



Surname _____

Other Names _____

Centre Number _____

Candidate Number _____

Candidate Signature _____

A-level

ACCOUNTING

Paper 1 Financial Accounting

7127/1

Monday 10 June 2019 Morning

Time allowed: 3 hours

For this paper you must have:

- a calculator
- an insert.

At the top of the page, write your surname and other names, your centre number, your candidate number and add your signature.

[Turn over]



J U N 1 9 7 1 2 7 1 0 1

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INSTRUCTIONS

- Use black ink or black ball-point pen.
- Answer ALL questions.
- You must answer the questions in the spaces provided. Do not write 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).
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

INFORMATION

- The marks for each question are shown in brackets.
- The maximum mark for this paper is 120.

DO NOT TURN OVER UNTIL TOLD TO DO SO



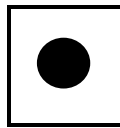
SECTION A

Answer **ALL** questions in this section.

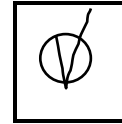
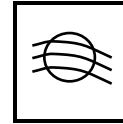
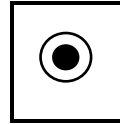
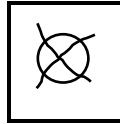
Only **ONE** answer per question is allowed.

For each answer completely fill in the circle alongside the appropriate answer.

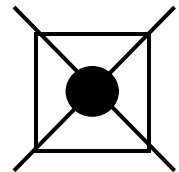
CORRECT METHOD



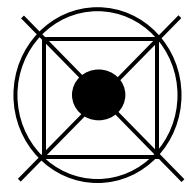
WRONG METHODS



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 Which of the following will NOT affect a statement of cash flows? [1 mark]

A Bonus issue of ordinary shares

B Redemption of a debenture

C Repayment of a loan

D Sale of non-current assets

[Turn over]



0 3

Following a recent stock take it was discovered that some inventory had not been included in the physical count.

What would be the impact on profit and current assets when the business accounts for this inventory? [1 mark]

A Profit decreases, current assets decrease

B Profit decreases, current assets increase

C Profit increases, current assets decrease

D Profit increases, current assets increase



0 4 Which of the following is treated as an outflow on a reconciliation of operating profit to the net cash flow from operating activities? [1 mark]

A Decrease in inventory

B Decrease in trade payables

C Decrease in trade receivables

D Depreciation of non-current assets

[Turn over]



0 5

The following information is available for rent receivable for the year ended 31 March 2019.

	£
Credit balance brought down at 1 April 2018	200
Receipts via bank	7 000
MONTHLY rent charge	500

How is the balance on the rent receivable account at 31 March 2019 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

An item of inventory which originally cost £50 can be sold for £70 after being repaired at a cost of £25.

How much should the item be valued at?
[1 mark]

A £25

B £45

C £50

D £75

[Turn over]



0 7 Which of the following is the correct formula for trade receivables days? [1 mark]

A $\frac{\text{Trade receivables}}{\text{Credit sales}} \times 100$

B $\frac{\text{Trade receivables}}{\text{Credit sales}} \times 365$

C $\frac{\text{Trade receivables}}{\text{Total sales}} \times 100$

D $\frac{\text{Trade receivables}}{\text{Total sales}} \times 365$



0 8

An accounting standard can be ignored if the net impact of doing so has such a small impact on the financial statements that a user of the financial statements would not be misled.

Which accounting concept does this wording best apply to? [1 mark]

A Accruals

B Going concern

C Materiality

D Realisation

[Turn over]



0 9 A business is intending to raise finance in order to expand.

Which of the following sources of long-term finance would NOT increase the capital gearing ratio for the business? [1 mark]

A Bank loan

B Debenture

C Mortgage

D Ordinary shares



1 0 A cheque received from a trade receivable has been dishonoured.

Which is the source document for this transaction? [1 mark]

A Bank statement

B Cheque counterfoil

C Credit note

D Paying-in slip counterfoil

[Turn over]



1 1

Many businesses sell goods on credit to their customers.

Explain ONE reason why it is important for these businesses to make a provision for doubtful debts. [3 marks]

BLANK PAGE

[Turn over]



1 2

The following information has been extracted from the books of account of D Lewin for the month of March 2019.

	£
Cheque payments to credit suppliers taken from the cash book	26 282
Credit purchases	18 456
Discounts received	200
Purchase ledger balances at 1 March 2019	46 115
Returns outwards	645



- 1 | 2 | . | 1** Prepare a purchases ledger control account for the month of March 2019 in the books of D Lewin. Balance the account and bring the balance down on 1 April 2019. Dates are not required. [5 marks]

Dr		Purchases Ledger Control Account		Cr	
Details	£	Details	£		

[Turn over]



In addition the following information has been extracted from the books of account of D Lewin for the month of March 2019.

	£
Credit sales	38 625
Dishonoured cheque from credit customer	300
Discounts allowed	435
Receipts from credit customers taken from the cash book	37 540
Sales ledger balances at 1 March 2019	32 144



- 1 | 2 | . | 2** Prepare a sales ledger control account for the month of March 2019 in the books of D Lewin. Balance the account and bring the balance down on 1 April 2019. Dates are not required. [5 marks]

Dr		Sales Ledger Control Account		Cr	
Details	£	Details	£		

[Turn over]



James is a sole trader. His bookkeeper has not fully completed all the ledger entries to close the books of account for the year ended 30 April 2019. An extract from the Statement of Financial Position at 30 April 2018 is shown below.

	Cost £	Accumulated depreciation £	Net book value £
Fixtures and fittings	80 000	48 000	32 000

On 23 April 2019 James sold some fixtures and fittings for £14 000 for which he received a cheque. These fixtures and fittings had originally cost £24 000 and had a net book value of £14 400 at the date of disposal.



1 3

Prepare the Fixtures and Fittings at Cost Account and the Fixtures and Fittings Disposal Account on page 23 for the year ended 30 April 2019. Bring any balances down on 1 May 2019. [7 marks]

Dr Fixtures and Fittings at Cost Account Cr

Date	Details	Amount £	Date	Details	Amount £

[Turn over]



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Dr Fixtures and Fittings Disposal Account Cr

Date	Details	Amount £	Date	Details	Amount £

[Turn over]

30



SECTION B

Answer ALL questions in this section.

1 4

Read the information for question 14 on pages 2–3 of the separate insert.

1 4 . 1

**Prepare an income statement for Charlotte for the year ended 31 January 2019.
[14 marks]**

**Charlotte
Income Statement for the Year Ended
31 January 2019**

[Turn over]



2 5

Workings _____



[Turn over]



[Turn over]



- 1 4 . 2** Charlotte is thinking of introducing a computerised system which will record the cash and inventory in and out of the business. This will cost £12 000. The new system records all sales to enable her to place orders automatically.

Assess whether Charlotte should purchase the new computerised system. [6 marks]

[Turn over]





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[Turn over]



1 5 Read the information for question 15 on pages 4–5 of the separate insert.

1 5 . 1 Prepare the revaluation account for the partnership at 30 November 2018.
[11 marks]

Revaluation Account

Details	£	Details	£

Workings

[Turn over]





[Turn over]



1 | 5 | . | 2 Prepare the capital account for Nando at 30 November 2018. [3 marks]

Capital Account – Nando

Details	£	Details	£

[Turn over]



Nando's personal accountant was involved in the revaluation of the partnership's assets when he decided to leave.

1 5 . 3 **Assess the ethics of why it might not be appropriate for Nando's personal accountant to have been involved in the valuation of the partnership's assets. [6 marks]**

[Turn over]

40



SECTION C

Answer ALL questions in this section.

Read the information for question 16 on pages 6–7 of the separate insert.

1 | 6

Evaluate trends in the current profitability of the business and make recommendations on which option should be chosen to improve future profitability. [25 marks]

[Turn over]



[Turn over]







[Turn over]



[Turn over]







[Turn over]





[Turn over]



END OF QUESTIONS

50



Additional page, if required.

Write the question numbers in the left-hand margin.

Additional page, if required.

Write the question numbers in the left-hand margin.

Additional page, if required.

Write the question numbers in the left-hand margin.

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For Examiner's Use	
Section	Mark
A	
B	
C	
TOTAL	

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