

**International Pre-Master's in Business**

Quartz ID: 1274

Unit ID: 2348

# **Finance and Accounting for Managers**

Global Examination

**Sample Assessment**

**Time allowed: 2 hours**

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## **Instructions:**

- Answer **ALL** questions.
- Write all your answers on the answer sheet provided. Only the answer sheet will be marked.
- Clearly cross out surplus answers.
- Any reference material brought into the examination room must be handed to the invigilator before the start of the examination.

## **Information:**

- The maximum mark for this paper is 100.
- This paper contains TWO (2) sections: A and B.
- **You may use a scientific calculator during this examination.**
- Note: Scientific calculators permitted in the exam should not be able to carry out algebraic manipulation, differentiation or integration, language translation or communication with other devices or the internet. They should not have a QWERTY keyboard. There should not be retrievable information stored in the calculator, for example databanks, dictionaries, mathematical formulas or text.

**SECTION A: Answer ALL questions. Total 20 marks.**

**Answer these in your answer booklet – do NOT write on this Question Paper.  
Write ONE (1) correct answer from A, B, C, or D for each question in your answer booklet.**

**Each question is worth 1 mark.**

**Marks**

**Question 1**

Which financial statement measures the profit of a business for a period?

**1**

- A** Balance Sheet
- B** Income Statement
- C** Cash Flow Statement
- D** Statement of Changes in Equity

**Question 2**

A business purchases inventory for £12,000 on credit. Which accounts are affected?

**1**

- A** +Inventory; +Cash
- B** +Inventory; +Trade Payables
- C** +Trade Payables; –Cash
- D** –Inventory; +Trade Payables

**Question 3**

Which of the following is a non-current asset?

**1**

- A** Trade receivables
- B** Inventory
- C** Building
- D** Cash

**Question 4**

Which accounting concept requires recognising losses as soon as they are foreseeable?

**1**

- A** Accruals
- B** Going Concern
- C** Prudence
- D** Consistency

**Question 5**

A business buys a machine for £20,000. It is expected to last 5 years with no residual value. Straight-line depreciation per year is:

**1**

- A** £2,000
- B** £3,000
- C** £4,000
- D** £5,000

**Question 6**

Which of the following is NOT a current liability?

**1**

- A** Accrued expenses
- B** Bank overdraft
- C** Trade payables
- D** Bank loan payable in 8 years

**Question 7**

Which statement is always true?

**1**

- A**  $\text{Assets} + \text{Liabilities} = \text{Capital}$
- B**  $\text{Assets} = \text{Liabilities}$
- C**  $\text{Assets} = \text{Capital} + \text{Liabilities}$
- D**  $\text{Capital} = \text{Assets} - \text{Profit}$

**Question 8**

A business sells inventory for £7,000 that cost £5,000. Gross profit is:

1

- A £1,500
- B £2,000
- C £5,000
- D £7,000

**Question 9**

Which of the following is an intangible asset?

1

- A Inventory
- B Machinery
- C Patent
- D Cash

**Question 10**

A business receives £6,000 cash for work to be done next month. Under accrual accounting, this is recorded as:

1

- A Revenue
- B Liability
- C Asset
- D Capital

**Question 11**

If depreciation increases, which is affected?

1

- A Cash increases
- B Profit decreases
- C Inventory increases
- D Capital increases

**Question 12**

Which inventory valuation method assumes that the earliest items purchased are sold first? 1

- A LIFO
- B FIFO
- C AVCO
- D Standard cost

**Question 13**

A business pays £1,200 for insurance covering 12 months. At year-end, only 3 months have passed. Prepaid insurance is: 1

- A £300
- B £600
- C £900
- D £1,200

**Question 14**

Which cost is not included in the price of inventory? 1

- A Purchase price
- B Import duties
- C Carriage inwards
- D Carriage outwards

**Question 15**

A company has sales of £40,000, cost of sales of £25,000, and expenses of £10,000. Profit is: 1

- A £5,000
- B £10,000
- C £15,000
- D £25,000

**Question 16**

Which financial statement shows assets and liabilities?

1

- A Cash Flow Statement
- B Income Statement
- C Balance Sheet
- D Statement of Changes in Equity

**Question 17**

A business purchases equipment for £50,000 by taking out a bank loan. What is the effect on the accounting equation?

1

- A Assets ↑, Liabilities ↑
- B Assets ↓, Capital ↑
- C Liabilities ↑, Capital ↓
- D Assets ↑, Capital ↓

**Question 18**

Which concept ensures financial statements can be compared over time?

1

- A Accrual
- B Consistency
- C Materiality
- D Prudence

**Question 19**

Which of the following would appear in the investing section of a cash flow statement?

1

- A Interest received
- B Proceeds from the sale of equipment
- C Payment of dividends
- D Repayment of loan

**Question 20**

A business begins the year with a capital of £45,000. Profit for the year is £8,000, and drawings are £5,000. Closing capital is: **1**

- A** £40,000
- B** £45,000
- C** £48,000
- D** £53,000

**Total 20 Marks**

**SECTION B: Answer ALL questions. Total 80 marks.**

**Marks**

**Question 21**

Paul starts a small trading business. The following transactions occur on Day 1:

- Invests £10,000 cash into the business
- Buys inventory for £4,000 cash
- Sells inventory costing £2,000 for £3,000 cash
- Pays £200 for electricity
- Has £300 owed to him by a customer (credit sale).

- |    |  |   |
|----|--|---|
| a) | Prepare the Income Statement for Day 1.                                    | 5 |
| b) | Prepare the Cash Flow Statement, to include the operating activities only. | 6 |
| c) | Prepare the Balance Sheet as at the end of Day 1.                          | 9 |
| d) | Explain TWO (2) reasons why profit $\neq$ cash.                            | 5 |

**Total 25 Marks**

**Question 22**

A company provides the following data:

- Sales revenue: £120,000
- Cost of sales: £70,000
- Administration expenses: £18,000
- Selling expenses: £10,000
- Interest expense: £2,000
- Tax rate: 20%.

- |    |  |    |
|----|--|----|
| a) | Prepare the Income Statement for the year.               | 10 |
| b) | Calculate the profit margin.                             | 5  |
| c) | Explain THREE (3) reasons why profit margin may decline. | 10 |

**Total 25 Marks**

**Question 23**

You are given the following balances:

Item	£
Equipment (cost)	50,000
Accumulated depreciation	20,000
Inventory	12,000
Trade receivables	8,000
Trade payables	5,000
Bank loan (5 years)	25,000
Cash	6,000

- a) Prepare a classified Balance Sheet. 15
  
- b) Explain the difference between capital expenditure and revenue expenditure, with examples. 10

**Total 25 Marks**

**Question 24**

Explain the accruals concept and how it affects the measurement of profit. Provide TWO (2) detailed examples. 5

**Total 5 Marks**

**End of paper**