# INTERNATIONAL A-LEVEL ACCOUNTING 

## Paper 3 Financial Accounting

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.


If you want to change your answer you must cross out your original answer as shown. $\qquad$
If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. $\qquad$

| 0 | 1 |
| :--- | :--- | What does a statement of affairs show?

A How much cash has flowed into and out of a business $\square$
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?

A Consistency $\square$
B Going concern
C Prudence
D Realisation $\square$

| 0 | 3 |
| :--- | :--- | :--- | Which is not a purpose of international accounting standards?

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.


|  | $£$ |
| :--- | ---: |
| Capital introduced | 3000 |
| Closing equity | 36700 |
| Drawings | 12300 |
| Opening equity | 26500 |

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

A £900 loss
B $£ 25500$ loss
C $£ 5100$ profit
D $£ 19500$ profit

| 0 | 5 |
| :--- | :--- | The following information is available for rent receivable for the year ended 31 March 2023.


|  | $£$ |
| :--- | ---: |
| Credit balance brought down at 1 April 2022 | 200 |
| Receipts via bank | 7000 |
| Monthly rent charge | 500 |

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

A Current Assets $£ 800$

## o

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D Current Liabilities £1 200

| 0 | 6 What is the formula for dividend yield? |
| :--- | :--- |

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)? |
| :--- | :--- | :--- |

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


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 $\frac{\text { Profit for the year after tax }}{\text { Equity }+ \text { non-current liabilities }} \times 100$

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

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|  | $£$ |
| :--- | :---: |
| Authorised capital: <br> Ordinary shares of 50 p each | 450000 |
| Issued capital: <br> Ordinary shares of 50 p each | 300000 |

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?

A 120000
B 180000
C 240000
0

Turn over for the next question

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

|  | £ |
| :--- | ---: |
| Discount received | 500 |
| Cheques paid to trade payables | 12000 |
| Total cash and credit purchases | 45000 |

$40 \%$ of all purchases made are on credit.

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

A $£ 5500$
B $£ 6500$ $\square$

C $£ 32500$ $\square$

D £33 500

| 1 | 1 | The Jiang Sports Club provided the following information at 30 April 2023. |
| :--- | :--- | :--- |


|  | $£$ |
| :--- | ---: |
| Subscriptions received by cheque | 5440 |
| 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.

Dr
Subscriptions Account
Cr

| Details | $£$ | Details | $£$ |
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## Turn over for the next question

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 $£ 15000$.
2. Goodwill would be valued at $£ 60000$. 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 $£ 75000$ 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 $£ 70000$; Nu $£ 60000$; Oliver $£ 30000$.

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

| Dr | Capital Accounts |  |  |  |  | Cr |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Details | $\underset{£}{\text { Mike }}$ | $\begin{gathered} \mathrm{Nu} \\ £ \\ \hline \end{gathered}$ | $\begin{gathered} \text { Oliver } \\ £ \end{gathered}$ | Details | $\begin{aligned} & \text { Mike } \\ & f \end{aligned}$ | $\begin{gathered} \mathrm{Nu} \\ £ \end{gathered}$ | $\begin{gathered} \text { Oliver } \\ £ \end{gathered}$ |
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## Section B

Answer all questions in this section.
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 <br> $\mathbf{£ 0 0 0}$ | $\mathbf{C r}$ <br> $\mathbf{£ 0 0 0}$ |
| :--- | ---: | ---: |
| Factory machinery - cost | 150 |  |
| Factory machinery - provision for depreciation |  | 90 |
| Inventory at 1 September 2022: | 34 |  |
| Work in progress at cost | 156 |  |
| Finished goods at cost plus 20\% | 60 |  |
| Office equipment - cost |  | 18 |
| Office equipment - provision for depreciation | 1220 |  |
| Overheads | 1207 |  |
| Prime cost |  | 26 |
| Provision for unrealised profit | 20 |  |
| Returns inwards |  | 3480 |
| Sales revenue |  |  |

## Additional information:

1. All non-current assets are depreciated at $10 \%$ per annum on cost.
2. Inventory as at 31 August 2023:
$\begin{array}{lr}\text { Raw materials at cost } & £ 75000 \\ \text { Work in progress at cost } & £ 36000 \\ \text { Finished goods at cost plus 20\% } & £ 192000\end{array}$
3. Overheads are to be apportioned $75 \%$ to the factory and $25 \%$ to administration.

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| :--- | :--- | :--- | .1 Prepare an extract of the manufacturing account for the year ended 31 August 2023 starting with prime cost.

Dewray Ltd
Manufacturing Account (extract) for the year ended 31 August 2023
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| :--- | :--- | .2 Prepare the trading section of the income statement for the year ended 31 August 2023.

Dewray Ltd
Income statement (extract) for the year ended 31 August 2023
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| HQV plc provided the following information on 30 June 2023: |  |

HQV plc
Statement of financial position at 30 June

|  | 2023 |  |  | 2022 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $£ 000$ <br> Cost/ Valuation | $£ 000$ <br> Provision for depreciation | £000 Carrying value | $\begin{aligned} & \text { £000 } \\ & \text { Cost } \end{aligned}$ | £000 <br> Provision for depreciation | £000 <br> Carrying value |
| Assets |  |  |  |  |  |  |
| Non-current assets |  |  |  |  |  |  |
| Property, plant and equipment | 21450 | 4845 | 16605 | 14884 | 4113 | 10771 |
| Current assets |  |  |  |  |  |  |
| Inventories |  | 779 |  |  | 805 |  |
| Trade receivables |  | 311 |  |  | 214 |  |
| Cash and cash equivalents |  | - |  |  | 87 |  |
|  |  |  | 1090 |  |  | 1106 |
| Total assets |  |  | 17695 |  |  | 11877 |
| Equity |  |  |  |  |  |  |
| Ordinary share of 50p each |  |  | 6300 |  |  | 4200 |
| Share premium |  |  | 2170 |  |  | 1120 |
| Revaluation reserve |  |  | 1830 |  |  | - |
| Retained earnings |  |  | 4332 |  |  | 3712 |
| Total equity |  |  | 14632 |  |  | 9032 |
| Non-current liabilities |  |  |  |  |  |  |
| 8\% Debentures (2034) |  |  | 2100 |  |  | 1750 |
| Current liabilities |  |  |  |  |  |  |
| Trade payables |  | 345 |  |  | 652 |  |
| Tax liabilities |  | 557 |  |  | 443 |  |
| Cash and cash equivalents |  | 61 |  |  | - |  |
|  |  |  | 963 |  |  | 1095 |
| Total liabilities |  |  | 3063 |  |  | 2845 |
| Total equity and liabilities |  |  | 17695 |  |  | 11877 |

## Additional information:

During the year ended 30 June 2023

- Additional plant was purchased, cost $£ 6600000$.
- Equipment was sold for $£ 830000$. This had been depreciated by $£ 485000$.
- Property was revalued.
- There were no other disposals or purchases of non-current assets.
- Taxation paid totalled $£ 398000$
- Dividends paid totalled $£ 1334000$

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

- Depreciation charges of $£ 1217000$
- Finance charges of $£ 402000$
- A provision for taxation of $£ 512000$.

| 1 | 4 | 1 |
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| 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.

## HQV plc

Reconciliation of operating profit to net cash flow from operating activities for the year ended 30 June 2023
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| :--- | :--- | :--- | needs to prepare the statement of cash flows. The Managing Director feels that preparing this statement is a waste of resources and that the information produced is confusing.

Assess the Managing Director's opinion.
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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 |
| :--- | ---: | ---: |
|  | $£$ |  |
| Fixtures and fittings at net book value | 40000 | To be calculated |
| Inventory | 25183 | To be calculated |
| Cash | 200 | 150 |
| Other payables (general expenses) | 400 | - |
| Other receivables (general expenses) | - | 150 |
| Trade payables | 27629 | 28754 |

Bank summary for the year ended 31 January 2023.

| Details | $\mathbf{£}$ | Details | $\mathbf{£}$ |
| :--- | ---: | :--- | ---: |
| Balance b/d | $\mathbf{2 4 0 0}$ | Wages | 15000 |
| Cash | 47650 | General expenses | 10365 |
| Fixtures and fittings | 5500 | Fixtures and fittings | 14000 |
| Trade receivables | 120000 | Drawings | 32000 |
|  |  | Trade payables | 103000 |
|  | Balance c/d | 1185 |  |
|  | $\underline{175550}$ |  | $\underline{175550}$ |

## Additional information:

- Goods are sold with a mark-up of $60 \%$.
- Total sales were $£ 172$ 000. Cash sales were $£ 50400$.
- All purchases were on credit.
- Charlotte banked all cash sales after deducting cash drawings of $£ 2500$.
- The fixtures and fittings sold originally cost $£ 13500$ and had been depreciated by $£ 7500$.
- Depreciation on fixtures and fittings is charged at $331 / 3 \%$ 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.

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| :--- | :--- | .1 Prepare an income statement for Charlotte for the year ended 31 January 2023.

Charlotte
Income Statement for the Year ended 31 January 2023
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Turn over for the next question

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| Charlotte is thinking of introducing computerised accounting software. |  |  |

This will cost $£ 12000$.
The accounting software will record all sales and cash and inventory in and out of the business. This will enable her to place orders automatically.

Assess whether Charlotte should purchase the new computerised accounting software.
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## Section C

Answer all questions in this section.

Lorraine is a sole trader. She owns one shop, but would like to expand her business by opening another shop. Lorraine has invested $£ 60000$ capital. She estimates that the expansion would need a further capital investment of $£ 50000$. However, she is unable to raise this amount herself.

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

| Per annum | $\boldsymbol{£}$ |
| :--- | :---: |
| Revenue | 120000 |
| Profit | 24000 |
| Drawings | 18000 |

If the expansion takes place, Lorraine forecasts revenue will increase to $£ 200000$ and profit will be $£ 40000$.

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 $£ 50000$ of capital required. Xi's current salary is $£ 25000$ per annum and she wants to maintain this level of income.

Assess whether Lorraine should enter into a partnership with Xi.
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## END OF QUESTIONS

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