

# INTERNATIONAL A-LEVEL

## ACCOUNTING

### Paper 3 Financial Accounting

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Specimen paper

07:00 GMT

Time allowed: 2 hours 15 minutes

#### **Materials**

For this paper you may use:

- a calculator

#### **Instructions**

- Use black ink or black-ball-point pen.
- Fill in the boxes 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.
- 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).

#### **Information**

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.

### Section A

Answer **all** questions in the spaces provided.

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**

What does a statement of affairs show?

[1 mark]

- A** How much cash has flowed into and out of a business
- B** How well a business does compared to its competitors
- C** The amount of taxation a business needs to pay
- D** The value of a business's assets and liabilities at a point in time

**0 2**

A sole trader received an order from a credit customer on the last day of the financial year 31 May 2023. No entries were made in the accounting records for the sale of goods until the invoice was raised on 3 June 2023.

Which accounting concept is being applied?

[1 mark]

- A** Consistency
- B** Going concern
- C** Prudence
- D** Realisation

0 3

Which is **not** a purpose of international accounting standards?

[1 mark]

**A** To improve the comparability of financial statements

**B** To improve the reliability of financial statements

**C** To provide a set of rules which benefits all companies

**D** To provide standard treatment of accounting issues

0 4

The following information is available for a sole trader.

	USD \$
Capital introduced	3 000
Closing equity	36 700
Drawings	12 300
Opening equity	26 500

Which is the correct profit or loss figure for the year?

[1 mark]

**A** \$900 loss

**B** \$25 500 loss

**C** \$5 100 profit

**D** \$19 500 profit

**Turn over for the next question**

0 5

The following information is available for rent receivable for the year ended 31 March 2023.

	USD \$
Credit balance brought down at 1 April 2022	200
Receipts via bank	7 000
<b>Monthly</b> rent charge	500

How is the balance on the rent receivable account at 31 March 2023 shown on the statement of financial position?

[1 mark]

- A Current Assets \$800
- B Current Assets \$1 200
- C Current Liabilities \$800
- D Current Liabilities \$1 200

0 6

What is the formula for dividend yield?

[1 mark]

- A  $\frac{\text{Dividend per share}}{\text{Market price per share}} \times 100$
- B  $\frac{\text{Dividend per share}}{\text{Profit for the year}} \times 100$
- C  $\frac{\text{Market price per share}}{\text{Dividend per share}} \times 100$
- D  $\frac{\text{Profit for the year}}{\text{Dividend per share}} \times 100$

0 7

What is the formula for Return on Capital Employed (ROCE)?

[1 mark]

- A  $\frac{\text{Profit from operations}}{\text{Equity} - \text{non-current liabilities}} \times 100$
- B  $\frac{\text{Profit from operations}}{\text{Equity} + \text{non-current liabilities}} \times 100$
- C  $\frac{\text{Profit for the year after tax}}{\text{Equity} - \text{non-current liabilities}} \times 100$
- D  $\frac{\text{Profit for the year after tax}}{\text{Equity} + \text{non-current liabilities}} \times 100$

0 8

Which stakeholder will **not** find the schedule of non-current assets useful?

[1 mark]

- A** Debenture holders
- B** Existing shareholders
- C** Local community
- D** Potential investor

0 9

An extract from a limited company's statement of financial position is shown below.

	USD \$
Authorised capital: Ordinary shares of 50p each	450 000
Issued capital: Ordinary shares of 50p each	300 000

The directors decided to make a bonus issue of ordinary shares on the basis of two new shares for every five existing shares.

How many shares will be issued?

[1 mark]

- A** 120 000
- B** 180 000
- C** 240 000
- D** 360 000

**Turn over for the next question**

**1 0**

A business has just completed its first year of trading on 30 April 2023.  
The following information is available:

	<b>USD \$</b>
Discount received	500
Cheques paid to trade payables	12 000
Total cash <b>and</b> credit purchases	45 000

40% of all purchases made are on credit.

Which is the balance of the trade payables at 30 April 2023?

**[1 mark]**

**A** \$5 500

**B** \$6 500

**C** \$32 500

**D** \$33 500

**Turn over for the next question**

1 1

The Jiang Sports Club provided the following information at 30 April 2023.

	USD \$
Subscriptions received by cheque	5 440
Subscriptions in advance	200
Subscriptions owing	80

**Additional information:**

- At 1 May 2022 subscriptions owing were \$320.
- During the year ended 30 April 2023 there were 125 members, each paying a subscription of \$40

Prepare the subscriptions account at 30 April 2023. Bring any balances down on 1 May 2023.

**[5 marks]**

Dr		Subscriptions Account		Cr	
Details	USD \$	Details	USD \$		

**Turn over for the next question**

1 2

Mike, Nu and Oliver are in partnership, sharing profits and losses in the ratio 3:2:1 respectively. Oliver has decided to retire and the partners have agreed the following.

1. Tangible assets would be revalued, creating a surplus of \$15 000.
2. Goodwill would be valued at \$60 000. It was agreed that a goodwill account would not be maintained in the books of account.
3. The amount due to Oliver on his retirement would be paid in full from the business bank account.
4. Mike and Nu would continue in partnership sharing profits and losses equally.
5. In the new partnership Mike and Nu's capital account balances would be equal to \$75 000 each; this would be achieved by paying or withdrawing cash using the partnership bank account.

The balances on the partners' capital accounts immediately prior to Oliver's retirement were: Mike \$70 000; Nu \$60 000; Oliver \$30 000.

Complete the partnership capital accounts after all these transactions have taken place.

[8 marks]

Dr		Capital Accounts			Cr		
Details	Mike \$	Nu \$	Oliver \$	Details	Mike \$	Nu \$	Oliver \$



## Section B

Answer **all** questions in this section.

1	3
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Dewray Ltd is a manufacturer. Goods manufactured are transferred to the trading account at cost plus 20%.

The following balances have been extracted from the trial balance at 31 August 2023 **after** calculating prime cost.

	Dr \$000	Cr \$000
Factory machinery – cost	150	
Factory machinery – provision for depreciation		90
Inventory at 1 September 2022:		
Work in progress at cost	34	
Finished goods at cost plus 20%	156	
Office equipment – cost	60	
Office equipment – provision for depreciation		18
Overheads	1 220	
Prime cost	1 207	
Provision for unrealised profit		26
Returns inwards	20	
Sales revenue		3 480

**Additional information:**

1. All non-current assets are depreciated at 10% per annum on cost.
2. Inventory as at 31 August 2023:
 

Raw materials at cost	\$75 000
Work in progress at cost	\$36 000
Finished goods at cost plus 20%	\$192 000
3. Overheads are to be apportioned 75% to the factory and 25% to administration.

13.1

Prepare an extract of the manufacturing account for the year ended 31 August 2023 starting with prime cost.

[8 marks]

**Dewray Ltd**  
**Manufacturing Account (extract) for the year ended 31 August 2023**

**Prime Cost**

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**Workings**

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13.2

Prepare the trading section of the income statement for the year ended 31 August 2023.

**[7 marks]**

**Dewray Ltd**  
**Income statement (extract) for the year ended 31 August 2023**

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Workings \_\_\_\_\_

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**1 4** HQV plc provided the following information on 30 June 2023:

**HQV plc**  
**Statement of financial position at 30 June**

	2023		2022			
	\$000 Cost/ Valuation	\$000 Provision for depreciation	\$000 Carrying value	\$000 Cost		
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	21 450	4 845	16 605	14 884	4 113	10 771
<b>Current assets</b>						
Inventories		779			805	
Trade receivables		311			214	
Cash and cash equivalents		-			87	
			1 090			1 106
<b>Total assets</b>			<u>17 695</u>			<u>11 877</u>
<b>Equity</b>						
Ordinary share of 50p each			6 300			4 200
Share premium			2 170			1 120
Revaluation reserve			1 830			-
Retained earnings			4 332			3 712
<b>Total equity</b>			<u>14 632</u>			<u>9 032</u>
<b>Non-current liabilities</b>						
8% Debentures (2034)			2 100			1 750
<b>Current liabilities</b>						
Trade payables		345			652	
Tax liabilities		557			443	
Cash and cash equivalents		61			-	
			963			1 095
<b>Total liabilities</b>			<u>3 063</u>			<u>2 845</u>
<b>Total equity and liabilities</b>			<u>17 695</u>			<u>11 877</u>

**Additional information:**

During the year ended 30 June 2023

- Additional plant was purchased, cost \$6 600 000.
- Equipment was sold for \$830 000. This had been depreciated by \$485 000.
- Property was revalued.
- There were no other disposals or purchases of non-current assets.
- Taxation paid totalled \$398 000
- Dividends paid totalled \$1 334 000

The income statement for the year ended 30 June 2023 included:

- Depreciation charges of \$1 217 000
- Finance charges of \$402 000
- A provision for taxation of \$512 000.

- 1 4 . 1 Prepare a reconciliation of operating profit to net cash flow from operating activities for the year ended 30 June 2023.

A full statement of cash flows is not required.

[14 marks]

HQV plc

**Reconciliation of operating profit to net cash flow from operating activities for the year ended 30 June 2023**

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1 5

Charlotte runs a small shop. She does not keep full accounting records but has been able to provide the following information.

	1 February 2022	31 January 2023
	USD \$	USD \$
Fixtures and fittings at net book value	40 000	To be calculated
Inventory	25 183	To be calculated
Cash	200	150
Other payables (general expenses)	400	-
Other receivables (general expenses)	-	150
Trade payables	27 629	28 754

Bank summary for the year ended 31 January 2023.

Details	USD \$	Details	USD \$
Balance b/d	2 400	Wages	15 000
Cash	47 650	General expenses	10 365
Fixtures and fittings	5 500	Fixtures and fittings	14 000
Trade receivables	120 000	Drawings	32 000
		Trade payables	103 000
		Balance c/d	1 185
	<u>175 550</u>		<u>175 550</u>

**Additional information:**

- Goods are sold with a mark-up of 60%.
- Total sales were \$172 000. Cash sales were \$50 400.
- All purchases were on credit.
- Charlotte banked all cash sales after deducting cash drawings of \$2 500.
- The fixtures and fittings sold originally cost \$13 500 and had been depreciated by \$7 500.
- Depreciation on fixtures and fittings is charged at 33  $\frac{1}{3}$ % per annum using the reducing balance method. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.
- Charlotte believes a dishonest employee may have stolen some cash.



**1 5 . 1** Prepare an income statement for Charlotte for the year ended 31 January 2023. **[14 marks]**

**Charlotte**  
**Income Statement for the Year ended 31 January 2023**

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Workings

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**Turn over for the next question**



**Section C**

Answer **all** questions in this section.

**1 6**

Lorraine is a sole trader. She owns one shop, but would like to expand her business by opening another shop. Lorraine has invested \$60 000 capital. She estimates that the expansion would need a further capital investment of \$50 000. However, she is unable to raise this amount herself.

Lorraine provides the following financial information about the performance of her business.

Per annum	USD \$
Revenue	120 000
Profit	24 000
Drawings	18 000

If the expansion takes place, Lorraine forecasts revenue will increase to \$200 000 and profit will be \$40 000.

Xi has been a manager of a number of shops and has approached Lorraine with the proposal to set up a partnership. Xi is able to provide the \$50 000 of capital required. Xi's current salary is \$25 000 per annum and she wants to maintain this level of income.

Assess whether Lorraine should enter into a partnership with Xi.

**[12 marks]**

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**END OF QUESTIONS**

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