Please write clearly, in block capitals.
Centre number $\square$ Candidate number

|  |  |  |  |
| :--- | :--- | :--- | :--- |

Surname $\qquad$
Forename(s)
Candidate signature $\qquad$

## 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.


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.

| $\mathbf{0}$ | $\mathbf{1}$ 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 | 0 |
| B | General journal | Supplier | Equipment | 0 |
| C | Purchases returns journal | Purchases returns | Supplier | 0 |
| D | Purchases returns journal | Supplier | Purchases returns | 0 |

[1 mark]

| $\mathbf{0}$ | $\mathbf{2}$ 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 | 0


| $\mathbf{0}$ | $\mathbf{3}$ 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 | 205000 |
| Sales returns | 7000 |
| Trade receivables, 1 July 2015 | 14000 |
| Trade receivables, 30 June 2016 | 12000 |

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

A $£ 196000$

B $£ 200000$

C $£ 210000$


D $£ 214000$

| 0 | 4 |
| :--- | :--- | The following information was provided by a sole trader for the year ended 31 December 2015.


|  | $£$ |
| :--- | :---: |
| Capital 1 January 2015 | 32000 |
| Capital 31 December 2015 | 29000 |
| Drawings | 11000 |

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

A loss $£ 8000$ $\square$

B loss $£ 14000$


C profit $£ 8000$ $\square$

D profit $£ 14000$ $\square$

| 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

| 0 | 6 |
| :--- | :--- | :--- | Which of the following correctly lists items to be shown in a partnership appropriation account?

A drawings, interest on drawings, partnership salaries $\square$

B interest on drawings, interest on a partner's loan, shares of
 residual loss

C interest on capital accounts, interest on drawings, partnership $\square$ salaries

D interest on a partner's loan, partnership salaries, shares of residual profit


| $\mathbf{0}$ | $\mathbf{7}$ | 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 | 12000 | Interest on capital | 8200 |
| Salary | 8000 | Share of loss | 3300 |
|  |  | Balance c/d | 8500 |
|  | 20000 |  | 20000 |
| Balance b/d | 8500 |  |  |

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

A credit $£ 900$ $\square$

B credit $£ 7300$ $\square$

C debit $£ 900$


D debit $£ 7300$


| 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 $£ 10350$

[1 mark]

| $\mathbf{0}$ | $\mathbf{9}$ | 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


| $\mathbf{1}$ | $\mathbf{0} \quad$ An extract from a limited company's statement of financial position is shown below..$~$ |
| :--- | :--- | :--- |


|  | $£$ |
| :--- | :---: |
| Authorised capital: <br> Ordinary shares of 50p each | 450000 |
| Issued capital: <br> Ordinary shares of 50p each | 300000 |

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 120000


B 180000

C 240000


D 360000


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 |


| $\mathbf{1}$ | $\mathbf{1}$. | $\mathbf{1}$ Record the information given in the ledger accounts shown below. The accounts |
| :--- | :--- | :--- | :--- | should be balanced at 31 December 2015.

## GENERAL LEDGER

Dr Insurance account

| Drate | Details | $£$ | Date |  | Details | $£$ |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

Dr Provision for doubtful debts account

| Date | Details | $£$ | Date |  | Details | $£$ |
| :--- | :--- | :--- | :--- | :--- | :--- | :---: |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |


| Dr | Rent received account |  |  |  | C |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Date | Details | £ | Date | Details | £ |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

Turn over for the next question

| $\mathbf{1}$ | $\mathbf{2}$ | A business has recently sold some machinery which had a net book value of |
| :--- | :--- | :--- | $£ 13000$. The provision for depreciation on the machinery at the time of sale was $£ 16000$. The business made a loss of $£ 4000$ on the sale.


| $\mathbf{1}$ | $\mathbf{2}$. | $\mathbf{1}$ Prepare the machinery disposal account. |
| :--- | :--- | :--- |


| Machinery Disposal Account |  |  |  |
| :--- | :---: | :--- | :---: |
| Dr |  |  | Cr |
|  | $£$ |  | $£$ |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

Workings: $\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$

| $\mathbf{1}$ | $\mathbf{3}$ | 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 $£ 15000$.
(2) Goodwill would be valued at $£ 60000$. 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 $£ 75000$ 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 $£ 70000$, Nora $£ 60000$, Oliver $£ 30000$.

| 1 | $\mathbf{3} .1$ | 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: $\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$

## Section B

Answer all questions in this section

| 1 | 4 | $H Q V$ |
| :--- | :--- | :--- |


(1) Additional plant was purchased, cost $£ 6600000$.
(2) Equipment was sold for $£ 830000$. This had been depreciated by $£ 485000$.
(3) Property was revalued.
(4) There were no other disposals or purchases of non-current assets
(5) Taxation paid totalled $£ 398000$
(6) Dividends paid totalled $£ 1334000$

The income statement for the year ended 30 June 2016 included:

- Depreciation charges of $£ 1217000$
- Finance charges of $£ 402000$
- A provision for taxation of $£ 512000$.

| $\mathbf{1}$ | $\mathbf{4}$ | . | $\mathbf{1}$ |
| :--- | :--- | :--- | :--- |
| Prepare a statement of cash flows for the year ended 30 June 2016. |  |  |  |

The statement should conform to the requirements of IAS7.
[14 marks]
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$

Extra space

| $\mathbf{1}$ | $\mathbf{4} .2$ 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.
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
Extra space

## Turn over for the next question

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 | 18940 | 14720 |
| Other payables: rent of shop premises |  | 950 |
| Other receivables: rent of shop premises | 830 |  |
| Shop fittings and equipment at book value | 32400 | 29600 |
| Trade payables | 14730 | 16390 |

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 |  |  | 2300 |
| :--- | ---: | ---: | ---: |
| Cash takings banked |  | 228730 | 231030 |
| Payments to trade payables | 178300 |  | 52730 |
| Drawings | 21340 |  | 31390 |
| Sale of shop fittings |  | 390 | 32780 |
| Rent of shop premises | 14350 |  | 17430 |
| General expenses | 9470 |  | 7960 |

(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 |
| :--- | :--- | :--- | 31 December 2015 to show the value of goods taken for own use by Serena.

[8 marks]
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$

Extra space
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\mathbf{1} 5$. 2 2 Complete the income statement for the year ended 31 December 2015 to show the business's profit or loss for the year.
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$

Extra space $\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$

| 1 | 5 | 3 |
| :--- | :--- | :--- | 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.
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$

Extra space


## Section C

Answer all questions in this section
16
Laura has recently inherited $£ 50000$ 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 | 9.6 p | 10.5 p |
| Dividend yield | $4 \%$ | $7.5 \%$ |
| Dividend cover | 4 times | 0.8 times |
| Earnings per share | 25 p | 10 p |
| 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 <br> to date | NBV |
| :--- | :---: | :---: | :---: |
|  | £m | £m | £m |
| Stabilo plc | 250 | 50 | 200 |
| Gogro plc | 45 | 30 | 15 |


| 1 | 6 | 1 |
| :--- | :--- | :--- | company would be best for her to buy shares in.

$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$

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.

| $\mathbf{1}$ | $\mathbf{7}$. | $\mathbf{1}$ Assess the risks to Hassell \& Co of the issues identified and suggest the course of |
| :--- | :--- | :--- | action that the partners should take.

[25 marks]
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
Extra space
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$
$\qquad$

END OF QUESTIONS

## There are no questions printed on this page

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

## aqa.org.uk

Copyright © 2016 AQA and its licensors. All rights reserved.

AQA Education (AQA) is a registered charity (registered charity number 1073334) and a company limited by guarantee registered in England and Wales (company number 3644723). Registered address: AQA, Devas Street, Manchester M15 6EX

