

# INTERNATIONAL AS ACCOUNTING

## Paper 1 Introduction to Financial Accounting

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Specimen paper

07:00 GMT

Time allowed: 2 hours

**Materials**

For this paper you must have:

- 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 each question are shown in brackets.
- The maximum mark for this paper is 80.

### 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**

A business issues a credit note to S Rowe, one of its credit customers.

Which is the book of prime entry and double entry to record this transaction?

[1 mark]

	Book of prime entry	Debit	Credit	
<b>A</b>	General journal	Sales returns	S Rowe	<input type="radio"/>
<b>B</b>	General journal	S Rowe	Sales returns	<input type="radio"/>
<b>C</b>	Sales returns journal	Sales returns	S Rowe	<input type="radio"/>
<b>D</b>	Sales returns journal	S Rowe	Sales returns	<input type="radio"/>

**0 2**

A sales invoice has been incorrectly entered in the account of G Brown. It should have been entered in the account of G Bowen.

Which type of error is this?

[1 mark]

**A** Commission

**B** Original entry

**C** Principle

**D** Reversal

**0 3**

Included in the closing inventory of \$36 800 were some items that had been damaged. The damaged inventory cost \$6 400. It can be repaired at a cost of \$880 and can then be sold for \$7 100.

What is the value of the closing inventory that should be included in the financial statements?

**[1 mark]****A** \$30 400**B** \$36 620**C** \$36 980**D** \$37 680**0 4**

A business purchased a calculator for \$5. The accountant instructed the bookkeeper to charge the cost of the calculator to office expenses.

Which accounting concept was the accountant applying to the purchase of the calculator?

**[1 mark]****A** Business entity**B** Materiality**C** Prudence**D** Realisation**Turn over for the next question**

**0 5** A business always charges depreciation using the straight-line method.

Which accounting concept is being applied.

[1 mark]

**A** Accruals

**B** Consistency

**C** Money measurement

**D** Realisation

**0 6** How will the recovery of a debt, previously written off, affect the profit, current assets and equity of a business?

[1 mark]

	<b>Profit</b>	<b>Current assets</b>	<b>Equity</b>	
<b>A</b>	Decrease	Decrease	Decrease	<input type="radio"/>
<b>B</b>	Increase	Decrease	No effect	<input type="radio"/>
<b>C</b>	Increase	Increase	Increase	<input type="radio"/>
<b>D</b>	No effect	Increase	Increase	<input type="radio"/>

**0 7** Which of the following is the formula to calculate straight line depreciation?

[1 mark]

**A**  $\frac{\text{Cost - residual value}}{\text{Estimated useful life}}$

**B**  $\frac{\text{Cost + residual value}}{\text{Estimated useful life}}$

**C**  $\frac{\text{Estimated useful life}}{\text{Cost - residual value}}$

**D**  $\frac{\text{Estimated useful life}}{\text{Cost + residual value}}$

**0 8**

Which of the following is the formula to calculate mark-up percentage?

**[1 mark]**

**A**  $\frac{\text{Cost of sales}}{\text{Gross profit}} \times 100$

**B**  $\frac{\text{Gross profit}}{\text{Cost of sales}} \times 100$

**C**  $\frac{\text{Gross profit}}{\text{Revenue}} \times 100$

**D**  $\frac{\text{Revenue}}{\text{Gross profit}} \times 100$

**0 9**

A business rents out part of its premises to two sole traders, Jo and Xi. It has received \$6 000 for rent during the year ended 30 April 2023. At 30 April 2023, Jo has made a payment in advance of \$600 and Xi still owes a month's rent of \$200.

What amount should be entered in the income statement for the year ended 30 April 2023 for rent received?

**[1 mark]**

**A** \$5 400

**B** \$5 600

**C** \$6 400

**D** \$6 800

**1 0**

A company offers its trade customers a 30% trade discount and also a cash discount of 2.5% if they pay within 10 days. A trade customer has bought \$100 worth of goods on credit.

How much will the customer pay if they pay within 10 days?

**[1 mark]**

**A** \$67.50

**B** \$68.25

**C** \$70.00

**D** \$97.50

1 1

Harriet started in business on 1 May 2022. The following information has been extracted from the books of account at 30 April 2023.

	USD \$
Cheque payments to credit suppliers	5 800
Discount received	125
Purchases journal total	25 000

**Additional information:**

- At 30 April 2023 one credit supplier had a debit balance of \$180.

1 1 . 1

Prepare the trade payables ledger control account at 30 April 2023. Bring any balances down on 1 May 2023.

[5 marks]

Dr

**Trade Payables Ledger Control Account**

Cr

Details	USD \$	Details	USD \$

1 1 . 2

State **two** reasons why a business might prepare a trade payables ledger control account.

[2 marks]

1 \_\_\_\_\_

2 \_\_\_\_\_

**1 1 . 3** State **one** reason why a credit supplier's account may have a debit balance.

**[1 mark]**

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**Turn over for the next question**

1 2

The following information has been extracted from the books of account for Li for the year ended 30 September 2023.

	<b>USD \$</b>
Inventory at 1 October 2022	18 190
Inventory at 30 September 2023	16 540
Purchases	63 200
Returns inwards	3 130
Revenue	196 500

**Additional information:**

1. During the year ended 30 September 2023, Li took goods costing \$650 for her own use. This has not been recorded in the books of account.

Prepare the trading section of the income statement for the year ended 30 September 2023.

**[5 marks]**

**Li**  
**Trading section of the income statement for the year ended 30 September 2023**

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## Section B

Answer **all** questions in this section.

**1 3**

Mithali is a sole trader. Her bookkeeper is in the process of completing the ledger accounts for the year ended 30 April 2023.

The bookkeeper has provided the following information relating to the motor vans owned by the business.

Extract from the statement of financial position at 30 April 2022:

	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Motor vans	72 000	34 875	37 125

On 30 November 2022 Mithali part exchanged an old van for part of the purchase price of a new van.

The old van had originally cost \$24 000 and had accumulated depreciation of \$13 875. Mithali was given an allowance of \$8 000 against the cost of the new van. The new van cost \$28 000 and the balance owing was paid by cheque.

It is Mithali's policy to depreciate motor vans using the reducing balance method at a rate of 25% per annum. No depreciation is charged in the year of disposal and a full year's depreciation is charged on all motor vans owned at the end of the year.

There were no other purchases or disposals of motor vans in the year ended 30 April 2023.

The bookkeeper also provided the following information relating to the wages of Mithali's employees for the year ended 30 April 2023.

	<b>USD \$</b>
Amount owing for wages at 30 April 2022	2 800
Wages for the year paid by bank transfer	58 600
Amount owing for wages at 30 April 2023	4 200

1 3 . 1

Prepare both the at cost account at 30 April 2023 **and** the provision for depreciation account at 30 April 2023, for the motor vans.  
Bring any balances down on 1 May 2023.

[11 marks]

**Dr** **Motor Vans at Cost Account** **Cr**

Date	Details	USD \$	Date	Details	USD \$

**Dr** **Motor Vans Provision for Depreciation Account** **Cr**

Date	Details	USD \$	Date	Details	USD \$

Workings \_\_\_\_\_

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**1** **3** . **2** Prepare the wages account at 30 April 2023. Bring any balance down on 1 May 2023. **[4 marks]**

<b>Dr</b>		<b>Wages Account</b>		<b>Cr</b>	
<b>Date</b>	<b>Details</b>	<b>USD \$</b>	<b>Date</b>	<b>Details</b>	<b>USD \$</b>

**Turn over for the next question**

1 4

A book keeper has produced her cash book for the month of April 2023.

Dr		Cash book (bank columns only)				Cr
Date	Details	\$	Date	Details	\$	
05 April	Cove cheque	358	01 April	Balance b/d	1 287	
10 April	Bartley cheque	642	10 April	JC Plumbing cheque 123790	465	
15 April	Wu credit transfer	82	12 April	Citi Plumbing cheque 123791	275	
30 April	Khan cheque	2 486	15 April	Jones cheque 123792	156	
			15 April	Wages cheque 123793	480	
			24 April	Card payment telephone	37	
			30 April	Balance c/d	868	
		<u>3 568</u>			<u>3 568</u>	

She received the bank statement for April 2023 and is concerned that the balance in her cash book does not agree with the balance shown on the bank statement.

#### BANK STATEMENT

Date	Description	Dr \$	Cr \$	Balance \$	
01 April	Cheque 123789	245		1 287	DR
09 April	Cheque		358	929	DR
10 April	Interest	45		974	DR
15 April	Cheque		642	332	DR
15 April	DD JJ holdings	650		982	DR
15 April	Transfer Wu		82	900	DR
22 April	Cheque 123793	480		1 380	DR
22 April	Cheque 123792	165		1 545	DR
24 April	Card payment	37		1 582	DR
27 April	Cheque 765421	4 600		6 182	DR
30 April	Transfer Wu		215	5 967	DR

The book keeper has spoken to the bank to question whether cheque 765421 relates to her business. The bank said that this was debited in error; however, all the other entries on the bank statement were correct.

1 4 . 1

Prepare an updated cash book at 30 April 2023. Bring down any balance on 1 May 2023.

[5 marks]

Dr Cash book (bank columns) Cr

Date	Details	USD \$	Date	Details	USD \$

1 4 . 2

Prepare a bank reconciliation statement at 30 April 2023.

[4 marks]

**Bank reconciliation at 30 April 2023**

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- 1 4 . 3 The bookkeeper has decided to retire. The business is unsure whether they should employ another bookkeeper or employ an accountant.  
Advise the business whether they should employ another book keeper or employ an accountant.

**[6 marks]**

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**1 5**

Mel, a sole trader, is completing her financial statements for the year ended 30 April 2023.

The following balances remain in the books of account following the completion of the draft income statement.

	<b>USD \$</b>
Bank (debit balance)	1 075
Bank loan	20 000
Drawings	21 800
Equity at 1 May 2022	48 600
Inventory	21 700
Non-current assets – net book value	28 760
Other payables	575
Other receivables	450
Profit for the year ended 30 April 2023	27 860
Trade payables	6 750
Trade receivables	30 000

Since completing the draft income statement, she has discovered the following errors and omissions.

1. On 25 April 2023 Mel had purchased goods costing \$750 on a sale or return basis. These had not been recorded in the purchases account, but as they were on the premises on 30 April they had been included in the closing inventory. On 8 May 2023 the goods were returned to the supplier as they had not been sold.
2. On 27 April 2023 Mel had drawn a cheque for \$350 to pay an employee for helping with the stock-take. She had debited this to drawings.
3. On 28 April 2023 Mel paid rent of \$900 by cheque. The payment covered the period from 1 April 2023 to 30 June 2023. No entries have been made in the books of account to record this transaction.
4. On 30 April 2023 Mel deposited \$10 000 cash from her personal savings into the business bank account for business use. This had not been recorded in the books of account.
5. The bank loan is repayable in full on 1 January 2026.
6. On 31 May 2023 loan interest of \$2 400 for the three months from 1 March 2023 to 31 May 2023 was paid. No entries have been made in the books of account to record this.

Prepare the statement of financial position as at 30 April 2023, taking into account any adjustments needed for items 1–6.

[15 marks]

**Me1**  
**Statement of financial position as at 30 April 2023**

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**Section C**

Answer **all** questions in this section.

**1 6**

Alistair is concerned about the liquidity of his business. He allows his credit customers 30 days’ credit. On average his suppliers also give him 30 days’ credit. He has calculated the following ratios for the current year together with those of the previous three years.

<b>Ratio</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Trade receivables days	40 days	45 days	50 days	60 days
Trade payables days	33 days	30 days	25 days	20 days
Rate of inventory turnover	5 times	8 times	11 times	12 times

Assess the performance of Alistair’s business in relation to liquidity. Use the ratios provided by Alistair.

**[12 marks]**

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**END OF QUESTIONS**

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