



Surname _____

Other Names _____

Centre Number _____

Candidate Number _____

Candidate Signature _____

I declare this is my own work.

A-level

ACCOUNTING

Paper 1 Financial Accounting

7127/1

Wednesday 20 May 2020 Afternoon

Time allowed: 3 hours

At the top of the page, write your surname and other names, your centre number, your candidate number and add your signature.

[Turn over]



BLANK PAGE



For this paper you must have:

- a calculator
- an insert.

INSTRUCTIONS

- Use black ink or black ball-point pen.
- Answer ALL questions.
- You must answer the questions in the spaces provided. Do not write 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 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.

DO NOT TURN OVER UNTIL TOLD TO DO SO



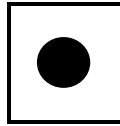
SECTION A

Answer ALL questions in this section.

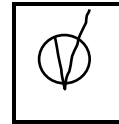
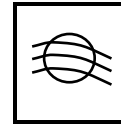
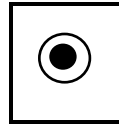
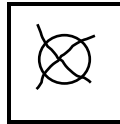
Only ONE answer per question is allowed.

For each question, completely fill in the circle alongside the appropriate answer.

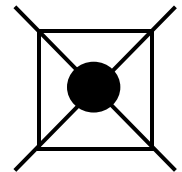
CORRECT METHOD



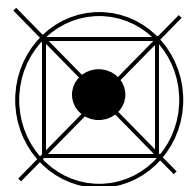
WRONG METHODS



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 is the source document to show that a cheque paid to a credit supplier was dishonoured? [1 mark]

A Bank statement

B Cash receipt

C Cheque counterfoil

D Paying-in slip counterfoil

[Turn over]



0 2

Which of these errors is revealed by a trial balance? [1 mark]

A Commission

B Compensating

C Original entry

D Partial omission



0 3

Which of these would be used to record the purchase of a non-current asset on credit?
[1 mark]

A Cash book

B General journal

C Purchases journal

D Sales journal

[Turn over]



0 4

For a partnership that maintains separate current and capital accounts, which entry would appear on the credit side of the current account? [1 mark]

A Drawings

B Goodwill

C Interest on capital

D Interest on drawings



0 5

Which would best describe the cash received by a business from a bank loan? [1 mark]

A Capital expenditure

B Capital income

C Revenue expenditure

D Revenue income

[Turn over]



06

Which is the correct formula for Return on Capital Employed (ROCE)?
[1 mark]

A
$$\frac{\text{Equity + current liabilities}}{\text{Profit from operations}} \times 100$$

B
$$\frac{\text{Equity + non-current liabilities}}{\text{Profit from operations}} \times 100$$

C
$$\frac{\text{Profit from operations}}{\text{Equity + current liabilities}} \times 100$$

D
$$\frac{\text{Profit from operations}}{\text{Equity + non-current liabilities}} \times 100$$



07

A book-keeper recorded the payment of a cheque for rent payable for £50 by debiting the bank account with £50 and crediting the rent payable account with £50.

Which of the following entries would correct this error? [1 mark]

A Bank £50

DEBIT

Rent payable £50

CREDIT

B Bank £100

Rent payable £100

C Rent payable £50

Bank £50

D Rent payable £100

Bank £100

[Turn over]



0 8 What does CCAB stand for? [1 mark]

A Chartered Committee of Accountancy Bodies

B Committee of Consulting Accountancy Bodies

C Common Committee of Accountancy Bodies

D Consultative Committee of Accountancy Bodies



09

A company owed £560 in corporation tax at 1 April 2019.

For the year ended 31 March 2020, taxation in the income statement was £14 760 and £450 was still owed at 31 March 2020.

How much tax was paid during the year?
[1 mark]

A £13 750

B £14 650

C £14 870

D £15 770

[Turn over]



1	0
---	---

A business sells goods valued at £400 to a customer on 1 May 2020.

The customer regularly buys on credit and receives a 20% trade discount and a 5% cash discount if payment is made within 14 days. The customer pays on 12 May 2020.

How much will the customer pay for this transaction? [1 mark]

A £300

B £304

C £320

D £380



1 1

Explain why a business might choose to employ book-keepers and ledger clerks as well as use the services of a professional accountant. [3 marks]

[Turn over]

1	2
---	---

Monisha runs a business selling computer games. She has received her bank statement for the month ended 31 March 2020. The figures shown on the bank statement are correct. Her cash book balance at that date did not agree with the closing balance on her bank statement.

She realised the following entries had not been made:

- 1. a cheque from G Steiner for £830 had been dishonoured**
- 2. bank charges of £53 had not been recorded.**

- 1 2 . 1** Record the necessary entries in Monisha's cash book. Bring down any updated balance on 1 April 2020. Dates are NOT required.
[3 marks]

Dr **Cash book (bank columns)** **Cr**

Details	£	Details	£
Balance b/d	807		

[Turn over]



Monisha has also noted that two items she has recorded in her cash book are not showing on her latest bank statement:

- 1. a cheque paid to a supplier for £45**
- 2. cash deposited at the bank totalling £380.**



1 2 . 2 Prepare a bank reconciliation statement at
31 March 2020. [3 marks]

Monisha

**Bank reconciliation statement at
31 March 2020**

£

[Turn over]

1 | 2 | 3 Explain TWO reasons why a business would prepare a bank reconciliation statement. [6 marks]

Reason 1 _____



Reason 2 _____

[Turn over]



Chandhok plc has provided you with the following information from the statement of financial position at 31 March 2019.

EQUITY	£
Issued share capital	500 000
Share premium	284 367
Retained earnings	346 345

Additional information:

- 1. Each share has a nominal value of 50p.**
- 2. On 1 April 2019, the directors made a bonus issue of ordinary shares on the basis of two new shares for every five existing shares. The directors intend to maintain their reserves in their most distributable form.**
- 3. On 1 July 2019, an interim dividend of 4p per share was paid. This was based on all shares in issue at that date.**
- 4. Profit for the year ended 31 March 2020 was £72 100.**



- 1 | 3** Prepare the statement of changes in equity for Chandhok plc for the year ended 31 March 2020. A total column is NOT required. [5 marks]

Chandhok plc

Statement of changes in equity for the year ended 31 March 2020

	Issued share capital	Share premium	Retained earnings
	£	£	£
At 31 March 2019	500 000	284 367	346 345

[Turn over]

30



SECTION B

Answer ALL questions in this section.

1	4
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Read the information for question 14 on pages 2–3 of the insert.

Question 14 continues on page 26 of this book.



BLANK PAGE

[Turn over]



- 1 | 4 | 1** Complete the schedule of non-current assets for Kubica plc for the year ended 31 March 2020. A total column is NOT required. [14 marks]

Kubica plc

**Schedule of non-current assets for the year ended
31 March 2020**

	Land and buildings	Plant and machinery	Fixtures and fittings
COST	£	£	£
At 1 April 2019	800 000	250 000	85 900



	Land and buildings	Plant and machinery	Fixtures and fittings
DEPRECIATION	£	£	£
At 1 April 2019	72 000	122 000	30 924
NET BOOK VALUE			
At 31 March 2020			
At 31 March 2019	728 000	128 000	54 976

[Turn over]



Workings



[Turn over]



1 | 4 | 2 In May 2020 Kubica plc had its buildings professionally revalued and has been advised the buildings are worth double their original cost.

**Assess the implications of revaluing the buildings based on the new valuation.
[6 marks]**

[Turn over]



1 5

Read the information for question 15 on pages 4–5 of the insert.

1 5 . 1

Prepare an income statement for Rachel for the year ended 31 March 2020. [14 marks]

Rachel

**Income statement for the year ended
31 March 2020**

[Turn over]





Rachel believes that the adjustments for ADDITIONAL INFORMATION 2 and 3 (repeated below) will have a positive impact on her financial statements.

- 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.**

1 | 5 | . | 2 **Assess whether the adjustments will have a positive impact on Rachel’s financial statements. You should make reference to the relevant accounting concepts. [6 marks]**

[Turn over]



SECTION C

Answer ALL questions in this section.

1 6

Read the information for question 16 on pages 6–7 of the insert.

Evaluate BOTH businesses from Karun’s perspective as a potential investor. Make a recommendation on how he should invest his savings. [25 marks]

[Turn over]



Multiple horizontal lines for writing or drawing.



[Turn over]





[Turn over]



1	7
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Jhene is the Finance Director at Gow plc. As an incentive towards achieving profit growth the directors receive a bonus. The directors set a target of achieving a 7% increase in profits. Most directors have large shareholdings.

Upon reviewing the draft profit figure for the first half of the year, Jhene has noticed an increase in profitability of 4%. Herbert, the Chief Operating Officer of Gow plc, has told Jhene to ensure the accounts show the 7% increase in profits at the end of the year.

Herbert has suggested the following changes to the accounts:

- 1. Change the depreciation method used on all fixtures and fittings from 20% straight line to 20% reducing balance method. The original cost of the fixtures and fittings was £1 200 000 with the balance on the provision for depreciation of fixtures and fittings being £480 000.**
- 2. Ignore adjusting for all accrued expenses which have not yet been paid. This includes a substantial amount of staff wages totalling £44 000.**



- 3. Sell two buildings. They have already received an offer of £850 000 for the buildings which is higher than they expected them to be worth. The current net book value of the buildings is £800 000.**

Jhene has a long-established relationship with the auditors of Gow plc. One of the auditors at the company is a close friend of Jhene. He is sure that the auditors could allow some adjustments to the accounts in order to achieve the levels of profitability required. However, Jhene is aware of the principles of ethical behaviour in accounting and how it impacts on his role as the accountant.

[Turn over]



17

Evaluate whether Jhene should make the suggested changes to the accounts. Your answer should include the associated ethical implications. [25 marks]



[Turn over]





END OF QUESTIONS



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Additional page, if required.

Write the question numbers in the left-hand margin.

Additional page, if required.

Write the question numbers in the left-hand margin.



Additional page, if required.

Write the question numbers in the left-hand margin.



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For Examiner's Use	
Section	Mark
A	
B	
C	
TOTAL	

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