



# **Introduction to Accounting and Economics**

## **Sample**

### **Examination Paper**

**Answer ALL questions.**

**Clearly cross out surplus answers.**

**Time: 2 hours**

**The maximum mark for this paper is 50.**

**Any reference material brought into the examination room must be handed to the invigilator before the start of the examination.**

**Candidates are allowed to use a scientific calculator during this examination.**

**Answer ALL questions**

**Marks**

**Question 1**

- a) There are two main types of expenditure – capital and revenue.

Explain the following terms.

i) Capital expenditure 2

ii) Revenue expenditure 2

- b) For each of the following items of expenditure, identify whether the expenditure is classified as *capital* or *revenue* **and** briefly explain why.

i) A new building purchase 2

ii) Maintenance costs 2

iii) A replacement machine 2

**Total 10 Marks**

**Question 2**

- a) Explain the following terms used in economics.

i) Supply 2

ii) Demand 2

- b) Zebra Café has supplied the following information about the supply of coffee on a Monday morning. 6

Price (£)	Quantity
1	16
2	24
3	32
4	40
5	48

Prepare a supply curve to illustrate this information.

**Total 10 Marks**

**Question 3**

Forest Limited is a private limited company that sells furniture to many countries around the world.

- a) Define the term *exchange rate*. 2
- b) Forest Limited has provided the following ledger accounts for the year ended 31 January 2016. 8

Purchases					
Date	Narrative	£		Date	Narrative
3 July	Cash	85			
7 July	F Morgan	116			
18 July	A Moses	98			

Sales						
Date	Narrative	£		Date	Narrative	
				10 July	Cash	
						42
				24 July	A Cole	
						55

Capital						
Date	Narrative	£		Date	Narrative	
				1 July	Cash	
						500
				8 July	Bank	
						300

Cash						
Date	Narrative	£		Date	Narrative	
1 July	Capital	500		3 July	Purchases	
10 July	Sales	42				85
31 July	A Iqbal	55		25 July	F Smith	
						88

Calculate the balance carried down for **each** of the ledger accounts.  
 State for each account whether the balance carried down is a debit or credit.

**Total 10 Marks**

**Question 4**

There are many successful global organisations, such as Nike, McDonalds and Coca-Cola.

- a) Explain the term *globalisation*. 2
- b) Explain TWO (2) arguments in favour of globalisation. 4
- c) Explain TWO (2) arguments against globalisation. 4

**Total 10 Marks**

**Question 5**

Frederick owns a retail store selling a wide range of stationery and business accessories.

The following data relates to his business for the year ended 31 December 2015.

Cost of opening inventory	£35,000
Closing inventory valuation	£25,000
Rate of inventory turnover	8 times
Gross profit	20% mark-up on cost
Purchases	?

Calculate for the year ended 31 December 2015, the value of Frederick's:

- a) Cost of sales 3
- b) Purchases 2
- c) Gross profit 3
- d) Sales 2

**Total 10 Marks**

**End of paper**