Level 3 International Foundation Diploma for Higher Education Studies
Ofqual Number: 603/0080/2 Quartz ID: 1125 / 1207

Component ID: 2369

Introductory Accounting

SAMPLE EXAMINATION

This specimen assessment material is devised from previous past papers to reflect the single examination assessment approach now taken for this unit in the Level 3 International Foundation Diploma for Higher Education Studies.

Time allowed: 2 hours

Instructions:

- Answer **ALL** questions.
- 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.
- Graph paper will be provided by the centre.
- **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 of 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 – Multiple Choice Questions
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 of the following statements best describes the role of financial accounting in a firm? **1**

A It records a firm's transactions in the books of accounts
B It converts a firm's transactions into financial information
C It prepares financial statements of a firm for its financial audit
D It provides information to the firm's external stakeholders and managers for decision-making

Question 2

Which accounting concept is used to recognise the depreciation of each period in the income statement? **1**

A Prudence concept
B Going concern concept
C Realisation concept
D Matching concept

Question 3

Which of the following measurement bases can be used to measure the elements of financial statements as per UK standards? **1**

A- Historical cost
B- Fair value
C- Realisable value
D- Present value

A A and B only
B A and C only
C C only
D All of the options above

Marks

Question 4

In activity-based costing systems, costs are accumulated according to specific activities by using: **1**

A Cost drivers
B Cost pools
C Cost centres
D Cost-benefit analysis

Question 5

The value of the business's 12% fixed deposit is £100,000. The interest calculated for the year is £1,200. The interest of the company is: **1**

A An expense
B An income
C A liability
D An asset

Question 6

If all other factors remain constant, which of the following will lead to an increase in the net present value of a project? **1**

- **A-** Increase in the expected cash inflows.
- **B-** Decrease in the initial investment cost.
- **C-** Increase in the residual value of the asset.
- **D-** Increase in the required rate of return.

A (i) and (ii) only
B (i) and (ii) only
C (i), (ii), and (iii) only
D (ii) and (iv) only

Marks

Question 7

Cash account debit £15,500 **1**
Debtor's account credit £15,500

The transaction for the above double entry is:

A Cash paid to the debtor £15,500
B Cash paid to creditors £15,500
C Cash received from creditors £15,500
D Cash received from debtors £15,500

Question 8

The following information is extracted from BTX PLC's financial statements. **1**

Net income of the Business	£275,850
Equity Capital	£2,250,000
Cost of Capital	10%

What is the Residual Income for BTX Plc?

A £22,500
B £27,585
C £50,850
D £65,750

Question 9

Select the suitable words to fill in the blanks. **1**

The building rent paid is an …………. account, and the building payable is a…………. account.

A Expense account, Liability account
B Liability account, Expense account
C Income account, Expense account
D Income account, Expense account

Marks

Question 10

What ratios are used to measure an entity's financial stability and liquidity? **1**

A Debt-equity ratio and Current Ratio
B Interest Cover Ratio and Total Asset Ratio
C Quick ratio and Debtors Turnover Ratio
D Return on Total Asset Ratio and Current Ratio

Question 11

Which of the following is not an enhancing qualitative characteristic of financial information according to the conceptual framework for financial reporting used in the UK? **1**

A Comparability
B Faithful representation
C Timeliness
D Understandability

Question 12

Many companies focus on lowering production costs by offering a quality good or service to their loyal customers. A risk involved in the cost leadership strategy is **1**

A Ineffective cost control systems
B Difficulty in achieving a balance between high and low-price differentiation
C Implement closer supervision of labour, raw materials, and other expenses
D The production and distribution processes are becoming rapidly updated

Marks

Question 13

The following information is given for Samy's business for the year ending 31st July 2025. **1**

Statement of Financial Position as of 31st July 2025

	£
Non-current assets + Current Assets - Current liabilities	16,000
Capital Account	
Opening Balance	11,500
Add: Net profits	5,750
	17,250
Less: Drawings	(1,250)
	16,000

What is the return on capital employed ratio (ROCE) for Samy's business?

A ROCE=40%
B ROCE=24%
C ROCE=36%
D ROCE=10%

Question 14

Xies Limited has fixed costs of £60,000 per annum. It manufactures a single product, which sells for £ 20 per unit. Its contribution to sales ratio is 40%. **1**
Xies Limited's break-even point in units is,

A 1,200 units
B 1,800 units
C 5,000 units
D 7,500 units

Marks

Question 15

Consider the following information for a business for the month of July 2025. **1**

		£
Cash paid for purchases		25,000
Cash collected from customers		80,000
Expenses paid		15,000
Cash balance		
	On 1st July	50,000
	On 31st July	40,000
Investment in 2-month treasury bills		
1st June 2025		100,000
31st July 2025		NIL

What is the total net cash flow from operating activities?

A An inflow of £40,000
B An inflow of £110,000
C An outflow of £150,000
D An outflow of £100,000

Total 15 Marks

Section B - Answer ALL questions

Marks

Question 16

a) Define the term ***ownership interest***. **2**

b) Explain TWO (2) characteristics of assets. **2**

c) Several transactions took place at Beth's business during the first week of June 2025. **6**

i) 1st June: Beth invested cash in the business £200,000.
ii) 2nd June: Obtained a bank loan £300,000.
iii) 3rd June: Purchased goods in cash £20,000.
iv) 5th June: Purchased goods on credit £15,000.
v) 6th June: Beth invested cash in the business £20,000.
vi) 7th June: Beth withdraws £3,000 from the business for personal use.

Show the impact of each transaction by displaying the corresponding amounts in the accounting equation.

Assets				***=Equity***	***+ Liabilities***
Date	***Cash***	***Inventories***	***Debtors***	***Equity***	***Bank loan***

d) Calculate the total equity value of Beths' business on 30th June 2025. **2**

e) Describe the double entries for the following transactions. **5**

i) Started a business by investing £150,000
ii) Purchased goods for cash £10,000
iii) Sold goods for credit £25,000
iv) Paid the electricity bill £5,000
v) Owner withdraws goods for personal use £3,000

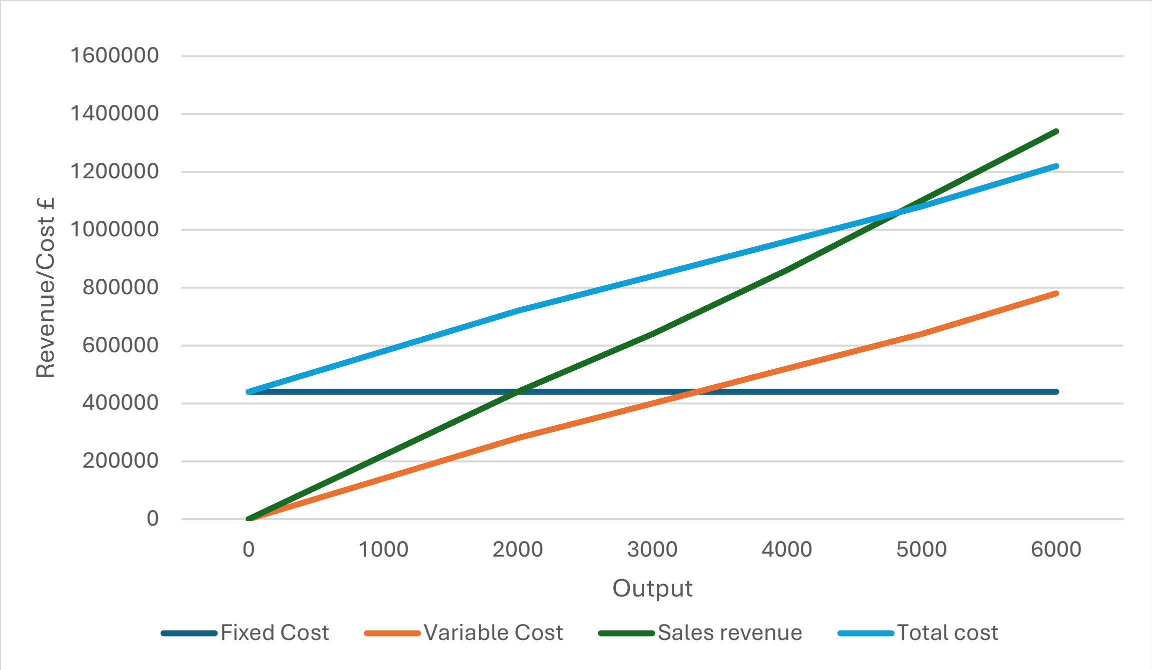
f) State THREE (3) benefits of producing financial statements. **3**

Total 20 Marks

Marks

Question 17

As the Finance Director of Zeo plc, you report the company's financial position at board meetings. The report includes a break-even analysis, which is graphically represented. The figures for the year ended 31st March 2024 are shown on the graph below.



Fixed costs	£ 480,000
Variable costs per refrigerator	£160
Selling price per refrigerator	£240
Number of refrigerators sold	6,500

Using the break-even chart, you must present these figures at the next meeting.

a) Draw the figures for the year ended March 31, 2025, in a break-even chart, for the output range of 0 units to 6,500 units. **4**

- Fixed costs
- Total costs
- Sales revenue

Marks

b) Determine the following based on the break-even chart for the year ended 31st March 2025.

i) Break-even point, in revenue in £(pounds) and output in units. **2**

ii) Profit at 6,500 units. **1**

iii) Margin of safety in units. **1**

c) Evaluate the performance of Zeo plc during the year ended 31st March 2025 by comparing the performance to the year ended 31st March 2024. **7**

Total 15 Marks

Marks

Question 18

a) Define what ***standard costing*** is. **2**

b) During a specific period at V Tech Limited, 11,200 kilograms of materials were used, with a total standard cost of £46,248. The material usage variance was £492 adverse. **4**

Calculate the standard weight allowed for the material for that period?

c) V Tech Limited purchased 6850 kgs of material at a total cost of £21,920. The material price variance was £1,370 favourable. **3**

Calculate the standard price per Kilogram?

d) Based on the calculations in sections (b) and (c), explain how the significance of the variance relates to material impacts on V Tech Limited. **4**

e) Explain what ***variance analysis*** is. **2**

Total 15 Marks

Marks

Question 19

a) Define a ***current asset*** and provide an example to illustrate its application. **4**

b) Explain the ***First-In, First-Out (FIFO)*** and ***Last-In, First-Out (LIFO)*** approaches to measuring inventories and cost of goods sold. **4**

c) Explain the ***accruals concept*** and demonstrate how it is applied to the expenses of the period. **4**

d) Define the ***matching*** concept briefly with an example. **2**

e) X Ltd purchased a motor vehicle on 1st May 2024 for a value of £500,000. The motor vehicle is depreciated at a rate of 10% per annum on a straight-line basis.

i) Calculate the depreciation for the motor vehicle as of 30th April 2025. **1**

ii) Calculate the net book value of the motor vehicle as of 30th April 2025. **1**

f) An entity acquired a machine on April 1, 2023, for £400,000, which is expected to have a useful life of 8 years. The annual depreciation charge is calculated using the reducing balance method at a rate of 20% per annum. **4**

Calculate the depreciation and the net book value as of March 31, 2025.

Total 20 Marks

Marks

Question 20

a) Identify THREE (3) needs of users for information regarding their ownership interest in a company. **3**

b) The following information is extracted from Geo Plc for the year ended 31 August 2025.

	£'000
Ordinary share capital	600
Retained earnings	400
15% debentures	500
Current liabilities	300
Non-current assets	1 250
Current assets	
Inventory	300
Debtors	400
Cash and cash equivalents	50
Sales	3 000
Cost of sales	2 200
Income tax for the year	200
Interest cost	75
Profit for the year	400

Calculate the following ratios:

i) Quick ratio. **1**

ii) Inventory Turnover ratio. **1**

iii) Debt-to-equity ratio. **1**

iv) Interest coverage ratio. **1**

v) Return on capital employed ratio. **1**

b) Explain TWO (2) uses **and** TWO (2) limitations of ratio analysis. **4**

c) Corporate social responsibility (CSR) has become an important aspect of many companies. Discuss how Corporate Social Responsibility (CSR) impacts business organisations. **3**

Total 15 marks

End of paper