



Paper 1: Accounting

May / June 2024

(1 Hour)

Marking Scheme

MARKING SCHEME

Question Number	Correct Option	Correct Answer	Explanation
1	C	Maintaining accuracy and consistency in recording transactions	The double-entry system ensures that every transaction is recorded twice, maintaining accuracy and consistency.
2	C	They may lead to errors if not properly maintained	Books of prime entry can lead to errors if not properly maintained.
3	D	To provide assurance on the accuracy of financial statements	The main goal of the audit process is to provide assurance on the accuracy of financial statements.
4	B	Ensuring the company's compliance with legal regulations	In a limited company, the auditor ensures compliance with legal regulations.
5	D	To achieve specific business objectives through collaboration	Joint ventures and consignments aim to achieve specific business objectives through collaboration.
6	C	Payment of salaries to employees	Revenue expenditure includes costs like salaries that are incurred in the day-to-day running of the business.
7	A	To identify errors and discrepancies in accounting records	Reconciling ledger and control accounts helps identify errors and discrepancies.
8	B	To provide information for decision-making	Financial statements provide information for decision-making.
9	C	By selling ownership stakes to shareholders	A company can issue shares by selling ownership stakes to shareholders.
10	C	It enhances transparency and trust in financial reporting	The true and fair view of financial statements enhances transparency and trust.
11	B	£200,000	The total contribution margin is calculated as (Selling price per unit - Variable cost per unit) * Expected sales volume.
12	B	10,000 units	The break-even point is calculated as Total fixed costs / (Selling price per unit - Variable cost per unit).

13	B	60%	The contribution margin ratio is calculated as (Selling price per unit - Variable cost per unit) / Selling price per unit.
14	C	16,000 units	The number of units needed to achieve the target profit is calculated as (Total fixed costs + Target profit) / (Selling price per unit - Variable cost per unit).
15	C	£40,000	The margin of safety is calculated as (Expected sales volume - Break-even sales volume) * Selling price per unit.
16	B	£15	The total variable cost per unit is the sum of direct materials cost, direct labour cost, and variable overhead cost.
17	B	£15	The total contribution margin per unit is calculated as Selling price per unit - Total variable cost per unit.
18	A	£50,000	The total fixed cost is given as £50,000 per year.
19	B	3,333 units	The break-even point is calculated as Total fixed costs / (Selling price per unit - Total variable cost per unit).
20	C	60%	The contribution margin ratio is calculated as (Selling price per unit - Total variable cost per unit) / Selling price per unit.
21	C	Facilitating efficient decision-making within an organisation	The primary purpose of management accounting is to facilitate efficient decision-making within an organisation.
22	B	Providing a framework for long-term financial planning	Budgeting provides a framework for long-term financial planning.
23	C	Budget preparation, budget implementation, budget evaluation	These are the stages involved in the preparation of a budgetary control system.
24	B	May lead to inflexibility in response to changing circumstances	Budgeting and budgetary control may lead to inflexibility in response to changing circumstances.

25	C	Variance analysis	Variance analysis is used to compare actual financial data with budgeted figures.
26	C	Assessing the financial viability of investment projects	The main objective of investment appraisal is to assess the financial viability of investment projects.
27	C	Payback period	The payback period measures the time it takes for an investment to recoup its initial cost.
28	A	Evaluating the impact of changes in key variables on investment decisions	Sensitivity analysis evaluates the impact of changes in key variables on investment decisions.
29	C	Sales budget	The sales budget is typically prepared first in the budgeting process.
30	C	Facilitating informed decision-making within the organisation	Management accounting tools are used to facilitate informed decision-making within the organisation.
31	C	Upholding the integrity and credibility of financial information	Ethical behaviour in accounting upholds the integrity and credibility of financial information.
32	C	Net present value	The net present value technique calculates the discounted cash flows generated by an investment project.
33	D	Events after the reporting period	IAS 10 refers to events after the reporting period.
34	C	Cash budget	The cash budget represents an estimate of future cash receipts and payments.
35	B	Coordinating and consolidating all individual budgets into one comprehensive plan	The main purpose of a master budget is to coordinate and consolidate all individual budgets into one comprehensive plan.
36	D	Balance sheet	The balance sheet provides an overview of a company's financial position at a specific point in time.
37	D	Present value of cash inflows - Initial investment	This is the formula for calculating net present value.
38	B	Variable costs	Variable costs vary in direct proportion to changes in the level of activity.

39	B	Providing information on the sources and uses of cash during a period	The purpose of a cash flow statement is to provide information on the sources and uses of cash during a period.
40	B	Assets = Liabilities + Equity	The accounting equation represents Assets = Liabilities + Equity.