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Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

I declare this is my own work.

A-level ACCOUNTING

Paper 1 Financial Accounting

Thursday 22 May 2025

Morning

Time allowed: 3 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).
- 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.

For Examiner's Use	
Section	Mark
A	
B	
C	
TOTAL	



J U N 2 5 7 1 2 7 1 0 1

Section AAnswer **all** questions in this section.For multiple-choice questions 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**

Which transaction would be recorded in the purchases journal?

[1 mark]**A** Cash purchase of a non-current asset☐**B** Cash purchase of goods for resale☐**C** Credit purchase of a non-current asset☐**D** Credit purchase of goods for resale☐**0 2**

Which is the formula for gross profit margin?

[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 3

Revenue should be recorded when the legal title passes between the buyer and seller.

Which accounting concept is being applied?

[1 mark]

- A** Accruals ☐
- B** Money measurement ☐
- C** Prudence ☐
- D** Realisation ☐

0 4

Which is the formula for trade receivables days?

[1 mark]

- A** $\frac{\text{Credit sales}}{\text{Trade receivables}} \times 365$ ☐
- B** $\frac{\text{Total sales}}{\text{Trade receivables}} \times 365$ ☐
- C** $\frac{\text{Trade receivables}}{\text{Credit sales}} \times 365$ ☐
- D** $\frac{\text{Trade receivables}}{\text{Total sales}} \times 365$ ☐

0 5

Which source of finance will increase the capital gearing ratio?

[1 mark]

- A** Bank overdraft ☐
- B** Bonus issue of shares ☐
- C** Mortgage ☐
- D** Rights issue of shares ☐

Turn over ►

0 6

Carriage inwards has been wrongly recorded in the income statement as carriage outwards.

What is the impact of this error on profit in the income statement?

[1 mark]

- A** Gross profit overstated ☐
- B** Gross profit understated ☐
- C** Profit for the year overstated ☐
- D** Profit for the year understated ☐

0 7

A business has expenses in relation to revenue of 65%. Profit for the year is £42 000.

How much are the expenses for the year?

[1 mark]

- A** £14 700 ☐
- B** £27 300 ☐
- C** £78 000 ☐
- D** £120 000 ☐

0 8

A business maintains a provision for doubtful debts at 3% of trade receivables.

At the beginning of the year trade receivables were £68 000 and at the end of the year trade receivables were £62 000.

What entry will be made in the provision for doubtful debts account to record the transfer to the income statement?

[1 mark]

- A** £180 credit ☐
- B** £180 debit ☐
- C** £1 860 credit ☐
- D** £1 860 debit ☐



0 9

On 1 January 2024 a business had received rental income of £2 400 in advance. During the year ended 31 December 2024 it received rental income of £25 000. On 31 December 2024 rental income of £1 500 was owing.

What is the entry in the income statement for the year ended 31 December 2024 for rental income?

[1 mark]

- A** £21 100 ☐
- B** £24 100 ☐
- C** £25 900 ☐
- D** £28 900 ☐

1 0

Jo's trial balance did not balance so she posted the difference to a suspense account.

The only error found was that wages of £150 had been credited to both the cash account and the wages account.

What was the opening balance on the suspense account?

[1 mark]

- A** £150 credit ☐
- B** £150 debit ☐
- C** £300 credit ☐
- D** £300 debit ☐

Turn over for the next question

Turn over ►



1	1
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Explain **two** reasons why a new business may offer a customer a trade discount.

[6 marks]

Reason 1 _____

Reason 2 _____



Turn over for the next question

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ANSWER IN THE SPACES PROVIDED**

Turn over ►



1 2

Demelza, a sole trader, provided the following information.

Non-current assets	At 1 April 2024 £
Plant and machinery – cost	96 400
– accumulated depreciation	43 380
Motor vehicles – cost	162 000
– accumulated depreciation	64 684

Additional information

1. On 1 January 2025, a machine costing £1 500 was purchased.
2. On 1 March 2025, a motor vehicle costing £18 000 and with accumulated depreciation of £8 784 was sold.
3. Depreciation of plant and machinery is charged using the straight-line method at a rate of 15% per annum.
4. Depreciation of motor vehicles is charged using the reducing balance method at a rate of 20% per annum.
5. A full year's depreciation is charged in the year of purchase and none in the year of disposal.



[7 marks]

[illegible][illegible]

1 3

Hugh, a sole trader, started a business on 1 April 2024.

He has provided the following extracts from the books of prime entry for the year ended 31 March 2025.

Sales journal

Date	Detail	£
31 March 2025	Total for year	197 285

Sales returns journal

Date	Detail	£
31 March 2025	Total for year	360

During the year ended 31 March 2025 Hugh received £170 280 from his credit customers after allowing them a discount of £1 170.



- 1 3 . 1** Prepare the sales ledger control account for the year ended 31 March 2025. Balance the account and bring the balance down on 1 April 2025.

[5 marks]

Dr **Sales Ledger Control Account** **Cr**

Date	Details	£	Date	Details	£

- 1 3 . 2** Prepare the sales account for the year ended 31 March 2025. Show clearly the amount to be transferred to the income statement.

[2 marks]

Dr **Sales Account** **Cr**

Date	Details	£	Date	Details	£

30

Turn over ►

Section BAnswer **all** questions in this section.**1 4**

The accountant for P Ltd has provided the following information for the preparation of the income statement for the year ended 31 May 2025.

	£
Administration expenses	395 750
Cost of sales	3 480 360
Marketing expenses	808 250
Revenue	5 800 600
Warehouse expenses	919 240

The following have not yet been accounted for:

- Included in the closing inventory valuation were items that had been damaged which cost £75 500. It is estimated that they could now be sold for £35 000 after repairs costing £3 500.
- Included in the warehouse expenses was a repair to the warehouse roof which cost £8 500. The company has made a claim on its buildings insurance and the insurance company has agreed to pay £7 500.
- On 31 May 2025 a customer who owed £20 000 was declared bankrupt. P Ltd will receive 10p for every £1 due. Irrecoverable debts are charged to administration expenses.
- On 8 June 2025 P Ltd received an invoice dated 29 May 2025 for £2 500 for marketing expenses.

Additional information

1. On 1 February 2025 a £1 200 000, 6% Debenture 2036–2039 was issued.
2. On 28 February 2025 a £1 000 000, 8% Debenture 2025–2028 was repaid in full.
3. On 1 June 2024 P Ltd owed £3 600 for tax. On 31 May 2025 P Ltd owed £6 800 for tax. Taxation paid during the year was £8 800.



Prepare the income statement for P Ltd for the year ended 31 May 2025.

P Ltd
Income statement for the year ended 31 May 2025

[illegible]

[illegible]

Assess the usefulness of the income statement for the year ended 31 May 2025 to the **employees** of P Ltd.

[illegible]

1 5

Jodie, Katie and Li had been in partnership for a number of years with no partnership agreement, with an accounting year ending on 31 March.

On 31 December 2024, Li left the partnership as she felt that she did not get a fair share of the profit and that it had become very difficult to make decisions.

The partners kept separate capital and current accounts both before and after Li left the partnership.

The partners' capital account balances on 1 April 2024 were: Jodie £22 000, Katie £24 000 and Li £32 000.

On 31 December 2024, when Li left the partnership, the following was agreed:

1. Goodwill was valued at £30 000. Goodwill is not to be maintained in the partnership books of account.
2. Jodie and Katie wanted their capital account balances on 1 January 2025 to be £20 000 and £25 000 respectively. To achieve this they would pay in or withdraw money from the partnership bank account.

After Li left, Jodie and Katie decided to have a formal partnership agreement. The agreement stated how decisions should be made and also how profits/losses should be split. Profits/losses would be shared between Jodie and Katie in the ratio 3:2 respectively.

1 5 . 1

Prepare the capital accounts of Jodie and Katie at 31 December 2024. Balance the accounts and bring the balances down on 1 January 2025.

[6 marks]**Dr****Capital Accounts****Cr**

Date	Details	Jodie £	Katie £	Date	Details	Jodie £	Katie £



Workings

Question 15 continues on the next page**Turn over ►**

1 5 . 2

In addition to the profit sharing ratio, the partnership agreement also stated:

- Katie would have an annual salary of £10 000
- interest on capital of 6% per annum
- interest on drawings of 10% per annum.

Drawings for the year were:

	Jodie £	Katie £	Li £
1 April 2024 to 31 December 2024	15 000	14 000	24 000
1 January 2025 to 31 March 2025	5 000	8 000	-

The profit for the year ended 31 March 2025 was £72 000. Profits accrue evenly throughout the year.



[8 marks]

Profit and loss appropriation account for the year ended 31 March 2025[illegible]

Workings

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The preparation of the partnership agreement involved a lot of time and money which Katie now thinks was unnecessary.

[6 marks]

[illegible]

40

Turn over ►



Section C

Answer **all** questions in this section.

1	6
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Norma started a business which sold locks and offered key cutting. Her two sons, Mike and Tom, have taken over the business, which is growing rapidly. The business now installs doors and shutters for domestic and business customers.

Norma does not take an active part in the day-to-day running of the business but looks after the accounts and quotes for customers. She maintains a cash book and prepares invoices using a spreadsheet. She is paid a salary of £12 500 a year.

Mike is concerned that the current record keeping system is causing the business to lose money. He has identified the following issues.

1. To prepare the financial accounts they pay a firm of accountants £5 000 per year. Mike thinks that this fee is high due to the time taken to correct mistakes and find missing information.
2. In the last financial year the business had irrecoverable debts totalling £6 500.
3. Mike thinks that some of the maintenance contracts are operating at a loss, but he does not have enough information to accurately cost the labour and materials that have been used. He thinks that the contracts may have resulted in losses of £3 000 in the last year.
4. Tom and Norma prepare quotes for customers for potential work. Mike thinks that they have lost potential work because the quotes prepared have been inaccurate. Mike thinks that the lost work would have resulted in an increase in profit of £10 000.

Mike is proposing to either employ a bookkeeper or an accountant.

The bookkeeper would maintain a double entry bookkeeping system and prepare draft financial statements. The draft financial statements would then be sent to the firm of accountants to prepare the final financial statements. The bookkeeper would cost the business £30 000 a year. The accounting firm's fees would be about £1 000 a year.

The accountant would introduce accounting information systems that should enable the business to maintain full financial records and to provide Mike and Tom with management information. The accountant would cost the business £50 000 a year.

Tom is opposed to changing the current system as he feels it would upset Norma.



Advise Mike and Tom whether they should:

1. keep the current system
2. employ a bookkeeper
3. employ an accountant.

Consider **both** financial and non-financial considerations.

[25 marks]

[illegible]

[illegible]

[illegible]

[illegible]

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1 7

On 31 March 2024 Aisha's grandparents gave her 10 000 ordinary shares in E plc. The grandparents had received about £2 000 in dividends each year from these shares. Since owning the shares, Aisha has only received a dividend of £300, so she is thinking of selling the shares.

E plc is a company that owns gas fields and coal mines. It produces electricity using this gas and coal for sale in the UK.

Aisha provides the following information relating to E plc.

- Share price at 31 March 2024: 460p
- Share price at 31 March 2025: 400p
- Earnings per share at 31 March 2025: 25p

E plc
Statement of changes in equity for the year ended 31 March 2025

	Ordinary £1 shares	Share premium	Revaluation reserve	Retained earnings
	£m	£m	£m	£m
At 1 April 2024	100	30	-	46
Revaluation (note 1)			25	
Issue of shares (note 2)	20	(20)		
Dividends				(3)
Profit for the year				30
At 31 March 2025	120	10	25	73

Note 1: Non-current assets have been revalued following the discovery of additional sources of gas and coal.

Note 2: Bonus shares were issued on the basis of 1 share for every 5 shares held.

The directors of E plc have announced that they will use some of the retained earnings to fund an increase in gas and coal production. However, a number of pressure groups are campaigning to stop E plc increasing production as they are concerned that it will have a negative impact on the environment.

The best performing company in the sector has a dividend per share of 22p, a dividend yield of 4% and a price earnings ratio of 8.



Consider **both** financial and non-financial factors.

[illegible]

[illegible]

[illegible]

[illegible]

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Question number	Additional page, if required. Write the question numbers in the left-hand margin.
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