

# INTERNATIONAL AS ACCOUNTING

## Paper 2 Financial and Management Accounting

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Specimen paper

07:00 GMT

Time allowed: 2 hours

### 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 80.

### 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



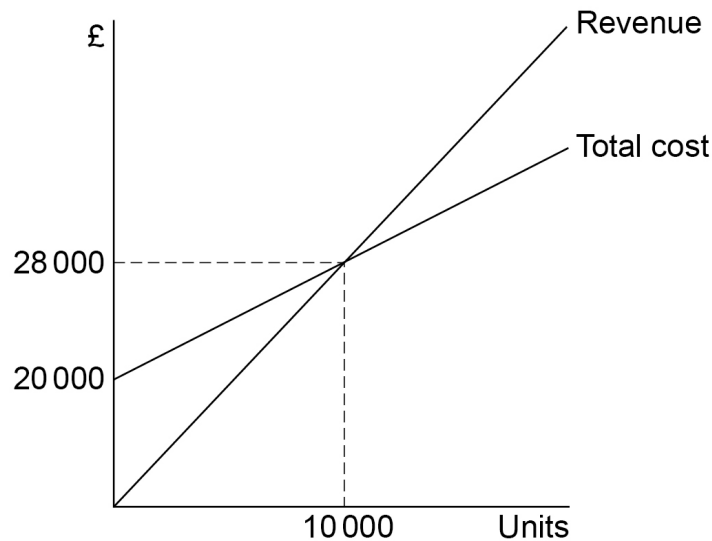
If you want to change your answer you must cross out your original answer as shown.

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



**0 1**

The management accountant of BE Ltd has prepared a break-even chart.



Note: the chart is not to scale.

What is the variable cost per unit?

[1 mark]

A £0.80

B £1.25

C £2.00

D £2.80

**0 2**

A business has only one shareholder and is not allowed to offer shares for sale to the public.

Which type of business ownership is this?

**[1 mark]**

- A** Partnership
- B** Private limited company
- C** Public limited company
- D** Sole trader

**0 3**

What does the abbreviation 'Ltd' indicate in the name of a company?

**[1 mark]**

- A** The company's capital that can be issued is limited
- B** The number of debentures that can be issued is limited
- C** The shareholder's liability for the company's debts is limited
- D** The shareholder's liability for the company's debts is unlimited

**0 4**

Which of the following correctly lists items that should be included in a statement of changes in equity?

**[1 mark]**

- A** Issue of ordinary shares; Bank loan interest paid; Profit for the year after tax
- B** Issue of ordinary shares; Bank loan interest paid; Profit for the year before tax
- C** Issue of ordinary shares; Dividends paid; Profit for the year after tax
- D** Issue of ordinary shares; Dividends paid; Profit for the year before tax

0 5

A business purchases machinery for use within the business on credit from HBA Ltd.

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

[1 mark]

Journal	Account debited	Account credited	
A General	HBA Ltd	Machinery	<input type="radio"/>
B General	Machinery	HBA Ltd	<input type="radio"/>
C Purchase	HBA Ltd	Machinery	<input type="radio"/>
D Purchase	Machinery	HBA Ltd	<input type="radio"/>

0 6

A company has total non-current liabilities of £5 000 000.

80% of this total are 5% Debentures 2025–6.

The remaining 20% is a bank loan with interest charged at 6% per annum.

What will the finance costs be for a 6 month period?

[1 mark]

- A £60 000
- B £125 000
- C £130 000
- D £260 000

0 7

As a result of output increasing, a business requires an additional warehouse.

Which type of cost describes the total cost of warehousing?

[1 mark]

- A Fixed cost
- B Semi-variable cost
- C Stepped cost
- D Variable cost

0 8

Which of the following is an advantage of zero-based budgeting?

[1 mark]

- A Budgets are quick to prepare
- B It encourages managers to work together
- C Lower operational costs
- D Minimal planning required

0 9

Which is **never** a responsibility of a management accountant within a business?

[1 mark]

- A External audit
- B Internal audit
- C Monitor budgets
- D Prepare budgets

1 0

Which is the correct formula to calculate the gearing ratio?

[1 mark]

- A  $\frac{\text{Current liabilities}}{\text{Non-current liabilities}} \times 100$
- B  $\frac{\text{Current liabilities}}{\text{Issued share capital} + \text{Reserves} + \text{Non-current liabilities}} \times 100$
- C  $\frac{\text{Issue share capital} + \text{Reserves}}{\text{Non-current liabilities}} \times 100$
- D  $\frac{\text{Non-current liabilities}}{\text{Issued share capital} + \text{Reserves} + \text{Non-current liabilities}} \times 100$

1 1

Unibrand plc produces one product for which the forecast costs and selling price are shown below.

	£
Selling price	200
Fixed cost per unit	50
Variable cost per unit	105

The forecast costs are based on planned production and sales of 4 000 units.

1 1 . 1

Calculate the fixed costs.

[1 mark]

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1 1 . 2

Calculate the contribution per unit.

[1 mark]

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1 1 . 3

Calculate the break-even point in units.  
State the formula used.

[3 marks]

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1 1 . 4 State **three** limitations of using break-even analysis.

[3 marks]

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2 \_\_\_\_\_

3 \_\_\_\_\_

**Turn over for the next question**

1 2

Usman Ltd make one product, which is produced to order, so no inventory is held.

The forecast revenue and costs for the month of April are shown below. The forecast is based on the assumption that the business operates at full capacity and produces 10 000 units.

	£
Revenue	300 000
Direct costs	140 000
Variable production overheads	20 000
Fixed production overheads	60 000
Administration costs	45 000

The actual results for April showed that the business had operated at only 80% of capacity.

Prepare a marginal costing statement for the month of April showing the actual profit for the month.

[5 marks]

**Usman Ltd**  
**Marginal costing statement for April**

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### Section B

Answer **all** questions in this section.

**1 3**

The directors of Brogia Ltd have provided the following information from the statement of financial position at 1 June 2022.

	£
Issued share capital	120 000
Share premium	20 000
Retained earnings	48 560
Bank loan repayable 2030	60 000

**Additional information:**

1. Each share has a nominal value of 20p.
2. On 25 May 2023 the directors paid a dividend of 4p per share.
3. On 29 May 2023 the directors issued 200 000 new ordinary shares at a price of 35p per share. The issue was fully subscribed.
4. Operating profit for the year ended 31 May 2023 was £54 270
5. The bank loan was taken out in 2010 and interest is payable at the rate of 5% per annum.
6. The directors have been advised that there should be a provision for corporation tax for the year ended 31 May 2023. It is estimated that this should be 20% of the profit before tax.

**1 3 . 1**

Prepare the statement of changes in equity for the year ended 31 May 2023. A total column is **not** required.

**[9 marks]**

**Brogia Ltd**  
**Statement of changes in equity for the year ended 31 May 2023**

	£	£	£





1 4

The assistant accountant of Joko Ltd has prepared the income statement and retained earnings section of the statement of changes in equity for the year ended 30 April 2023.

The balances remaining in the ledger accounts at 30 April 2023 are shown below.

	£
Bank overdraft	15 000
Inventory	73 600
Ordinary shares of 20p each	175 000
Other payables	7 600
Property - cost	250 000
Property - provision for depreciation	62 500
Provision for doubtful debts	1 140
Retained earnings	57 610
Share premium	25 000
Trade receivables	20 250

The finance director has checked the draft financial statements and accounting records and asked for the following items to be dealt with.

1. During the year, the company had their property repaired. The cost of the repairs totalled £80 000, which has been debited to repairs and renewals. Included in the repairs total was £20 000 for building a new storage room.
2. It is company policy to depreciate property over a useful life of 40 years using the straight-line method. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.
3. On 30 April 2023 a £125 000 8% bank loan repayable over five years was taken out. Monthly repayments will be made across the period of the loan. Interest will be charged on the balance outstanding at the start of the year. This transaction has not been recorded in the books of account.
4. The provision for doubtful debts has not yet been calculated for the year ended 30 April 2023. The finance director wants this to be 4% of trade receivables.
5. The finance director has calculated that a provision for taxation of £16 000 should be made.

**Question 14 continues on next page.**





1 5

Budgee Ltd is a trading company which buys and sells one type of product.

The management accountant of Budgee Ltd is preparing the budgeted income statement for the year ended 30 April 2024. He is using the actual results for the year ended 30 April 2023 as the basis for the budget.

The trading section of the income statement for the year ended 30 April 2023 is shown below.

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

	£	£
Revenue (12 000 units)		2 160 000
Opening inventory (2 000 units)	180 000	
Purchases (12 000 units)	1 440 000	
Closing inventory (2 000 units)	<u>(240 000)</u>	
Cost of sales		<u>1 380 000</u>
Gross profit		780 000

The management accountant provides the following forecasts for the year ended 30 April 2024.

Both sales and purchases will be spread evenly through the year.

**Revenue**

It is intended to reduce the selling price by 10% from 1 May 2023.

The forecast is:

- for the six months from 1 May to 31 October 2023 that the sales volume will increase by 15%
- for the six months to 30 April 2024 the sales volume will increase by a further 10% (based on the sales volume for the period from 1 May to 31 October).

**Purchases**

It is intended to purchase 15 000 units. The current supplier has informed the company that it will be increasing the price to £130 from 1 May 2023. Budgee Ltd is contracted to buy products from this company for the three months until 31 July 2023.

The purchasing manager has found a new supplier, who is willing to supply the product for £120, but they will charge £5 a unit for delivery. The purchasing manager has agreed to purchase the products from this company from 1 August 2023.

**Inventory**

Inventory is valued at the latest cost.











