



Please write clearly in block capitals.

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

Thursday 23 May 2024

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 AAnswer **all** questions in this section.For multiple-choice questions 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 correctly lists items to be shown as debit entries in an income statement?

[1 mark]**A** Carriage inwards; carriage outwards; returns inwards☐**B** Carriage inwards; carriage outwards; returns outwards☐**C** Carriage inwards; returns inwards; returns outwards☐**D** Carriage outwards; returns inwards; returns outwards☐**0 2**Which of the following is **not** shown on a statement of changes in equity?**[1 mark]****A** Bonus issue of ordinary shares☐**B** Debenture interest paid☐**C** Dividends paid☐**D** Rights issue of ordinary shares☐

0 3

A business owner records goods taken for their own use as drawings.

Which accounting concept is being applied?

[1 mark]

- A Business entity ☐
- B Consistency ☐
- C Money measurement ☐
- D Realisation ☐

0 4

What is the correct formula for the capital gearing ratio?

[1 mark]

- A $\frac{\text{Non-current liabilities}}{\text{Issued share capital} + \text{current liabilities}} \times 100$ ☐
- B $\frac{\text{Non-current liabilities}}{\text{Issued share capital} + \text{non-current liabilities}} \times 100$ ☐
- C $\frac{\text{Non-current liabilities}}{\text{Issued share capital} + \text{reserves} + \text{current liabilities}} \times 100$ ☐
- D $\frac{\text{Non-current liabilities}}{\text{Issued share capital} + \text{reserves} + \text{non-current liabilities}} \times 100$ ☐

Turn over for the next question

Turn over ►



0 5

A sales ledger control account showed the following for January 2024.

Details	£
Balance on 1 January 2024	21 450
Contra with purchases ledger control account	190
Credit sales	38 692
Receipts from credit customers	27 955

What was the balance brought down on the sales ledger control account on 1 February 2024?

[1 mark]

- A** £31 997 Credit ☐
- B** £31 997 Debit ☐
- C** £32 377 Credit ☐
- D** £32 377 Debit ☐

0 6

The purchase of a non-current asset has been recorded as administration expenditure.

What is the effect on profit in the income statement?

[1 mark]

- A** Gross profit overstated ☐
- B** Gross profit understated ☐
- C** Profit for the year overstated ☐
- D** Profit for the year understated ☐



0 7

Win, Xi and Zang are in partnership. They do not have a partnership agreement.

Which of the following would each partner be entitled to in addition to a third of the profits?

[1 mark]

A 0% interest on capital; 0% interest on loans

☐

B 0% interest on capital; 5% interest on loans

☐

C 5% interest on capital; 0% interest on loans

☐

D 5% interest on capital; 5% interest on loans

☐

0 8

Which of the following is **not** an advantage of a computerised accounting system?

[1 mark]

A Increased processing speed

☐

B Increased reliability

☐

C Reduced errors

☐

D Reduced training costs

☐

Turn over for the next question

Turn over ►



0 9

Adam and Bea were in a partnership, sharing profits and losses equally.

On 31 March 2024 Bea left the partnership and Cooper joined the partnership.
On that date goodwill was valued at £60 000.

What is the journal entry to record the goodwill in the accounting records?

[1 mark]

	Account	Debit £	Credit £	
A	Capital – Adam	30 000		☐
	Capital – Bea	30 000		
	Goodwill		60 000	
B	Current – Adam	30 000		☐
	Current – Bea	30 000		
	Goodwill		60 000	
C	Goodwill	60 000		☐
	Capital – Adam		30 000	
	Capital – Bea		30 000	
D	Goodwill	60 000		☐
	Current – Adam		30 000	
	Current – Bea		30 000	



1 0

The following information is available for a company:

On 1 April 2023	£
Issued share capital of £2 shares	65 000
Share premium	25 000

During the year ended 31 March 2024, £62 400 was received from a rights issue of 26 000 shares.

What is the value of share capital and share premium in the statement of financial position at 31 March 2024?

[1 mark]

	Share capital £	Share premium £	
A	91 000	35 400	☐
B	91 000	61 400	☐
C	117 000	35 400	☐
D	117 000	61 400	☐

Turn over for the next question

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1	1
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Explain the impact on the financial statements when writing off a credit customer's debt as irrecoverable.

[3 marks]



Turn over for the next question

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ANSWER IN THE SPACES PROVIDED**

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1 2

Dina's draft trial balance at 30 April 2024 did not balance. She found the following errors:

1. The purchases account had been undercast by £800.
2. Goods returned to a credit supplier of £40 had been correctly entered in the payables ledger but had been omitted from the returns outwards account.
3. Cash sales of £52 had been debited to the sales account and credited to the cash account.
4. Goods taken by Dina for her own use of £390 had been debited to both the drawings account and the purchases account.

1 2**. 1**

Prepare journal entries to correct the errors.
Dates and narratives are **not** required.

[6 marks]

Account	Debit £	Credit £



Dina calculated a draft profit for the year ended 30 April 2024 of £19 220 before finding the errors.

1 2 . 2

Calculate the revised profit for the year ended 30 April 2024 after correcting for the errors found.

[5 marks]

	£
Draft profit for the year ended 30 April 2024	19 220
Error 1	
Error 2	
Error 3	
Error 4	
Revised profit for the year ended 30 April 2024	

Turn over for the next question

Turn over ►



At 31 March 2024 inventory was valued at a cost of £19 930. This included 95 damaged items valued at a cost price of £4.50 per unit. The damaged items can be sold for £7.10 per unit after repairs costing £3.80 per unit.

Balance the account and bring the balance down on 1 April 2024.

Cr

[illegible]

Working space

[illegible]

30



Turn over for Section B

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ANSWER IN THE SPACES PROVIDED**

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

The accountant of C Ltd is preparing the financial statements for the year ended 31 May 2024. She has provided the following information to enable the preparation of the statement of cash flows.

	2024	2023
	£	£
Property	1 000 000	800 000
Plant and equipment – net book value	104 000	40 000
Inventory	24 250	18 750
Trade receivables	35 015	31 250
Cash and cash equivalents	-	15 525
Ordinary shares of £1 each	720 000	600 000
Share premium	70 000	60 000
Revaluation reserve	200 000	-
Bank loan	100 000	150 000
Trade payables	22 875	28 125
Tax payable	7 515	16 375
Bank overdraft	9 400	-

Additional information

- During the year the property was revalued.
- During the year plant and equipment with a net book value of £4 000 was part-exchanged for new plant and equipment costing £100 000. The part-exchange was valued at £3 000.
- On 30 November 2023 the final dividend for the year ended 31 May 2023 was paid on all shares in issue at 31 May 2023. The dividend was 2p per share.
- The directors propose a dividend of 1p per share for the year ended 31 May 2024. This would be paid on all shares in issue at 31 May 2024.
- On 31 March 2024 the directors made a rights issue of shares.
- The bank loan had a yearly interest charge of £5 000. This was paid in full on 31 May 2024.
- The accountant has calculated the operating profit for the year ended 31 May 2024 to be £6 965.
- The tax charge for the year ended 31 May 2024 was £7 515.



Prepare the statement of cash flows for the year ended 31 May 2024 to comply with IAS 7.

The reconciliation of operating profit to the net cash flow from operating activities for the year ended 31 May 2024 should be shown.

[14 marks]

C Ltd
Statement of cash flows for the year ended 31 May 2024

[illegible]

Turn over ►



[illegible]

The Managing Director has suggested that the repayment is funded by issuing a 10% debenture. The debenture would be repayable between 2034–2036.

Assess whether the directors of C Ltd should issue the debenture to fund the loan repayment.

[6 marks]

[illegible]

Turn over ►



1 5

Steven is a sole trader who does not keep full accounting records. He is in the process of preparing his financial statements for the year ended 31 May 2024 and is able to provide the following information:

	As at 31 May	
	2024	2023
	£	£
Motor vehicle – cost	48 000	21 000
Motor vehicle – accumulated depreciation	To be calculated	15 000
Inventory	To be calculated	8 500
Trade receivables	20 250	20 000
Bank	(10 250)	14 400
Trade payables	6 600	8 000

Additional information:

- Steven was unable to carry out a stocktake on 31 May 2024. He was able to calculate his draft profit for the year by applying 50% mark-up on all his purchases.
- In order to calculate the value of the inventory at 31 May 2024 Steven provides the following information:
 - the rate of inventory turnover is 12 times per annum
 - sales revenue for the year ended 31 May 2024 was £162 000.
- Steven's drawings for the year ended 31 May 2024 were £24 750.
- The draft profit for the year ended 31 May 2024 is £47 000. The draft profit was calculated before the following information had been provided:
 - on 30 September 2023 Steven sold the motor vehicle, which had cost £21 000, for £3 750. On 1 October 2023 he purchased a new vehicle costing £48 000 which he paid in full by bank transfer
 - the depreciation policy is to depreciate motor vehicles using the straight line method at a rate of 25% per annum. Depreciation is charged on a monthly basis
 - on 5 June 2024 Steven was informed that one of his customers had gone into liquidation, owing him £2 000. Steven has been told that he will not receive any of the money he is owed and the debt is now irrecoverable. He is concerned about other customers not paying and has decided to create a provision for doubtful debts of 6% of trade receivables.



[14 marks]

[illegible]

[illegible]

He is considering reducing his credit period to 15 days as a solution to these concerns.

[6 marks]

[illegible]

40

Turn over ►



Section C

Answer **all** questions in this section.

1	6
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Hassan is a chef who has always dreamed of running his own restaurant. He was recently a finalist in a television cookery competition. He believes that he can use the publicity generated by the television programme to set up his own restaurant.

Hassan has researched a number of successful restaurants in London and believes that he can use a similar business model for his restaurant in his home town on the south coast of England. The business model is based on an open-plan restaurant where the customers can watch the chef preparing their meal. There would be one sitting per evening with a set menu.

Hassan has found suitable premises and is able to provide the following information:

- The set-up and initial running costs are estimated to be £150 000.
- The restaurant will be open 5 evenings per week (Tuesday to Saturday).
- The maximum capacity will be 30 customers per evening. Hassan estimates that he will operate at 80% capacity and at this level he will make an annual profit of £50 400 before interest, salaries or drawings.
- If the number of customers falls below 75% capacity, then he will begin making a loss.

Hassan has savings of £17 000 which he is willing to invest. He has identified two options for the ownership of the business. Whichever option he chooses, he requires income from the business of at least £30 000 a year.

Option 1 Sole trader

Hassan would invest £15 000 of his savings. He would borrow £135 000 from his bank to cover the initial set-up and running costs. The loan is interest only, so he would have to repay the full amount in 5 years' time. The interest rate for the first year would be 10% per annum and this could then vary. The bank requires security for the loan and has asked Hassan to provide someone to act as a guarantor.

Option 2 Private limited company – HK Ltd

Hassan would set up a private limited company with Karen. Karen is an experienced restaurant manager and is willing to invest £140 000 for 140 000 ordinary shares of £1 each. Hassan would invest £10 000 of his savings to acquire 10 000 ordinary shares of £1 each.

Karen wants to be appointed as a director of the company. She would take an active role in the business and would require directors' remuneration of at least £25 000 a year. She believes her input would significantly increase profits.



[25 marks]

[illegible]

[illegible]

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1 7

Isha is the financial accountant at E plc, a clothing manufacturer. She applied for the Finance Director position but was unsuccessful. The position was given to Justin, who previously was a partner in the firm of accountants responsible for the audit of E plc.

Since Justin's appointment, Isha has identified three concerns:

Inventory – Isha believes that the inventory has been overvalued for a number of years. A large part of the inventory of raw materials is stored in warehouses in Asia and this has not been checked by the auditors. She believes that this has been overstated and that the quantity would be sufficient for at least three years of current production.

Goods on sale or return – the factory supplies goods on a sale or return basis and Isha believes that the sales figure has been artificially inflated as she has no evidence that the customers had sold the goods before the year end.

New sales contract – the Marketing Director issued a statement on 15 May 2024 announcing that a significant sportswear contract had been signed. The contract would guarantee the continued success of the factory and would lead to profits increasing by at least 20%. At the same time a leading investment analyst recommended that investors should buy shares in E plc resulting in the share price increasing. Isha says that she cannot find any evidence that the contract has actually been signed.

E plc has always been profitable and the directors' remuneration includes a bonus of 20% of their basic salary provided certain targets have been met. The employees are also part of the bonus scheme and would receive a one-off payment of £250 if the targets are met.

Isha believes that if her concerns are correct then the targets will not be met and no bonuses will be paid.



[25 marks]

[illegible]

[illegible]

[illegible]

[illegible]

50



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