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Please write clearly in	n block capitals.		
Centre number		Candidate number	
Surname			
Forename(s)			
Candidate signature			

## AS Accounting

Paper 1 Financial and management accounting

Tuesday 15 May 2018

Morning

#### Materials

For this paper you must have:

• a calculator.

#### Instructions

- Use black ink or black ball-point pen.
- Fill in the box 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 mark for this paper is 120.

### Time allowed: 3 hours

For Examiner's Use				
Section	Mark			
А				
В				
С				
TOTAL				

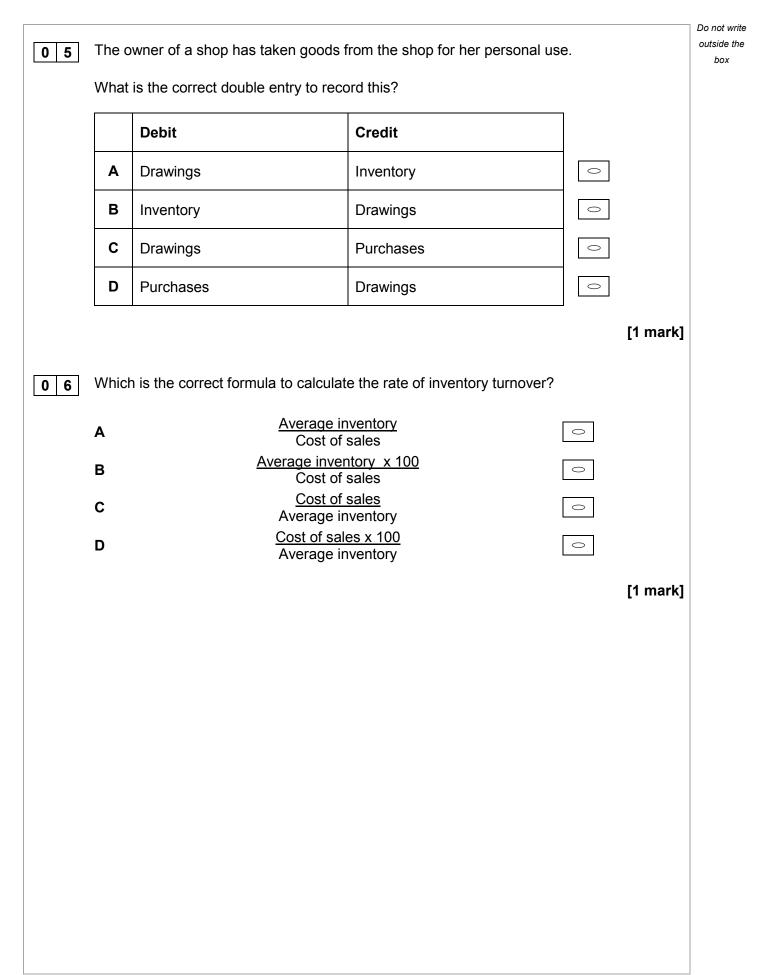


	Section A		
	Answer <b>all</b> questions in this section.		
For could lf yo	y <b>one</b> answer per question is allowed. each answer completely fill in the circle alongside the appropriate ans RRECT METHOD • WRONG METHODS © © © © © ou want to change your answer you must cross out your original answer ou wish to return to an answer previously crossed out, ring the answer ect as shown.	er as show	
1	The bookkeeper has made a contra entry in the cash book to record to into the bank account.	the paymer	nt of cash
	Which of the following is the source document for this transaction?		
	A Cash receipt	0	
	B Cheque counterfoil	0	
	C Paying-in-slip counterfoil	0	
	D Till roll	0	
			[1 mark]
2	Which of the following is the definition of a partnership?		
	A business owned by shareholders	0	
	<b>B</b> A business owned by the public	0	
	<b>C</b> A business owned by two or more people with limited liability	0	
	<b>D</b> A business owned by two or more people with unlimited liability	0	
			[1 mark]



0 3	Included in the closing inventory of £36 800 were some items that had The damaged inventory cost £6 400. It can be repaired at a cost of £8 sold for £7 100.		Do not write outside the box
	What is the value of the closing inventory that should be included in the statements?	e financial	
	<b>A</b> £30 400	0	
	<b>B</b> £36 620	0	
	<b>C</b> £36 980	0	
	<b>D</b> £37 680	0	
		[1 mark]	
04	A business rents out part of its premises to two sole traders. It has rec payments during the year ended 30 April 2018. At 30 April 2018, one made a payment in advance of £600. The other still owes a month's re	sole trader has	
	What amount should be entered in the income statement for the year of for rent received?	ended 30 April 2018	
	<b>A</b> £5 400	0	
	<b>B</b> £5 600	0	
	<b>C</b> £6 400	0	
	<b>D</b> £6 800	0	
		[1 mark]	
	Turn over for the next question		







0 7	Which is the correct formula to calculate the gearing ratio?		Do not write outside the box
	A Current liabilities x 100 Non-current liabilities	0	
	B <u>Current liabilities x 100</u> Issued share capital + Reserves + Non-current liabilities	0	
	C <u>Issued share capital + Reserves x 100</u> Non-current liabilities	0	
	D Non-current liabilities x 100 Issued share capital + Reserves + Non-current liabilities	0	
		[1 mark	]
08	A company has total non-current liabilities of £5 000 000; $^{4}/_{5}$ of this tota Debentures 2025–6. The remaining $^{1}/_{5}$ is a bank loan with interest cha annum.		
	What will the finance costs be for a six month period?		
	A £60 000	0	
	<b>B</b> £125 000	0	
	<b>C</b> £130 000	0	
	<b>D</b> £260 000	0	
		[1 mark	]
09	Which best describes an error of principle?		
	<b>A</b> The double entry is correct but the amount entered is incorrect	0	
	<b>B</b> The double entry is correct but the class of account is incorrect	0	
	<b>C</b> The double entry is incorrect as only one entry has been made	0	
	<b>D</b> The double entry is incorrect as the debit entry does not equal the credit entry	0	
		[1 mark	3



10	A company offers its trade customers a 30% trade discount and also a cash discount of 2.5% if they pay within 10 days. A trade customer has bought £100 worth of goods on credit.	Do not write outside the box
	How much will the customer pay if he pays within 10 days?	
	A £67.50	
	B £68.25	
	<b>C</b> £70.00	
	D £97.50	
	[1 mark]	
1 1	Unibrand plc produces one product for which the forecast costs and selling price are shown below.	
	£Selling price200Fixed cost per unit50Variable cost per unit105	
	The forecast costs are based on planned production and sales of 4 000 units.	
11.	1 Define the term 'stepped costs'. [2 marks]	



11.2	Calculate total fixed costs.	[1 mark]
11.3	Calculate the contribution per unit.	[1 marks]
11.4	Calculate the break-even point in units. State the formula used.	[3 marks]
1 1.5	Describe what is meant by 'break-even point in units'.	[2 marks]
	Turn over for the next question	



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		0000	ion B		
	A	nswer <b>all</b> questi	ons in this se	ction.	
1 3	The bookkeeper for Fa				ger entries to
	The entries in the prov of motor vehicles accor following information.				
	Extract from the balan	ice sheet at 30 /	April 2017.		
		Cost D	Depreciation to date	Net book value	
		£	£	£	
	Motor vehicles	81 000	45 000	36 000	
	On 28 April 2018 Faw originally cost £21 000 replacement vehicle p	) and had a net			
	Fawaz depreciates me $33^{1}/_{3}\%$ per annum. He none in the year of dis	e charges a full			
I 3. 1	33 <sup>1</sup> / <sub>3</sub> % per annum. He none in the year of dis	e charges a full posal. on for depreciatio	year's deprec		acquisition and
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Question 13 continues on the next page

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•	Disposal of motor vehicles				Cr	
Date	Details	£	Date	Details	£	
Wo	rkings					



Inventory at 1 May 2017 £8 650 Inventory at 30 April 2018 £12 440 Prepare the inventory account to show the entries for the year ended 30 April 2018 and bring the balance down on 1 May 2018. [4 marks] Inventory Cr a Details £ Date Details £ Details £ Date Details £ Turn over for the next question	Inventory at 30 April 2018 £12 440  Prepare the inventory account to show the entries for the year ended 30 April 2018 and bring the balance down on 1 May 2018. [4 marks]  Inventory Cr te Details £ Date Details £	Inventory at 1 May 2017 £8 650	
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and bring the balance down on 1 May 2018.          Inventory       Cr         e       Details       £       Date       Details       £         a       a       a       a       a       a       a         a <td>[4 marks]         Inventory       Cr         te       Details       £       Date       Details       £         Inventory       Inventory<!--</td--><td></td><td></td></td>	[4 marks]         Inventory       Cr         te       Details       £       Date       Details       £         Inventory       Inventory </td <td></td> <td></td>		
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		Turn over for the next question	



IB/G/Jun18/7126

Jeni is the bookkeeper for Hamed a sole trader. She uses a hand written double entry bookkeeping system. Jeni is in the process of preparing the financial statements for the year ended 30 April 2018. However, the trial balance did not balance and she transferred the difference into a suspense account.	outside the box
Hamed has a meeting with his bank manager and Hamed needs to know how much profit he had made for the year ended 30 April 2018. Jeni explained that there were some errors in the books of account and the profit might change, but before any corrections the draft profit for the year was £24 850.	

She discovered the following errors in the books of account.

- 1. A sales invoice to J Jones a credit customer dated 25 April 2018 for £3 300 had not been entered in the books of account.
- 2. Discount received of £78 had been debited in the suppliers account and debited in the discount received account.
- 3. The purchases journal for March had been overcast by £180.
- 4. A cheque paid for wages of £768 had been entered correctly in the cash book but debited in the wages account as £678.
- 5. A cheque paid to a credit supplier for £200 had been credited in both the bank account and the suppliers account.

Prepare the suspense account at 30 April 2018 to correct the errors and show the 1 original difference on the trial balance.

#### [5 marks]

Dr		Suspense	account		Cr
Date	Details	£	Date	Details	£



1 4

1 4. Do not write outside the

	Workings	Do not v outside box
1 4 . 2	Calculate the revised profit, taking into account any adjustments required for correcting the errors 1–5. [5 marks]	
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Joko Ltd is a company selling sports equipment. The directors are the only shareholders. The assistant accountant has prepared the income statement and retained earnings section of the statement of changes in equity for the year ended 30 April 2018.

The balances remaining in the ledger accounts at 30 April 2018 are shown below.

	t
Bank overdraft	15 000
Inventory	68 600
Ordinary shares of 20p each	200 000
Other payables	7 600
Property at cost	250 000
Provision for depreciation – property	62 500
Provision for doubtful debts	1 140
Retained earnings	61 110
Trade receivables	28 750

The finance director has checked the draft financial statements and accounting records and asked for the following items to be dealt with.

- On 26 April 2018 goods costing £5 000 with a sales value of £8 500 were sent to a customer on a sale or return basis. The credit sale was recorded in the sales ledger and the goods were not included in the closing inventory as they were not on the premises. The goods were returned on 4 May 2018 as they had not been sold.
- 2. During the year, the company had their property repaired. The cost of the repairs totalled £80 000, which has been debited to repairs and renewals. Included in the repairs total was £20 000 for building a new storage room.

It is company policy to depreciate property over a useful life of 40 years using the straight line method. It is the company policy to charge a full year's depreciation in the year of acquisition and none in the year of disposal.

- 3. On 25 April 2018 the directors issued 500 000 new shares at a premium of 5p. The share issue was fully subscribed and the cash has been received, however this transaction has not been recorded in the ledger accounts.
- 4. The provision for doubtful debts has not yet been calculated for the year ended 30 April 2018. The finance director wants this to be 4% of trade receivables.
- 5. The finance director has calculated that a provision for taxation of £16 000 should be made.



1 5

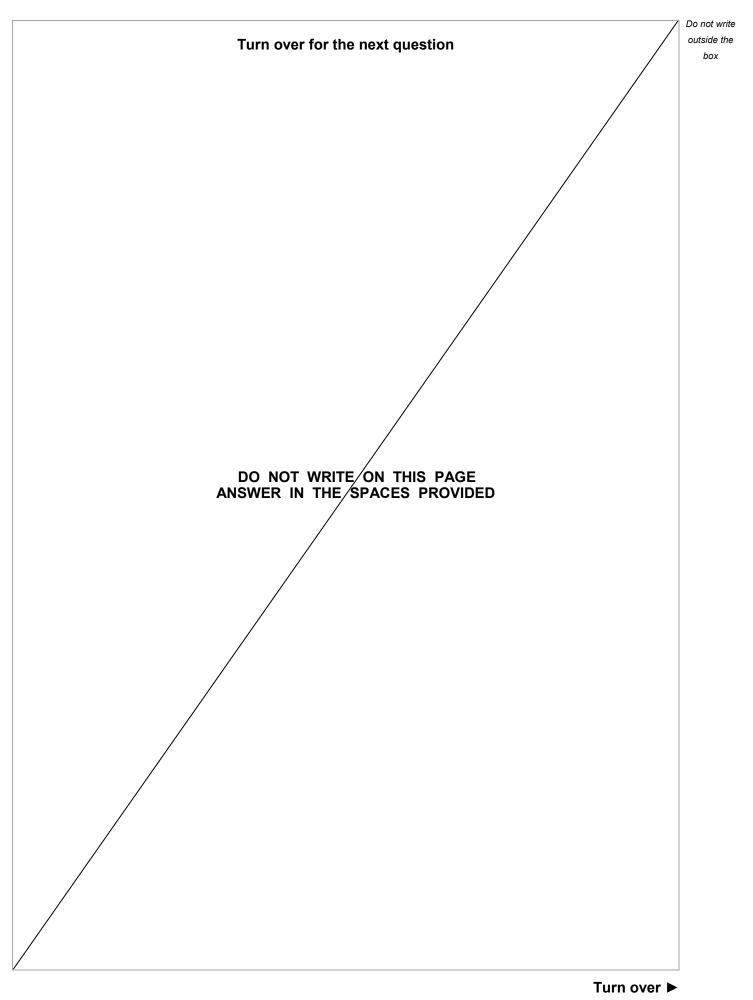
1 5	Prepare the statement of financial position for Joko Ltd at 30 April 2018 taking into account any adjustments required by items 1–5.
	[15 marks]
	Joko Ltd Statement of financial position at 30 April 2018





Workings	







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Dudage L			
Бийдее L	td is a trading company which buys a	nd sells one typ	be of machine.
statement	agement accountant of Budgee Ltd is t for the year ended 30 April 2019. He April 2018 as the basis for the budge	e is using the a	
The tradir below.	ng section of the income statement for	the year ende	d 30 April 2018 is shown
	Trading section of the income ended 30 Apr		r the year
	•	£	£
	Revenue (12 000 units)	-	2 160 000
	Opening inventory (2 000 units)	180 000	
	Purchases (12 000 units)	1 440 000	
	Closing inventory (2 000 units)	(240 000)	_
	Cost of sales		1 380 000
	Gross profit		780 000
The man 30 April 2	agement accountant provides the follo 2019.	owing forecasts	s for the year ended
Both sale	es and purchases will be spread evenl	y through the y	vear.
The fored • for 15 • for	ded to reduce the selling price by 10% cast is: the period from 1 May to 31 October	that the sales v	volume will increase by y a further 10% (based or
		5	,
that it will	es ded to purchase 15 000 units. The cu l be increasing the price to £130 from oducts from this company until 31 July	1 May 2018. E	has informed the compan Budgee Ltd is contracted
for £120,	hasing manager has found a new sup but they will charge £5 a unit for deliv purchase the products from this com	ery. The purcl	nasing manager has
	у		



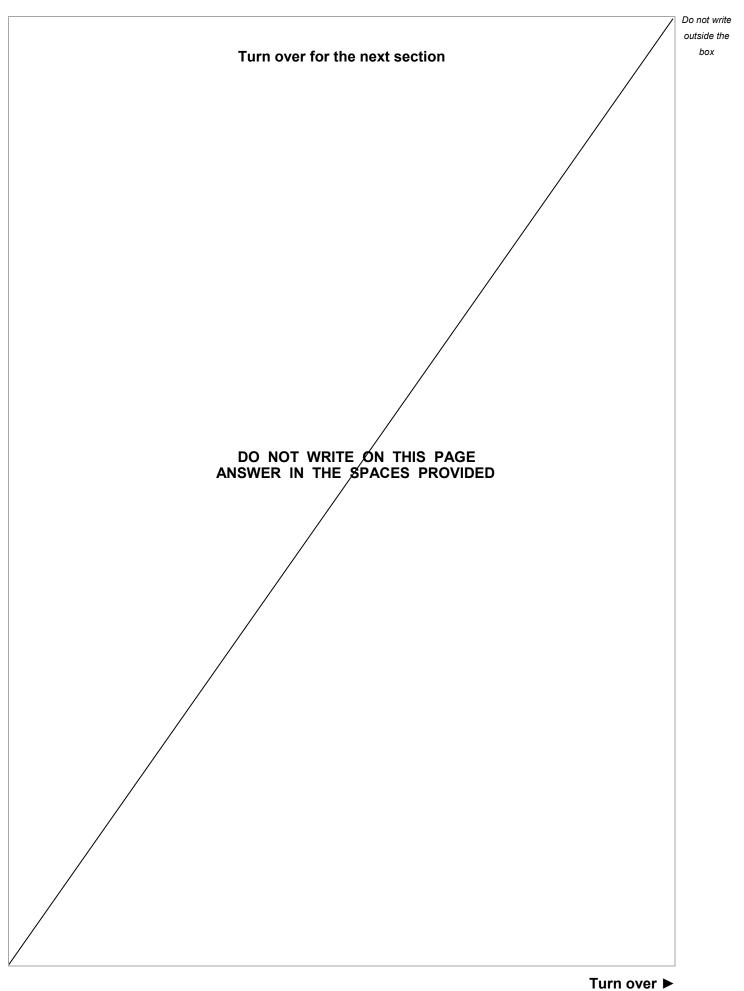
6	Prepare the budgeted trading section of the income statement for Budgee Ltd for the
	year ended 30 April 2019. [15 marks]
	[]
	Budgee Ltd Budgeted trading section of the income statement for the year ended 30 April 2019

Turn over ►



Workings		







IB/G/Jun18/7126

1 7	The directors of Cass Ltd have become increasingly concerned about the liquidity position of the company.
	In order to assess the performance of the business, the accountant has calculated ratio for the current year together with those of the previous three years. These are shown below.
	Year ended 31 DecemberRatio2017201620152014Gross profit %35%33%30%28%Profit in relation to revenue %10%12%14%14%Current ratio1.2 : 11.5 : 12 : 12.4 : 1Liquid capital ratio0.4 : 10.8 : 11.4 : 11.9 : 1Trade receivable days62564545Trade payable days30354045
	Additional information
	The company offers its customers 30 days credit. The company is given 30 days credit by its suppliers.
	The directors have identified that there will be a problem with the company's overdraft. The company has an agreed overdraft facility of £80 000 and the bank is unwilling to increase this. The forecast bank balance on 30 June 2018 is £85 000 overdrawn.
	The directors' believe that the problem of the bank overdraft will be temporary as they have signed a contract which will increase sales by 20%. The contract will commence on 1 September 2018.



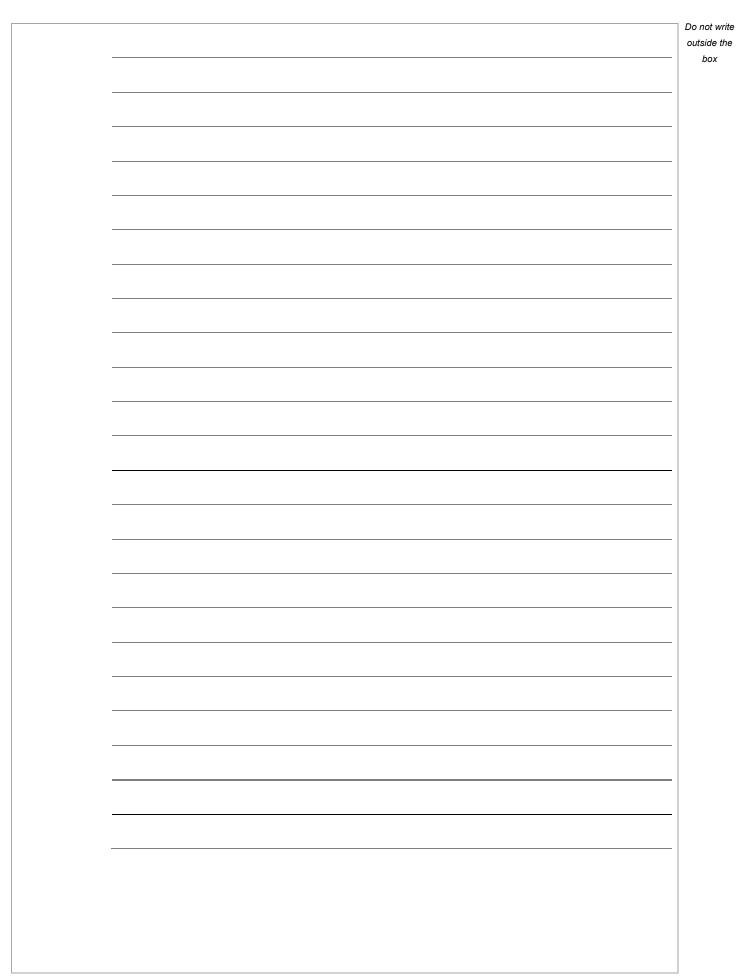
7	Evaluate the performance of the business in relation to liquidity. justify a short-term solution to the problem of the bank overdraft.	Recommend and
		[20 marks]





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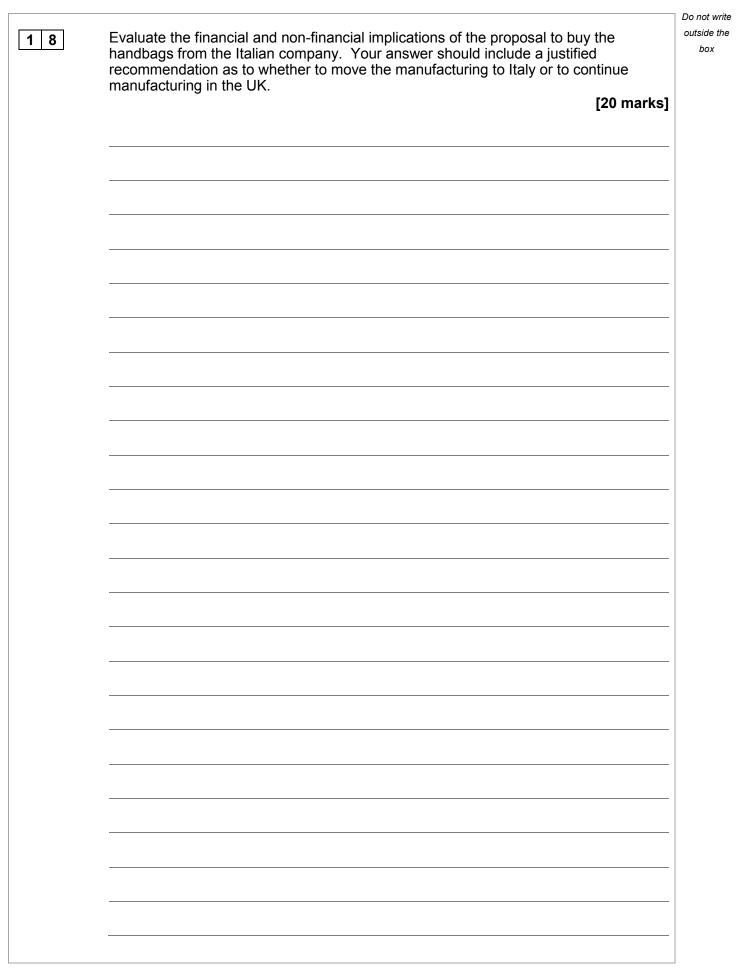




IB/G/Jun18/7126

]	CF Ltd manufactures designer handbags. The handbags are designed by Claudia, the owner of the company, and are sold to retailers all over the world.						
	The company has developed strong customer loyalty built on its reputation for the design of the handbags; the quality of its products, as they are made with top quality materials; and the fact that they are handmade in Britain by a highly skilled workforce. The factory and administrative offices are owned by the company and are located in the UK in a rural area with little alternative employment. The company has invested heavily in training and now has a highly skilled workforce of 20 workers.						
	<ul> <li>Claudia has become increasingly concerned about the costs of manufacturing in the UK. The company imports leather for the bags from Italy and the materials for the lining from China. The exchange rate has been falling, resulting in increased costs for these materials. Claudia has asked her accountant for costing information for the current year and to prepare forecasts for the next year.</li> <li>The accountant has prepared the budget based on the estimate that the cost of materials will increase by 20% and shipping costs will increase by 10%. However, she does not believe that other costs will change. The information for the current year and the budgeted figures are shown below.</li> </ul>						
		Current	Budget				
	Selling price	<b>£</b> 800	<b>£</b> 800				
	<b>Cost per bag</b> Labour (18 hours x £10 per hour) Leather Lining materials Shipping costs Fixed costs – Design Fixed costs – Administration and manufacturing	180 60 20 20 80 240	180 72 24 22 80 240				
		Claudia has had an offer from an Italian company to manufacture and deliver the handbags. The Italian company already make handbags and other leather products for several respected international brands. They have a reputation for producing quality products using a skilled workforce. However, there are rumours that their workers are unhappy with their current pay and are demanding an increase in their wages.					
	handbags. The Italian company already make handbags for several respected international brands. They have a r quality products using a skilled workforce. However, ther workers are unhappy with their current pay and are dema	and other le reputation for re are rumou	eather products or producing urs that their				
	handbags. The Italian company already make handbags for several respected international brands. They have a r quality products using a skilled workforce. However, ther workers are unhappy with their current pay and are dema	and other le reputation for e are rumou anding an ind anufacture t e price will n	eather products or producing urs that their crease in their he handbags for				



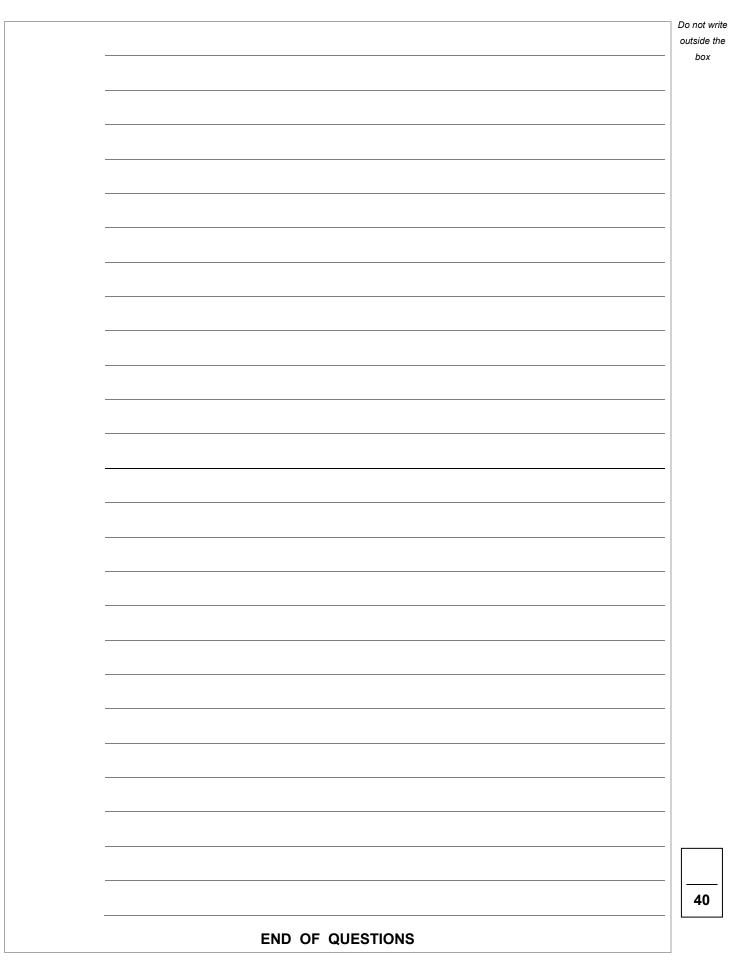




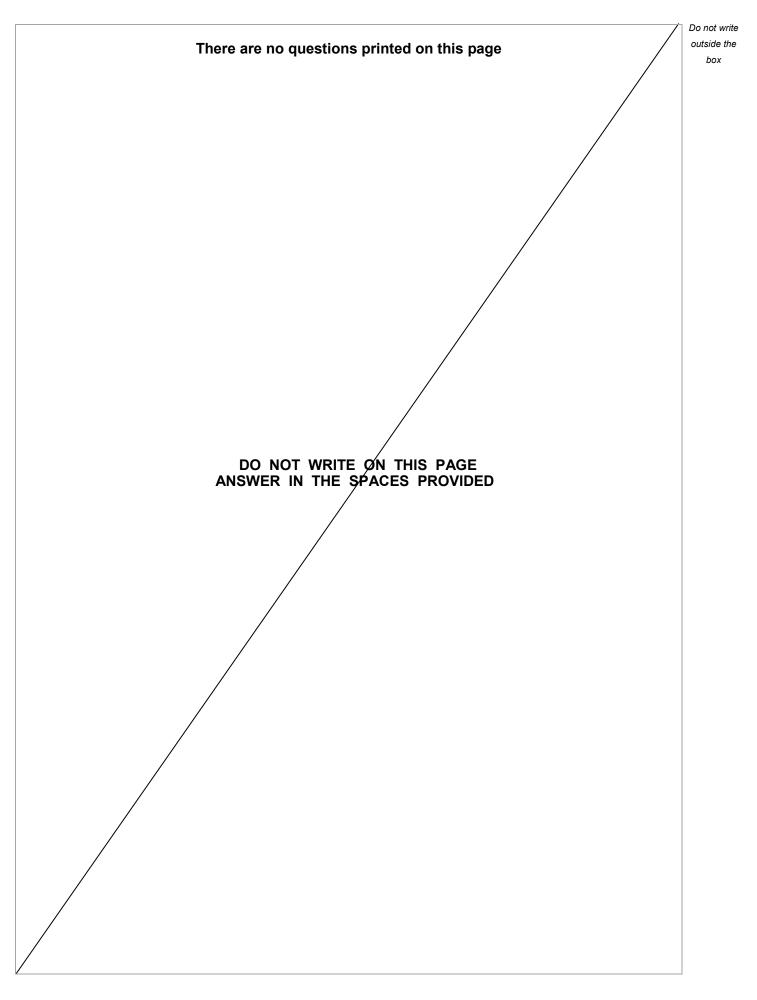
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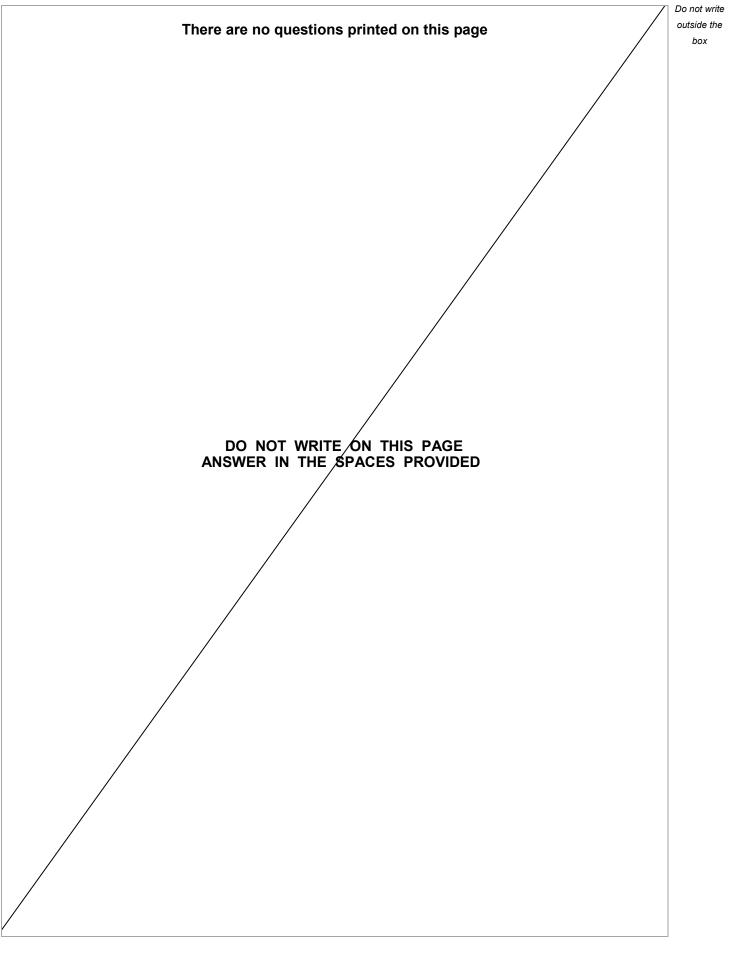




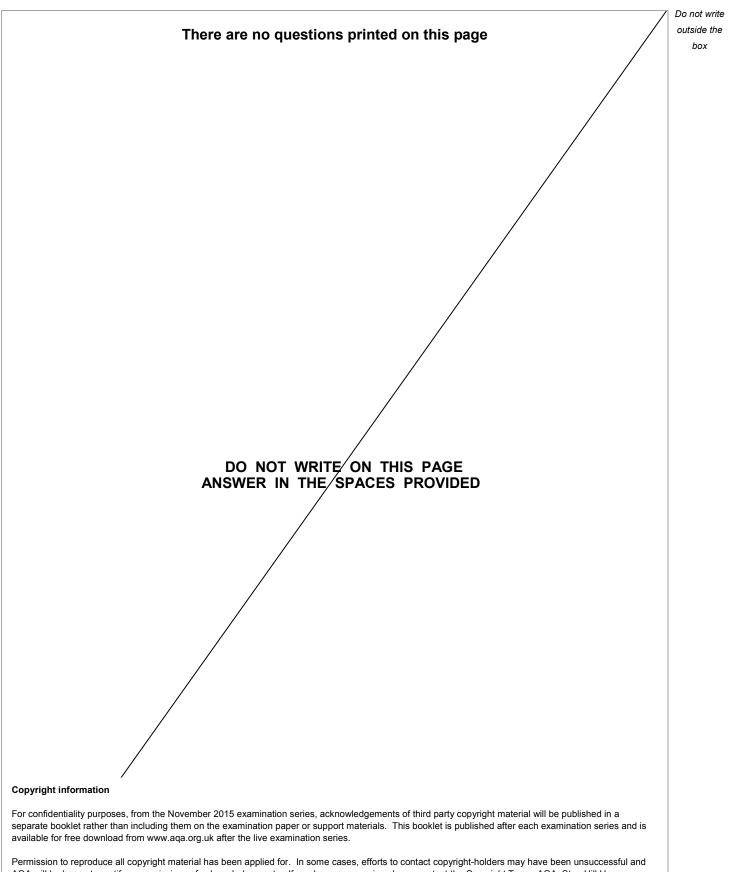












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