Please write clearly, in	block capitals.
Centre number	Candidate number
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

or queenen	with four responses onl	, one anonoi poi e		
For each ans	wer completely fill in the	circle alongside the	appropriate answer.	
CORRECT METHOD	WRONG METHODS	\$ • \$ \$		
f you want to	change your answer yo	ou must cross out yo	ur original answer as	shown. 🔀
f you wish to	return to an answer pre-	viously crossed out	ring the answer you n	now wish to

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	
Α	General journal	Equipment	Supplier	0
В	General journal	Supplier	Equipment	0
С	Purchases returns journal	Purchases returns	Supplier	0
D	Purchases returns journal	Supplier	Purchases returns	0

[1 mark]

0 2

0 1

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	
Α	Commission	Vehicle repairs	Vehicles	0
В	Commission	Vehicles	Vehicle repairs	0
С	Principle	Vehicle repairs	Vehicles	0
D	Principle	Vehicles	Vehicle repairs	\bigcirc

[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	0
в	£200 000	0
С	£210 000	0
D	£214 000	0

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]

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?

0 5

0 6



[1 mark]

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

Α	drawings, interest on drawings, partnership salaries	\bigcirc	
В	interest on drawings, interest on a partner's loan, shares of residual loss	0	
С	interest on capital accounts, interest on drawings, partnership salaries	0	
D	interest on a partner's loan, partnership salaries, shares of residual profit	\bigcirc	
			[1 mark]

0 8

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?

Α	credit £900	\bigcirc
в	credit £7 300	0
С	debit £900	\bigcirc
D	debit £7 300	0

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?

Α	£8410	\bigcirc
в	£9250	0
С	£9510	0
D	£10 350	0



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?

Α	cash flows	\bigcirc
В	changes in equity	0
С	financial position	0
D	income	0

[1 mark]

1 0

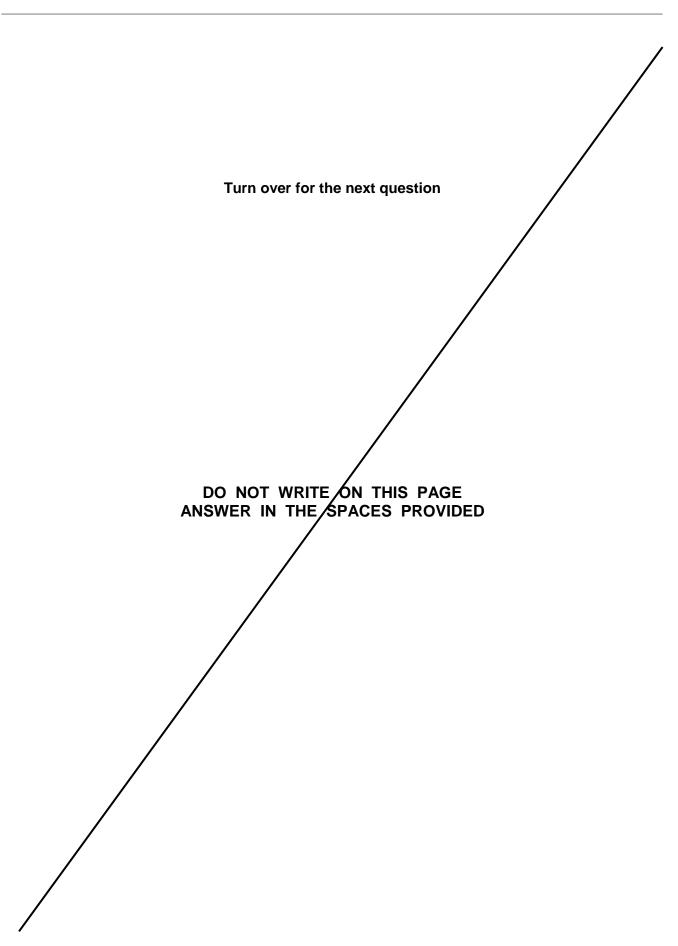
An extract from a limited company's statement of financial position is shown below.

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

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?





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							

11. **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		ไทรเ	urance accour	nt		Cr
Date	Details	£	Date		Details	£

Dr	F	Provision for	doubtful debt	ts acc	count	Cr
Date	Details	£	Date		Details	£

	Rent i	received acco	unt		Cr
Details	£	Date		Details	£
	Details			Rent received account Details £ Date Image:	

Turn over for the next question



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

1 2 . 1 Prepare the machinery disposal account.

[4 marks]

Machinery Disposal Account						
Dr		Cr				
	£	£				

Workings:

Mike, Nora and Oliver are in partnership sharing profits and losses in the ratio 3:2:1 respectively. Oliver has decided to retire and the partners have agreed the following.

- (1) Tangible assets would be revalued creating a surplus of £15 000.
- (2) Goodwill would be valued at £60 000. It was agreed that a goodwill account would not be maintained in the books of account.
- (3) The amount due to Oliver on his retirement would be paid in full from the business bank account.
- (4) Mike and Nora would continue in partnership sharing profits and losses equally.
- (5) In the new partnership Mike and Nora's capital account balances would be equal to £75 000 each; this would be achieved by paying or withdrawing cash using the partnership bank account.

The balances on the partners' capital accounts immediately prior to implementing this agreement were: Mike £70 000, Nora £60 000, Oliver £30 000.

1 3 . 1 Complete the partnership capital accounts after all these transactions have taken place.

[7 marks]

	Capital Accounts								
Dr							Cr		
	Mike	Nora	Oliver		Mike	Nora	Oliver		
	£	£	£		£	£	£		

Workings:

Section B

Answer **all** questions in this section

1 4

HQV plc provided the following information on 30 June 2016.

	Statement	of financial pos	ition at 30) June		
		2016			2015	
	£000 Cost/ Valuation	£000 Accumulated Depreciation	£000 Net book value	£000 Cost	£000 Accumulated Depreciation	£000 Net book value
Assets Non-current assets Property, plant and equipment	21 450	4 845		14 884	4 113	10 771
Current assets Inventories		779	10 000	11001	805	10771
Trade and other receivables Cash and cash		311			214	
equivalents					87	
Total assets			1 090 17 695	-		1 106 11 877
Equity Ordinary share of 50p			0.000			4 000
each Share premium Revaluation reserve			6 300 2 170 1 830			4 200 1 120
Retained earnings Total equity			4 332 14 632	-		<u>3 712</u> 9 032
Non-current liabilities 8% Debentures (2024)			2 100			1 750
Current liabilities Trade and other						
payables Tax liabilities Cash and cash		345 557			652 443	
equivalents		61	963			1 095
Total equity and liabilities			17 695			11 877
Additional information						
During the year ended 30 Ju	une 2016					

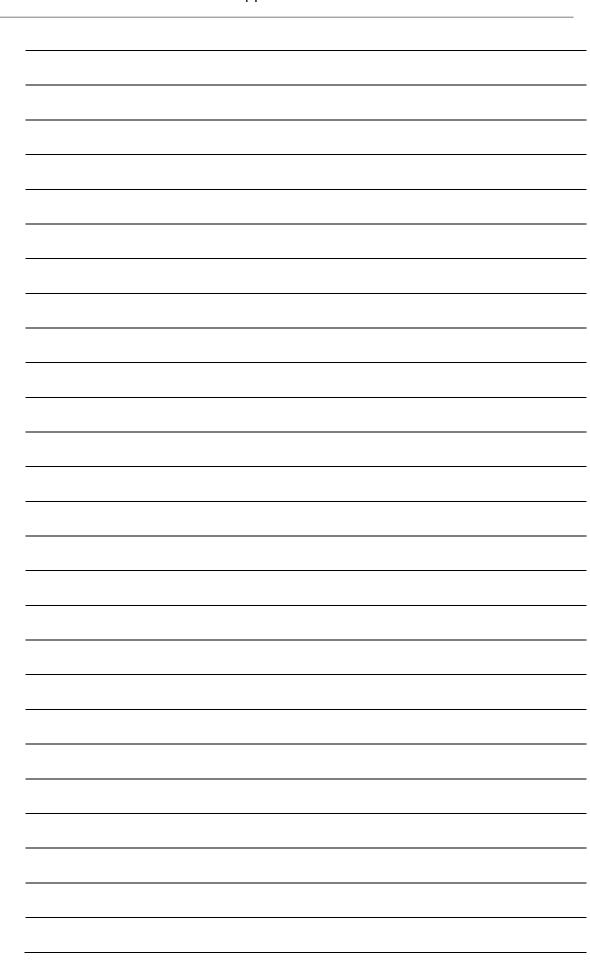
- (1) Additional plant was purchased, cost £6 600 000.
- (2) Equipment was sold for £830 000. This had been depreciated by £485 000.
- (3) Property was revalued.
- (4) There were no other disposals or purchases of non-current assets
- (5) Taxation paid totalled £398 000
- (6) Dividends paid totalled £1 334 000
- The income statement for the year ended 30 June 2016 included:
- Depreciation charges of £1 217 000
- Finance charges of £402 000
- A provision for taxation of £512 000.



1 4 . 1 Prepare a statement of cash flows for the year ended 30 June 2016.

The statement should conform to the requirements of IAS7.

[14 marks]



-		
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Extra space		
-		

1 4 . 2

One of the company's directors has expressed concern at the company's liquidity at 30 June 2016 compared to 30 June 2015. The company's accountant has provided the following information.

	At 30 June 2016	At 30 June 2015	Industry average
Current ratio	1.13:1	1.01:1	0.95:1
Liquid capital ratio	0.32:1	0.27:1	0.42:1

Assess the liquidity of HQV plc and the extent to which you agree with the director's concerns.

[6 marks]

Extra space

Turn over for the next question

17

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

	1 Ja	anuary 2015 £	31 December 2015 £
Inventory		18 940	14 720
Other payables: rent of shop premises			950
Other receivables: rent of shop premise		830	20.000
Shop fittings and equipment at book va Trade payables	lue	32 400 14 730	29 600 16 390
 December 2015. Summary of bank statements for year en 	ded 31 Decei	mber 2015	
	Debit	Credit	Balance
			Dalahoe
	£	£	£
Balance	£	£	
Balance Cash takings banked	£	£ 228 730	£
	£ 178 300		£ 2 300
Cash takings banked			£ 2 300 231 030
Cash takings banked Payments to trade payables	178 300		£ 2 300 231 030 52 730
Cash takings banked Payments to trade payables Drawings	178 300	228 730	£ 2 300 231 030 52 730 31 390
Cash takings banked Payments to trade payables Drawings Sale of shop fittings	178 300 21 340	228 730	£ 2 300 231 030 52 730 31 390 32 780

- (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%.

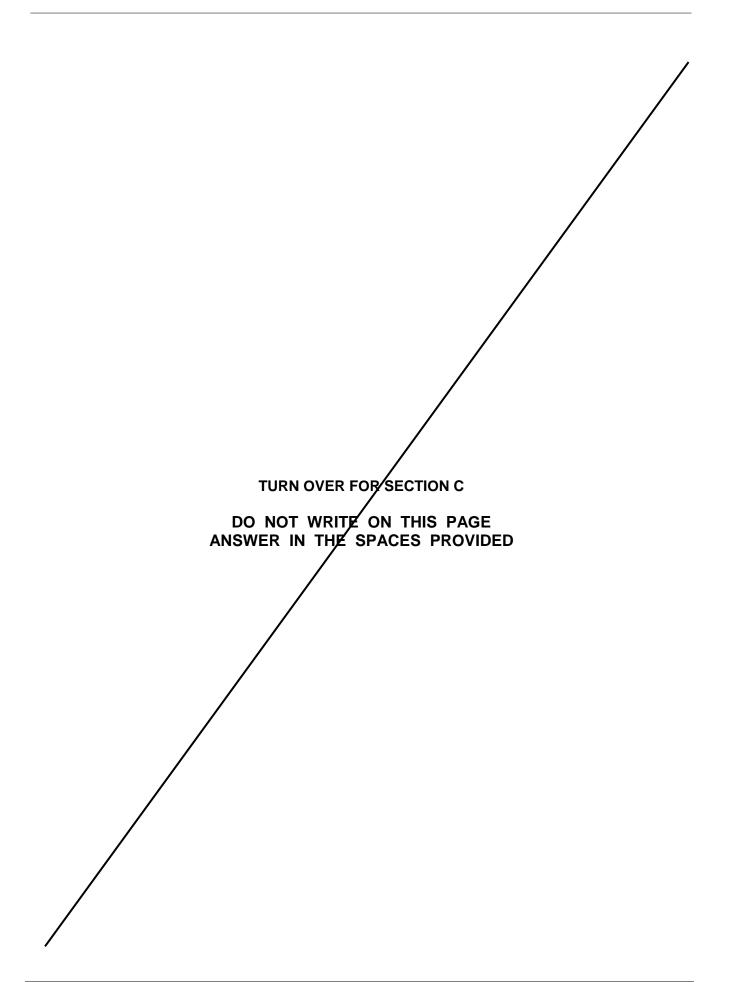
1 5 . 1 Prepare the trading section of the business's income statement for the year ended 31 December 2015 to show the value of goods taken for own use by Serena.

[8 marks]

	Extra space
1 5 . 2	Complete the income statement for the year ended 31 December 2015 to show the business's profit or loss for the year. [6 marks]

	Extra space
1 5 . 3	Serena has told her accountant that she is disappointed by the business's performance. Her accountant has looked at the business's results for the year ended 31 December 2015 and has highlighted the fact that revenue has fallen by 10% and the rate of inventory turnover has also worsened by 20 days.
	Assess the actions that Serena could take to overcome the weaknesses highlighted
	by the accountant. [6 marks]





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	High – Low
	£2.50 – £2.35	£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	25р	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.

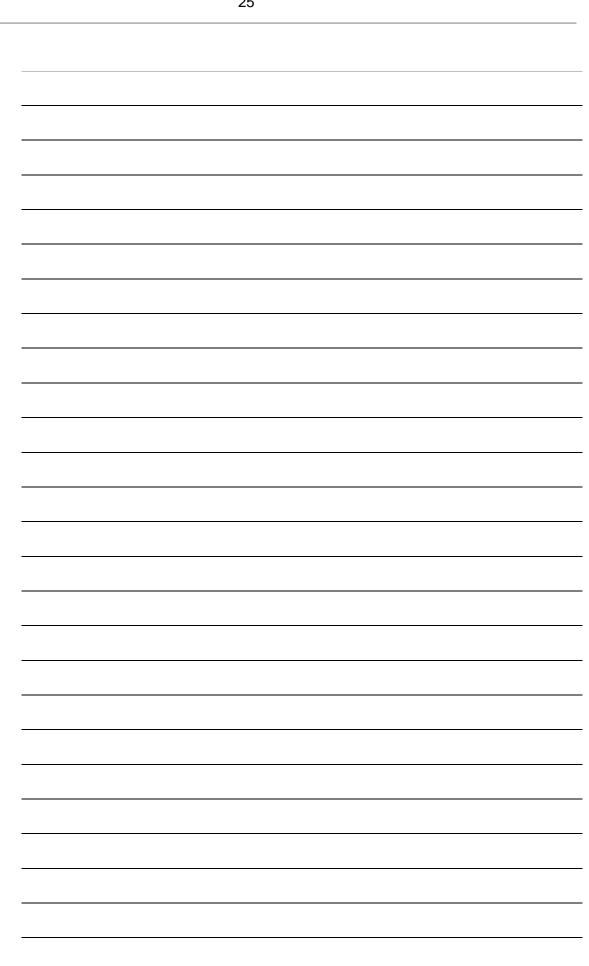
Statement of financial position extracts for property plant and equipment.

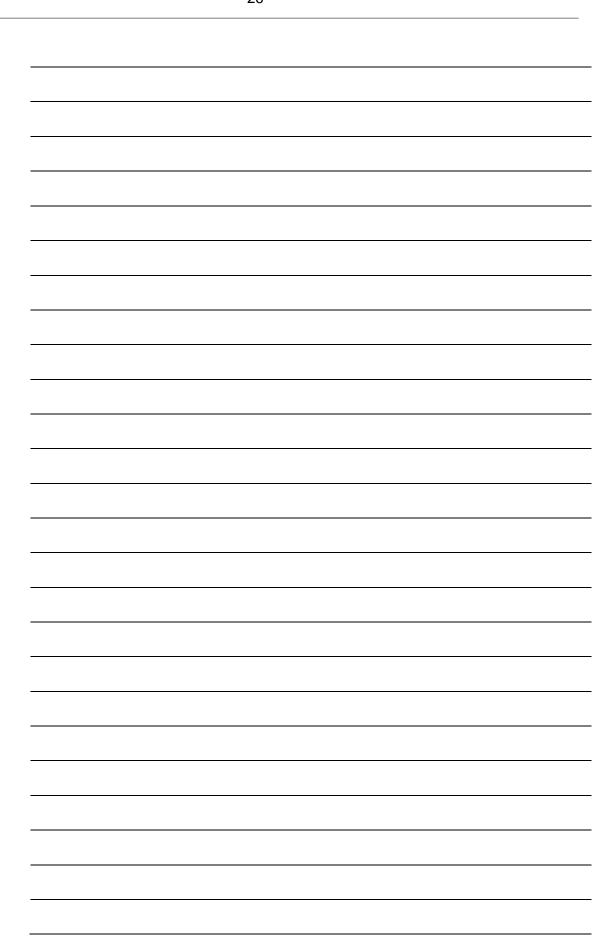
	DepreciationCostto date		NBV
	£m	£m	£m
Stabilo plc	250	50	200
Gogro plc	45	30	15

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]





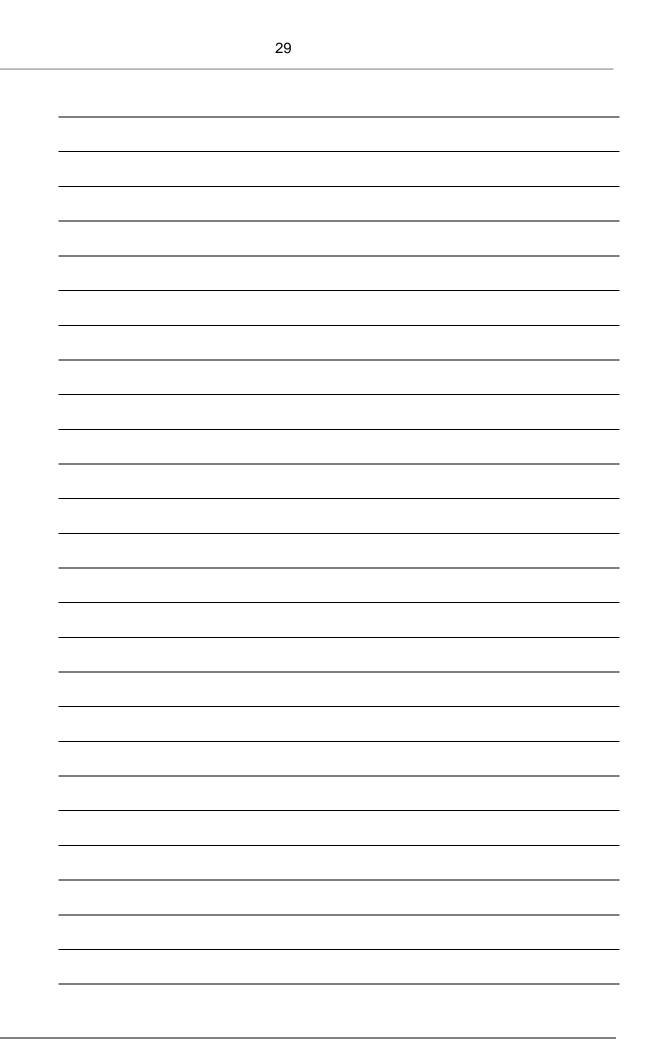


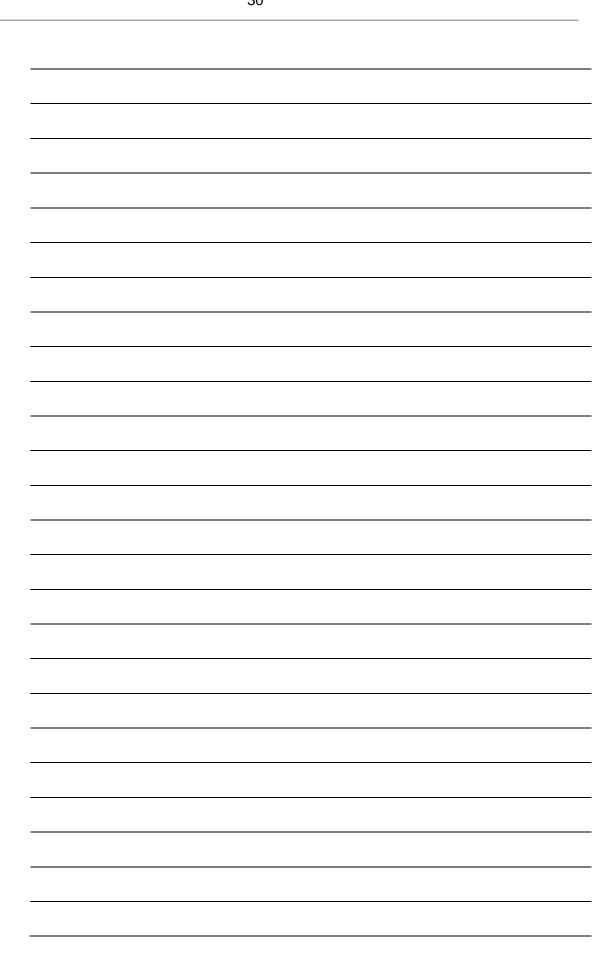
Hassell & Co is a firm of accountants providing audit and other accountancy services to businesses and individuals.

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.
- **17. 1** Assess the risks to Hassell & Co of the issues identified and suggest the course of action that the partners should take.

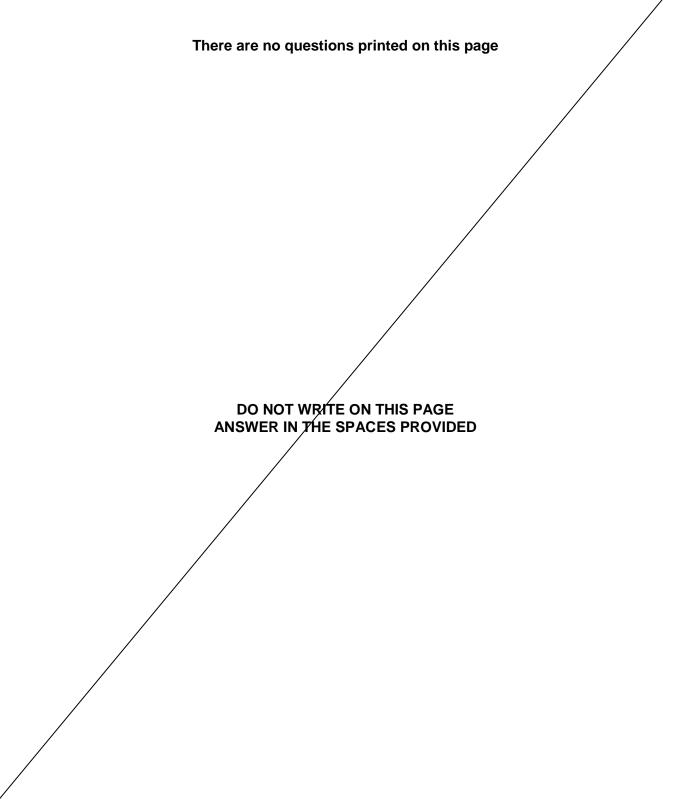
[25 marks]





Extra space	

END OF QUESTIONS



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22 December 2016