

A



**A-level**

**ACCOUNTING**

**Paper 1 Financial Accounting**

**7127/1**

**Insert**

**Insert for use in answering Questions 14, 15, 16 and 17.**

**[Turn over]**

**BLANK PAGE**

1 4

**Grussell plc has provided statements of financial position for the last two years.**

**SOURCE MATERIAL FOR QUESTION 14 IS ON PAGES 4 TO 7**

**[Turn over]**

**GRUSSELL PLC**  
**STATEMENT OF FINANCIAL POSITION**

**31 MARCH 2022**

	<b>£</b>	<b>£</b>	<b>£</b>
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
<b>NON-CURRENT ASSETS</b>			
Property plant and equipment	1 075 000	408 485	666 515
<b>CURRENT ASSETS</b>			
Inventory		36 345	
Trade receivables		27 234	
Cash and cash equivalents		1 500	
			<b>65 079</b>
<b>Total assets</b>			<b>731 594</b>
<b>EQUITY</b>			
Issued share capital of 50p shares		400 000	
Share premium		103 000	
Retained earnings		122 030	
<b>Total equity</b>			<b>625 030</b>

## 31 MARCH 2021

	£ Cost	£ Accumulated depreciation	£ Net book value
<b>NON-CURRENT ASSETS</b>			
Property plant and equipment	820 000	339 930	480 070
<b>CURRENT ASSETS</b>			
Inventory		38 567	
Trade receivables		25 346	
Cash and cash equivalents		28 900	
		<hr/>	92 813
Total assets			<hr/> <hr/>
<b>EQUITY</b>			
Issued share capital of 50p shares		300 000	
Share premium		72 000	
Retained earnings		111 597	
Total equity		<hr/>	483 597
[Turn over]			

**GRUSSELL PLC**  
**STATEMENT OF FINANCIAL POSITION**

**31 MARCH 2022**

	<b>£</b> <b>Cost</b>	<b>£</b> <b>Accumulated depreciation</b>	<b>£</b> <b>Net book value</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>6% debenture (2027)</b>			<b>90 000</b>
<b>CURRENT LIABILITIES</b>			
<b>Trade payables</b>		<b>14 064</b>	
<b>Tax payable</b>		<b>2 500</b>	
		<hr/>	<b>16 564</b>
<b>Total equity and liabilities</b>			<hr/> <b>731 594</b> <hr/>

	31 March 2021		
	£ Cost	£ Accumulated depreciation	£ Net book value
<b>NON-CURRENT LIABILITIES</b>			
6% debenture (2027)			70 000
<b>CURRENT LIABILITIES</b>			
Trade payables		17 486	
Tax payable		1 800	
		<hr/>	19 286
Total equity and liabilities			<hr/> <hr/> <b>572 883</b>

## **ADDITIONAL INFORMATION**

1. Taxation for the year was £6 534.
2. Dividends paid during the year were £24 000.
3. A second debenture was taken out on 1 November 2021.
4. A non-current asset which originally cost £62 000 with a net book value of £35 000 was sold for £39 500.

**[Turn over]**

1	5
---	---

**Paulo is a sole trader, trading as Cluedo Coffee. A trial balance has been extracted from his books of account and is shown on pages 9 to 11.**



### Trial balance of Cluedo Coffee at 31 March 2022

	Dr	Cr
	£	£
<b>Bank balance</b>	<b>22 456</b>	
<b>Drawings</b>	<b>17 345</b>	
<b>Capital at 1 April 2021</b>		<b>103 907</b>
<b>General expenses</b>	<b>15 043</b>	
<b>Inventory at 1 April 2021</b>	<b>16 276</b>	
<b>8% loan</b>		<b>50 000</b>
<b>Loan interest paid</b>	<b>2 000</b>	
<b>Premises at cost</b>	<b>120 000</b>	
<b>Premises – provision for depreciation at 1 April 2021</b>		<b>16 800</b>
<b>Purchases and revenue</b>	<b>43 451</b>	<b>102 564</b>
<b>Rent payable and rent receivable</b>	<b>9 600</b>	<b>3 100</b>
<b>Trade receivables and payables</b>	<b>1 500</b>	<b>8 300</b>
<b>Vehicles at cost</b>	<b>83 000</b>	
<b>Vehicles – provision for depreciation at 1 April 2021</b>		<b>46 000</b>
	<b>330 671</b>	<b>330 671</b>

[Turn over]

**BLANK PAGE**

**ADDITIONAL INFORMATION**

- 1. Inventory at 31 March 2022 was valued at £12 304.**
- 2. Goods returned to a supplier had been included in the purchases and trade payables at the purchase price of £4 200.**
- 3. The proceeds from the sale of a vehicle were recorded incorrectly as revenue rather than as a disposal of a non-current asset. No other entries for the disposal of the vehicle had been recorded in the accounts. The vehicle was sold for £6 000 more than the net book value of £22 000. The vehicle cost £49 500 when it was originally purchased.**
- 4. Depreciation of vehicles is to be charged using the reducing balance method at a rate of 33 1/3% per annum. A full year's depreciation is charged in the year of purchase and none in the year of disposal.**
- 5. Depreciation of premises is to be charged using the straight-line method at a rate of 2% per annum.**
- 6. The loan was taken out on 1 April 2021.**

**[Turn over]**

16

Otmar is a sole trader and owns a small manufacturing business which makes designer leather shoes. The business has grown quickly and has recently been unable to keep up with customer demand due to a shortage of skilled labour. Otmar thinks it is time to purchase some new machinery to help speed up production and enable the business to complete more orders. This could boost profitability by at least 25%. The cost of the machinery is significant at £25 000 and the company is unlikely to secure further external funding as the business regularly uses an overdraft.

Otmar provides the following financial information.

	£
Capital at 31 May 2022	35 000
Average monthly profit	3 500
Monthly drawings	2 500

Otmar believes he needs to bring a partner into the business ownership in order to inject funds into the business. He is considering the following two options.

## **1. Kimmi**

**Otmar employs Kimmi as the production manager. Kimmi has suggested on a number of occasions that she should become a partner. Kimmi has good ideas, knows every part of the production process and trains all the staff to a high standard. The staff have a strong working relationship with Kimmi. Otmar worries about their loyalty if Kimmi ever left.**

**Otmar and Kimmi would have a formal partnership agreement and share profits on a 2:1 ratio respectively. Kimmi's current salary of £31 000 would reduce to £25 000 and Otmar would have a salary of £28 500 per annum. Kimmi would invest all her savings of £20 000 into the business. Otmar would put a further £5 000 into the business from his own funds.**

## **2. Priya**

**Priya, an old friend of Otmar, contacted him to suggest she is willing to invest in the business. Priya has recently sold her own very successful footwear business. She has no interest in getting involved in the day-to-day running of another business at the moment. Priya wishes simply to receive her share of any profits. This should leave Otmar to run the business without interference. Priya could access funds of up to £100 000 to invest in the business.**

**There would be no formal partnership agreement. Priya would invest £90 000 into the business.**

**[Turn over]**

**17**

**Donna has retired and received a lump sum of £50 000 which she wishes to invest in shares. She needs a return from this investment to help fund her retirement.**

**She has researched companies of which she already had knowledge as a customer. She has two companies as her preferred choice. Donna has provided you with the following information, on pages 15 to 17, based on the last three years' trading for each company.**

**Extract of financial information:**

	<b>Pik plc</b>			<b>Barnard plc</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Earnings per share</b>	<b>12p</b>	<b>16p</b>	<b>14p</b>	<b>16p</b>	<b>9p</b>	<b>5p</b>
<b>Dividend cover</b>	<b>2.4 times</b>	<b>2.4 times</b>	<b>6.7 times</b>	<b>7.3 times</b>	<b>5.3 times</b>	<b>5.6 times</b>
<b>Market price per share at year end</b>	<b>200p</b>	<b>220p</b>	<b>140p</b>	<b>140p</b>	<b>125p</b>	<b>60p</b>
<b>Dividend yield</b>	<b>2.5%</b>	<b>3.0%</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.5%</b>

**[Turn over]**

**BLANK PAGE**



**Pik plc is a social media company which owns a number of popular websites and apps. It has been trading for nine years and has very little debt. The company has a small head office since most of its staff work from home, which keeps costs to a minimum. Pik plc sells adverts on its websites and apps. There have been rumours that it tracks the data of its users and sells this to advertisers, which would breach data protection laws. This has created some concerns about its ethical stance as a company, particularly as many teenagers use the sites. The government has the ability to issue multi-million-pound fines for companies found guilty of breaching these rules.**

**Barnard plc is a supermarket chain. It is an established company which has been trading for around 50 years. Barnard plc has supermarkets in most major UK cities. It owns a large amount of land in key locations around the country. Most of its stores are owned by Barnard plc although there are a large number of mortgages secured on these properties. It sources as many Fairtrade products as possible and has a policy of dealing with suppliers and other stakeholders who behave ethically.**

**END OF SOURCES**

**BLANK PAGE****Copyright information**

For confidentiality purposes, all acknowledgements of third-party copyright material are published in a separate booklet. This booklet is published after each live examination series and is available for free download from [www.aqa.org.uk](http://www.aqa.org.uk).

Permission to reproduce all copyright material has been applied for. In some cases, efforts to contact copyright-holders may have been unsuccessful and AQA will be happy to rectify any omissions of acknowledgements. If you have any queries please contact the Copyright Team.

Copyright © 2022 AQA and its licensors. All rights reserved.

**IB/M/NC/Jun20/7127/1/E2**