

Candidate Name

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Candidate Number

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Centre Name

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Centre Number

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Paper 1: Accounting

For Examination May / June 2024

(1 Hour)

INSTRUCTIONS:

- You must write your name, candidate number, centre name and centre number on the answer sheets in the designated spaces.
- Attempt all the questions required using a dark blue or black pen.
- Do not use correction fluid.
- Avoid writing on any bar codes.
- You **will** need a calculator to answer some of the questions in this paper.

INFORMATION:

There are 40 multiple choice questions in this paper. Each question is allocated 1 mark.

This paper is split into overarching questions and a number of scenarios.

Please read the questions carefully as certain sections only apply to certain questions. Example: For scenario 5, only questions 35 – 39 (inclusive) apply. Please do not attempt to use one scenario to answer all questions.

To indicate your response, place an X in the answer column (see example shown below). If you wish to change your chosen response, place a score/line through your initial response mark (see example shown below) and indicate your new response.

Q) How should learners indicate their chosen response to a question?		
	Multiple Choice Question	Answer
A	Option A	X
B	Option B	
C	Option C	✗
D	Option D	

Multiple Choice Questions

Q1) What is the primary purpose of the double-entry system in the accounting cycle?		
		Answer
A	Recording financial transactions once	
B	Ensuring that assets always equal liabilities	
C	Maintaining accuracy and consistency in recording transactions	
D	Allowing for the calculation of depreciation	

Q2) Which of the following is a limitation of books of prime entry?		
		Answer
A	They facilitate easy recording of transactions	
B	They provide detailed analysis of financial statements	
C	They may lead to errors if not properly maintained	
D	They are unnecessary in modern accounting systems	

Q3) What is the main goal of the audit process?		
		Answer
A	To detect fraudulent activities	
B	To ensure compliance with tax regulations	
C	To provide financial advice to clients	
D	To provide assurance on the accuracy of financial statements	

Q4) In a limited company, what is the role of an auditor in accounting?		
		Answer
A	Managing day-to-day financial operations	
B	Ensuring the company's compliance with legal regulations	
C	Making investment decisions on behalf of shareholders	
D	Handling payroll and employee benefits	

Q5) What are the objectives of joint ventures and consignments in accounting?		
		Answer
A	To maximise shareholder wealth	
B	To minimise tax liabilities	
C	To reduce operational costs	
D	To achieve specific business objectives through collaboration	

Q6) Which of the following is considered an example of revenue expenditure?		
		Answer
A	Purchase of land for investment purposes	
B	Purchase of equipment for long-term use	
C	Payment of salaries to employees	
D	Purchase of shares in another company	

Q7) What is the purpose of reconciling ledger and control accounts?		
		Answer
A	To identify errors and discrepancies in accounting records	
B	To minimise tax liabilities	
C	To maximise shareholder wealth	
D	To maintain consistency in financial reporting	

Q8) What is the main goal of financial statements in accounting?		
		Answer
A	To attract investors	
B	To provide information for decision-making	
C	To minimise operational costs	
D	To ensure compliance with tax regulations	

Q9) How can a company issue shares?		
		Answer
A	By borrowing from financial institutions	
B	By issuing bonds	
C	By selling ownership stakes to shareholders	
D	By liquidating assets	

Q10) What is the purpose of true and fair view of financial statements?		
		Answer
A	It minimises operational costs	
B	It ensures compliance with tax regulations	
C	It enhances transparency and trust in financial reporting	
D	It maximises shareholder wealth	

Scenario 1 (applies to questions 11 to 15, inclusive, only)

ABC Manufacturing Company produces widgets. The company is evaluating its cost structure for the upcoming year to make informed decisions about pricing and production. The following information is available for analysis:

- **Total fixed costs for the year are £100,000.**
- **Variable costs per unit are £5.**
- **Selling price per unit is £15.**
- **Expected sales volume for the year is 20,000 units.**
- **The company wants to achieve a target profit of £50,000 for the year.**

Q11) What is the total contribution margin for ABC Manufacturing Company?		
		Answer
A	£50,000	
B	£200,000	
C	£150,000	
D	£250,000	

Q12) What is the company's break-even point in units?		
		Answer
A	8,000 units	
B	10,000 units	
C	12,000 units	
D	15,000 units	

Q13) What is the contribution margin ratio for ABC Manufacturing Company?		
		Answer
A	50%	
B	60%	
C	40%	
D	25%	

Q14) How many units does ABC Manufacturing Company need to sell in order to achieve its target profit?		
		Answer
A	12,000 units	
B	14,000 units	
C	16,000 units	
D	18,000 units	

Q15) What is the margin of safety for ABC Manufacturing Company?		
		Answer
A	£20,000	
B	£30,000	
C	£40,000	
D	£50,000	

Scenario 2 (applies to questions 16 to 20)

Sleek Electronics is considering introducing a new product line. The company estimates the following costs associated with the production of the new product:

- Direct materials cost per unit: £10
- Direct labour cost per unit: £5
- Variable overhead cost per unit: £3
- Fixed overhead cost for the production line: £50,000 per year
- Expected sales volume for the new product: 10,000 units per year

Q16) What is the total variable cost per unit for the new product at Sleek Electronics?		
		Answer
A	£10	
B	£15	
C	£18	
D	£8	

Q17) What is the total contribution margin per unit for the new product?		
		Answer
A	£18	
B	£15	
C	£10	
D	£7	

Q18) What is the total fixed cost associated with the production of the new product?		
		Answer
A	£50,000	
B	£500,000	
C	£5,000	
D	£15,000	

Q19) What is the break-even point in units for the new product?		
		Answer
A	2,500 units	
B	3,333 units	
C	5,000 units	
D	7,500 units	

Q20) What is the contribution margin ratio for the new product?		
		Answer
A	40%	
B	50%	
C	60%	
D	70%	

Q21) What is the primary purpose of management accounting?		
		Answer
A	Reporting financial performance to external stakeholders	
B	Maximising shareholder wealth	
C	Facilitating efficient decision-making within an organisation	
D	Ensuring compliance with tax regulations	

Q22) Which of the following is a key role of budgeting in organisations?		
		Answer
A	Tracking historical financial data	
B	Providing a framework for long-term financial planning	
C	Facilitating external audits	
D	Ensuring regulatory compliance	

Q23) What are the stages involved in the preparation of a budgetary control system?		
		Answer
A	Budget creation, budget approval, budget execution	
B	Budget planning, budget analysis, budget modification	
C	Budget preparation, budget implementation, budget evaluation	
D	Budget forecasting, budget monitoring, budget adjustment	

Q24) What is a disadvantage of budgeting and budgetary control?		
		Answer
A	Encourages accountability among employees	
B	May lead to inflexibility in response to changing circumstances	
C	Provides inaccurate financial forecasts	
D	Increases operational efficiency	

Q25) Which technique is used to compare actual financial data with budgeted figures?		
		Answer
A	Trend analysis	
B	Ratio analysis	
C	Variance analysis	
D	Sensitivity analysis	

Q26) What is the main objective of investment appraisal?		
		Answer
A	Maximising short-term profits	
B	Minimising taxation liabilities	
C	Assessing the financial viability of investment projects	
D	Ensuring compliance with accounting standards	

Q27) Which capital investment appraisal technique measures the time it takes for an investment to recoup its initial cost?		
		Answer
A	Internal rate of return	
B	Net present value	
C	Payback period	
D	Accounting rate of return	

Q28) What is the purpose of sensitivity analysis in accounting?		
		Answer
A	Evaluating the impact of changes in key variables on investment decisions	
B	Assessing the efficiency of budgetary control systems	
C	Calculating the return on investment for capital projects	
D	Analysing the financial performance of a company over time	

Q29) Which budget is typically prepared first in the budgeting process?		
		Answer
A	Cash budget	
B	Production budget	
C	Sales budget	
D	Master budget	

Q30) What is the purpose of analysing data and recommending business decisions using management accounting tools?		
		Answer
A	Ensuring compliance with accounting regulations	
B	Maximising short-term profits	
C	Facilitating informed decision-making within the organisation	
D	Reporting financial performance to external stakeholders	

Q31) What is the significance of ethical behaviour in accounting?		
		Answer
A	Maximising shareholder wealth	
B	Ensuring compliance with tax regulations	
C	Upholding the integrity and credibility of financial information	
D	Achieving short-term profitability goals	

Q32) Which capital investment appraisal technique calculates the discounted cash flows generated by an investment project?		
		Answer
A	Payback period	
B	Internal rate of return	
C	Net present value	
D	Accounting rate of return	

Q33) Which international accounting standard is referred to as IAS 10?		
		Answer
A	impairment of assets	
B	intangible assets	
C	statement of cash flows	
D	events after the reporting period	

Q34) Which budget represents an estimate of future cash receipts and payments?		
		Answer
A	Production budget	
B	Sales budget	
C	Cash budget	
D	Purchases budget	

Q35) What is the main purpose of a master budget?		
		Answer
A	Monitoring actual financial performance against budgeted figures	
B	Coordinating and consolidating all individual budgets into one comprehensive plan	
C	Assessing the financial viability of investment projects	
D	Analysing the efficiency of budgetary control systems	

Q36) Which financial statement provides an overview of a company's financial position at a specific point in time?		
		Answer
A	Income statement	
B	Cash flow statement	
C	Statement of changes in equity	
D	Balance sheet	

Q37) What is the formula for calculating net present value?		
		Answer
A	Total cash inflows - Total cash outflows	
B	Total cash inflows ÷ Total cash outflows	
C	Total cash inflows × Discount rate	
D	Present value of cash inflows - Initial investment	

Q38) Which cost classification includes costs that vary in direct proportion to changes in the level of activity?		
		Answer
A	Fixed costs	
B	Variable costs	
C	Semi-variable costs	
D	Sunk costs	

Q39) What is the purpose of a cash flow statement?		
		Answer
A	Reporting the company's financial performance over a specific period	
B	Providing information on the sources and uses of cash during a period	
C	Calculating the company's net profit for a specific period	
D	Analysing the company's liquidity position at a specific point in time	

Q40) What does the accounting equation represent?		
		Answer
A	Assets = Liabilities - Equity	
B	Assets = Liabilities + Equity	
C	Assets - Liabilities = Equity	
D	Assets ÷ Equity = Liabilities	