



A-level

ACCOUNTING

Paper 1 Financial Accounting

7127/1

Insert

**Insert for use in answering
Questions 12, 13, 14, 15, 16 and 17.**

[Turn over]

1	2
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The book-keeper of Halpine is preparing the accounts for the year ended 31 March 2022. The rent receivable account for a flat rented out is still to be completed.

The following information was provided.

	£
Rent receivable owed to Halpine on 1 April 2021	860
Rent receivable paid into the bank during the year ended 31 March 2022	13 900
Rent receivable refunded by Halpine	500

ADDITIONAL INFORMATION

Included in the rent receivable paid into the bank was £2 730 which covered the three months ending 31 May 2022.

[Turn over]

1	3
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Ross is completing his draft trial balance, which does not balance. A suspense account is opened and the following errors are discovered:

- 1. Rent payable of £7 600 had been correctly entered in the bank account but credited to the rent payable account.**
- 2. Discount received of £2 400 had been correctly entered in the receivables ledger account but omitted from the discount received account.**
- 3. Drawings of £3 500 had been correctly entered in the bank account but credited to the wages account.**

14

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

**SOURCE MATERIAL FOR
QUESTION 14 IS ON PAGES 6 TO 13**

[Turn over]

GRUSSELL PLC STATEMENT OF FINANCIAL POSITION

31 MARCH 2022

	£	£	£
	Cost	Accumulated depreciation	Net book value
NON-CURRENT ASSETS			
Property plant and equipment	1 075 000	408 485	666 515
CURRENT ASSETS			
Inventory		36 345	
Trade receivables		27 234	
Cash and cash equivalents		<u>1 500</u>	
			65 079
Total assets			<u><u>731 594</u></u>

31 MARCH 2021

	£	£	£
	Cost	Accumulated depreciation	Net book value
NON-CURRENT ASSETS			
Property plant and equipment	820 000	339 930	480 070
CURRENT ASSETS			
Inventory		38 567	
Trade receivables		25 346	
Cash and cash equivalents		28 900	
			92 813
Total assets			572 883

[Turn over]

GRUSSELL PLC STATEMENT OF FINANCIAL POSITION

31 MARCH 2022

	£	£	£
	Cost	Accumulated depreciation	Net book value
EQUITY			
Issued share capital of 50p shares	400 000		∞
Share premium	103 000		
Retained earnings	122 030		
Total equity			625 030

31 MARCH 2021

£ £ £

**Cost Accumulated Net book
depreciation value**

EQUITY

**Issued share capital of
50p shares**

300 000

Share premium

72 000

9

Retained earnings

111 597

Total equity

483 597

[Turn over]

GRUSSELL PLC STATEMENT OF FINANCIAL POSITION

31 MARCH 2022

	£	£	£
NON-CURRENT LIABILITIES			
6% debenture (2027)		90 000	90 000
CURRENT LIABILITIES			
Trade payables	14 064		
Tax payable	2 500		
			16 564
Total equity and liabilities			731 594

31 MARCH 2021

£ £ £

**Cost Accumulated Net book
 depreciation value**

**NON-CURRENT
LIABILITIES**

6% debenture (2027)

70 000

CURRENT LIABILITIES

Trade payables

17 486

Tax payable

1 800

19 286

**Total equity and
liabilities**

572 883

[Turn over]

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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]

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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 14 to 17.

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

	Dr	Cr
	£	£
Bank balance	22 456	
Drawings	17 345	
Capital at 1 April 2021		103 907
General expenses	15 043	
Inventory at 1 April 2021	16 276	
8% loan		50 000

Loan interest paid	2 000	
Premises at cost	120 000	
Premises – provision for depreciation at 1 April 2021		16 800
Purchases and revenue	43 451	102 564
Rent payable and rent receivable	9 600	3 100
Trade receivables and payables	1 500	8 300
Vehicles at cost	83 000	
Vehicles – provision for depreciation at 1 April 2021		46 000
	330 671	330 671

[Turn over]

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]

1	6
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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 two options shown on pages 20 and 21.

[Turn over]

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]

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 23 to 26, based on the last three years' trading for each company.

Extract of financial information:

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

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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.

[Turn over]

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

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