



**A-level**

**ACCOUNTING**

**Paper 1 Financial Accounting**

**7127/1**

**Insert**

**Insert for use in answering Questions 14, 15 and 16.**

**[Turn over]**

- 1 4** Kubica plc is a chain of fast food shops. It has provided an extract from its statement of financial position together with some additional information.

### Kubica plc

Extract from the statement of financial position at  
31 March 2019

	Land and buildings	Plant and machinery	Fixtures and fittings
	£	£	£
<b>Cost at 31 March 2019</b>	<b>800 000</b>	<b>250 000</b>	<b>85 900</b>
<b>Provision for depreciation at 31 March 2019</b>	<b>72 000</b>	<b>122 000</b>	<b>30 924</b>
<b>Net book value</b>	<b>728 000</b>	<b>128 000</b>	<b>54 976</b>

### Additional information:

During the year ended 31 March 2020 the following changes occurred:

1. Land valued at £200 000 was included in the land and buildings figure with the rest being the value of its buildings. Land is to be revalued to £500 000.

2. **Some plant and machinery were disposed of. These originally cost £16 000 and were sold for £10 000, which meant a loss on disposal of £240 was recorded.**
3. **Fixtures and fittings were purchased at a cost of £12 000. Some old fixtures and fittings were used in part exchange at a value of £3 000, which meant a profit of £376 was recorded. The fixtures which were part exchanged originally cost £4 100.**
4. **No other additions or disposals of non-current assets took place.**

**Extract of accounting policies:**

1. **Land is not depreciated. Buildings are depreciated at 3% per annum using the straight line method.**
2. **Plant and machinery is depreciated at 20% using the reducing line method.**
3. **Fixtures and fittings are depreciated using the straight line method at 20% per annum.**
4. **All non-current assets are charged a full year's depreciation in the year of acquisition, but none in the year of disposal.**

**[Turn over]**

**1 5** Rachel runs an online shop. She has provided you with a trial balance together with additional information.

**Rachel**

**Trial Balance at 31 March 2020**

	<b>Dr</b>	<b>Cr</b>
	<b>£</b>	<b>£</b>
<b>Bank overdraft</b>		<b>2 456</b>
<b>Capital</b>		<b>53 533</b>
<b>Discounts</b>	<b>460</b>	<b>820</b>
<b>Drawings</b>	<b>17 345</b>	
<b>Inventory at 1 April 2019</b>	<b>16 276</b>	
<b>Fixtures and fittings – at cost</b>	<b>96 000</b>	
<b>Fixtures and fittings – provision for depreciation</b>		<b>42 000</b>
<b>Purchases</b>	<b>82 567</b>	
<b>General expenses</b>	<b>26 500</b>	
<b>Rent and rates</b>	<b>14 000</b>	
<b>Revenue</b>		<b>162 468</b>
<b>Trade payables</b>		<b>19 742</b>
<b>Trade receivables</b>	<b>27 871</b>	
	<b>281 019</b>	<b>281 019</b>

## **Additional information**

- 1. All goods are sold on a credit basis.**
- 2. Revenue included goods on a sale or return basis which had been sent to a customer on 24 March 2020. These goods were invoiced at a selling price of £6 000 with a mark-up of 25% and were recorded in both the general ledger and receivables ledger. The customer returned the goods on 3 April 2020.**
- 3. Closing inventory was £19 267. This included items with a cost price of £925. However, they need to be repaired at a cost of £160 before they can be sold for £1 020.**
- 4. Annual rent of £9 000 was paid to 31 May 2020.**
- 5. The purchases figure included the purchase of some fixtures and fittings on 1 December 2019 at a cost of £12 000.**
- 6. Depreciation is charged on a time apportioned basis using the straight line method at a depreciation rate of 20% per annum.**
- 7. A cheque paid to a supplier for £1 500 on 30 March 2020 had not yet been accounted for.**

**[Turn over]**

1 | 6

Karun has life savings of £100 000 and wishes to buy ordinary shares as an investment. He needs an annual income from this investment.

He has researched two companies and has provided you with the following information based on the last two years' trading for each company.

	Rayd plc		Bloo plc	
	2019	2018	2019	2018
<b>Dividend per share</b>	<b>6p</b>	<b>5.4p</b>	<b>2.2p</b>	<b>1.8p</b>
<b>Earnings per share</b>	<b>8p</b>	<b>5p</b>	<b>16p</b>	<b>12p</b>
<b>Dividend cover</b>	<b>1.33 times</b>	<b>0.93 times</b>	<b>7.28 times</b>	<b>6.67 times</b>
<b>Price earnings ratio</b>	<b>12</b>	<b>14.4</b>	<b>6.875</b>	<b>3.75</b>
<b>Market price per share at year end</b>	<b>96p</b>	<b>72p</b>	<b>110p</b>	<b>45p</b>
<b>Dividend yield</b>	<b>6.25%</b>	<b>7.5%</b>	<b>2%</b>	<b>4%</b>

**Rayd plc is involved in banking and other financial services. They are an established company which has been trading for around 50 years. Rayd plc has high-street banks in most major UK cities and these buildings are of significant value to Rayd plc. These buildings are used as security against long-term loans. Rayd plc has a policy of only investing in companies which behave ethically in their treatment of its stakeholders.**

**Bloo plc is an online only retailer which sells electronic goods. It has been trading for seven years. Bloo plc has a modern warehouse on which there is no debt. Bloo plc has recently been in the news for paying its staff the minimum wage and staff complaints about poor working conditions.**

**END OF SOURCES**

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