawings, partnership salaries
- D** interest on a partner's loan, partnership salaries, shares of residual profit

[1 mark]

0 7

Yasmin is a partner in a recently established business. Errors were made in completing her current account. The current account is shown below.

Current Account (Yasmin)			
Dr		Cr	
Drawings	12 000	Interest on capital	8 200
Salary	8 000	Share of loss	3 300
		Balance c/d	8 500
	20 000		20 000
Balance b/d	8 500		

What is the correct closing balance brought down on Yasmin's current account?

- A** credit £900
- B** credit £7 300
- C** debit £900
- D** debit £7 300

[1 mark]**0 8**

The following information is available about rent received for the year ended 31 March 2016.

	£
Debit balance brought down, 1 April 2015	550
Receipts during year ended 31 March 2016	9380
Credit balance carried down at 31 March 2016	420

How much should be shown as income in the income statement for the year ended 31 March 2016?

- A** £8410
- B** £9250
- C** £9510
- D** £10 350

[1 mark]

0 9

A retailer has never kept accounting records, but wishes to know the value of the business.

Which statement would provide the retailer with the value of the business?

- A** cash flows
- B** changes in equity
- C** financial position
- D** income

[1 mark]**1 0**

An extract from a limited company's statement of financial position is shown below.

	£
Authorised capital: Ordinary shares of 50p each	450 000
Issued capital: Ordinary shares of 50p each	300 000

The company's directors have decided to make a two-for-five bonus issue of ordinary shares.

How many shares will make up the bonus issue?

- A** 120 000
- B** 180 000
- C** 240 000
- D** 360 000

[1 mark]

Turn over for the next question

**DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED**

1 1

The owner of a business was preparing financial statements for the year ended 31 December 2015.

The following information had yet to be recorded in the business's general ledger.

At 31 December 2015:

- (1) Insurance, £490, was prepaid;
- (2) The provision for doubtful debts should be maintained at 5% of trade receivables; at the year ended trade receivables totalled £6740.
- (3) Rent received for the three months ending 29 February 2016, £2220, was due but unpaid;

On 31 December 2015 the balances on the general ledger accounts, prior to making any adjustments, were as follows:

	£
Insurance	3730
Provision for doubtful debts	382
Rent received	5810

1 1 . 1

Record the information given in the ledger accounts shown below. The accounts should be balanced at 31 December 2015.

[9 marks]

GENERAL LEDGER

Dr		Insurance account				Cr	
Date		Details	£	Date		Details	£

Dr		Provision for doubtful debts account				Cr	
Date		Details	£	Date		Details	£

Dr		Rent received account				Cr	
Date		Details	£	Date		Details	£

Turn over for the next question

1 2

A business has recently sold some machinery which had a net book value of £13 000. The provision for depreciation on the machinery at the time of sale was £16 000. The business made a loss of £4000 on the sale.

1 2

. 1

Prepare the machinery disposal account.

[4 marks]

Machinery Disposal Account			
Dr			Cr
	£		£

Workings: _____

Section B

Answer **all** questions in this section

1 4

HQV plc provided the following information on 30 June 2016.

Statement of financial position at 30 June						
	£000	2016 £000	£000	£000	2015 £000	£000
	Cost/ Valuation	Accumulated Depreciation	Net book value	Cost	Accumulated Depreciation	Net book value
Assets						
Non-current assets						
Property, plant and equipment	21 450	4 845	16 605	14 884	4 113	10 771
Current assets						
Inventories		779			805	
Trade and other receivables		311			214	
Cash and cash equivalents					87	
			1 090			1 106
Total assets			<u>17 695</u>			<u>11 877</u>
Equity						
Ordinary share of 50p each			6 300			4 200
Share premium			2 170			1 120
Revaluation reserve			1 830			
Retained earnings			4 332			3 712
Total equity			<u>14 632</u>			<u>9 032</u>
Non-current liabilities						
8% Debentures (2024)			2 100			1 750
Current liabilities						
Trade and other payables		345			652	
Tax liabilities		557			443	
Cash and cash equivalents		61				
			963			1 095
Total equity and liabilities			<u>17 695</u>			<u>11 877</u>
Additional information						
During the year ended 30 June 2016						

Turn over for the next question

1 | 5

Serena owns a retail clothes business called 'Looking Sharp' which was opened on 1 January 2014. Serena does not keep proper books of account.

The following information is available for the year ended 31 December 2015.

	1 January 2015 £	31 December 2015 £
Inventory	18 940	14 720
Other payables: rent of shop premises		950
Other receivables: rent of shop premises	830	
Shop fittings and equipment at book value	32 400	29 600
Trade payables	14 730	16 390

Serena is able to provide the following additional information for the year ended 31 December 2015.

(1) Summary of bank statements for year ended 31 December 2015

	Debit £	Credit £	Balance £
Balance			2 300
Cash takings banked		228 730	231 030
Payments to trade payables	178 300		52 730
Drawings	21 340		31 390
Sale of shop fittings		390	32 780
Rent of shop premises	14 350		17 430
General expenses	9 470		7 960

(2) At 31 December 2015 there are unpresented cheques for payments to trade suppliers totalling £2330 and amounts for cash takings not yet credited of £1960.

(3) Serena remembers that she took some goods for her own use during the year, but she is unsure of the value of these goods.

(4) All purchases are made on credit; all sales are on a cash basis.

(5) The shop fittings sold during the year had a net book value of £750 at 1 January 2015.

(6) Serena's policy is to have a mark-up on all goods sold of 25%.

Extra space _____

TURN OVER FOR SECTION C
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ANSWER IN THE SPACES PROVIDED

Section C

Answer **all** questions in this section

1 6

Laura has recently inherited £50 000 and has been investigating the possibility of buying shares as an investment. She is, initially, looking to maximise her income.

She has researched two companies and has provided the following information based on the latest financial statements for the year ended 30 April 2016.

	Stabilo plc	Gogro plc
Current market price	£2.40	£1.40
Share price high-low last 52 weeks*	High – Low £2.50 – £2.35	High – Low £1.45 – £0.60
Dividend per share	9.6p	10.5p
Dividend yield	4%	7.5%
Dividend cover	4 times	0.8 times
Earnings per share	25p	10p
Price earnings ratio	9.6	14
ROCE	6.8%	10.4%
Gearing	40%	125%

* this shows the highest and lowest price that the shares were bought and sold in the previous 52 weeks.

Statement of financial position extracts for property plant and equipment.

	Cost	Depreciation to date	NBV
	£m	£m	£m
Stabilo plc	250	50	200
Gogro plc	45	30	15

1 6

1

Evaluate both businesses from an investor's point of view and advise Laura which company would be best for her to buy shares in.

[25 marks]

Extra space

1 | 7

Hassell & Co is a firm of accountants providing audit and other accountancy services to businesses and individuals.

The partners have carried out a review of their business to ensure they are complying with ethical guidelines and are concerned over the implications of the following.

- (1) The fee for the audit of Mono plc provides 30% of the total fees for the company.
- (2) The wife of one of the partners has been appointed as Managing Director of Hub Ltd, one of the firm's clients.
- (3) There is a dispute with Intsta plc over the audit report. The partner in charge of the audit wants to qualify the audit report as he does not believe the financial statements have been prepared in compliance with International Accounting Standards. The directors dispute this and are threatening to find new auditors.
- (4) The audit of a company manufacturing medicines has uncovered evidence of price fixing with the two other major companies in the market. The evidence suggests that the companies have agreed to all charge higher prices for the medicines than would be the case if they compete with each other.

1 | 7 . 1

Assess the risks to Hassell & Co of the issues identified and suggest the course of action that the partners should take.

[25 marks]

There are no questions printed on this page

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ANSWER IN THE SPACES PROVIDED**