

UNIVERSITY OF GREATER MANCHESTER
GREATER MANCHESTER BUSINESS SCHOOL
BA (HONS) ACCOUNTANCY
SEMESTER ONE EXAMINATIONS 2025/2026
FINANCIAL ACCOUNTING FUNDAMENTALS
MODULE NO: ACC4013

Date: Monday 12th January 2026

Time: 10.00am – 1.00pm

INSTRUCTIONS TO CANDIDATES:

There are FOUR questions on this paper.

Answer ALL questions.

This is a closed-book exam.

You must hand in the exam paper with your answer booklet.

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Question 1 (a)

You are the accountant of Troy Ltd, a business that buys and sells cricket equipment. The trial balance at 31 December 2025 was as follows

	£	£
Equity shares capital (£1)		5,000
Retained earnings at 1 January 2025		5,835
Revenue		66,980
Staff costs	5,400	
Inventory at 1 January 2025	3,930	
Purchases	38,760	
Operating expenses	6,920	
Loan interest	200	
Interest income		250
Tax	200	
Receivables	9,290	
Payables		2,360
Bank	3,125	
Motor vehicles – cost	5,000	
Buildings – cost	12,000	
Motor vehicles – accumulated depreciation 1 January 2025		1,000
Buildings -accumulated depreciation 1 January 2025		2,400
Bank loan		1,000
	84,825	84,825

Additional information:

- Troy has not made any additions or disposals of tangible non-current assets in the year. Its depreciation policy is as follows:

Motor vehicles – 20% reducing balance

Buildings – 25 years straight line

The depreciation expense for the year is charged to cost of sales.

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Question 1 continues

- Inventory at the end of the year was valued as follows:

	Cost (£)	NRV (£)
Bats	2,500	4,000
Gloves	650	500
Pads	1,000	2,000
Total	4,150	6,500

- Staff costs are to be apportioned one-third to cost of sales, and two-thirds to operating expenses.
- The balance of tax on the tax account represents the over/under provision for the prior year. An estimate of £1,500 has been made for the tax payable at the year-end.

Required:

Complying with the requirements of IAS 1 Presentation of Financial Statements, prepare Troy's statement of profit or loss for the year ended 31 December 2025 and Statement of Financial Position as at that date.

(20 marks)

Question 1 (b)

Explain the key recognition criteria for a *provision* under IAS 37.

In your answer, outline:

- The definition of a provision
- The three conditions that must be met for a provision to be recognised
- An example of a situation where a provision should be recorded

(10 marks)

(Total 30 marks)

End of Question 1

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Question 2

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Mowair Co. is an international airline which flies to destinations all over the world. Mowair Co experienced strong initial growth, but in recent periods the company has been criticised for under-investing in its non-current assets.

Extracts from Mowair Co's financial statements are provided below.

Statements of financial position as at 30 June:

	20X7	20X6
Assets	£'000	£'000
Non-current assets		
Property, plant and equipment	317,000	174,000
Intangible assets	20,000	16,000
	337,000	190,000
Current assets		
Inventories	580	490
Trade and other receivables	6,100	6,300
Cash and cash equivalents	9,300	22,100
Total current assets	15,980	28,890
Total assets	352,980	218,890
Equity and liabilities		
Equity		
Equity shares	3,000	3,000
Retained earnings	44,100	41,800
Revaluation surplus	145,000	Nil
Total equity	192,100	44,800

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Question 2 continues

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Liabilities		
Non-current liabilities		
6% loan notes	130,960	150,400
Current liabilities		
Trade and other payables	10,480	4,250
6% loan notes	19,440	19,440
Total current liabilities	29,920	23,690
Total equity and liabilities	352,980	218,890

Other EXTRACTS from Mowair Co's financial statements for the years ended 30 June:

	2025	2024
	£'000	£'000
Revenue	154,000	159,000
Profit from operations	12,300	18,600
Finance costs	(9,200)	(10,200)
Cash generated from operations	18,480	24,310

Question 2 continues over the page

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Question 2 continues

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a) Calculate the following ratios of Mowair co for the year ended 30 June 2024 and 2025:

- I. Operating Profit Margin** (2 marks)
- II. Return on Capital Employed (ROCE)** (2 marks)
- III. Asset Turnover** (2 marks)
- IV. Interest Cover** (2 marks)
- V. Receivable days** (2 marks)
- VI. Current Ratio** (2 marks)
- VII. Gearing Ratio** (2 marks)

b) Discuss the limitation of using ratio analysis in evaluating the financial performance of an organisation

(6 marks)

(Total 20 marks)

End of Question 2

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Question 3 (part a)

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At 1 January 20X6, J Stamp had trade receivables' totalling £68,000 and an allowance for receivables of £3,400. During the year ended 31 December 20X6, J Stamp made credit sales of £354,000 and had receipts from receivables of £340,000.

At 31 December 20X6, J Stamp reviewed the individual receivables' ledger accounts and identified £2,000 which was to be accounted for as irrecoverable. In addition, at that date, it was estimated that amounts totalling £5,000 were overdue and that an allowance should be made for this amount.

Required:

Prepare the trade receivables, irrecoverable debts expense and allowance for receivables' general ledger accounts for the year ended 31 December 20X6.

(10 marks)

Question 3 (part b)

J Bell has a December year-end. Prepare the general ledger accounts for the following expense headings and calculate the annual charge to the statement of profit or loss.

- Electricity. Invoices totalling £697 were received and posted to the ledgers during the year. The opening accrual was £172 and the closing accrual is £238.
- Rates. Invoices totalling £756 were received and posted to the ledgers during the year. The opening accrual was £365 and the closing accrual is £28.

(6 marks)

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Question 3 (part c)

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Pat runs a landscape gardening business. On 1 January 2022, Pat purchased a sit-on lawnmower costing £3000, which is depreciated at 10% per annum, straight line basis. Pat decides to replace it one which has an enclosed cabin for use when it rains. The lawnmower was sold to an old friend for £2000 on 31st July 2025.

Required:

How much is total charged to Pat's statement of profit or loss relating to the asset sold for the year ended 31st December 2025?

(7 marks)

Question 3 (part d)

At 31 December 2024, the balance on the cash account was £11,820 (DR), but the balance appearing on the bank statement was £15,000 (CR).

The reasons for the difference were as follows:

- I. Bank charges of £20
- II. A payment of £1,200 had been entered in the cash account as £2,100
- III. A cheque for £200 had been dishonoured
- IV. There were unrepresented cheques totalling £6,500
- V. Lodgements of £4,000 had not yet appeared on the bank statement

Required:

Calculate the correct balance on the cash account, and prepare a bank reconciliation statement.

(7 marks)

(Total 30 marks)

End of Question 3

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Question 4

Write all your answers in the answer booklet, showing workings where

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required.

I. A 'true and fair view' is one which:

- A. presents the accounts in such a way as to exclude errors which would affect the actions of those reading them
- B. occurs when the accounts have been audited
- C. shows the accounts of an organisation in an understandable format
- D. shows the assets on the statement of financial position at their current market price

(1 mark)

II. A credit balance on a ledger account indicates:

- A. an asset or an expense
- B. a liability or an expense
- C. an amount owing to the organisation
- D. a liability or revenue

(1 mark)

III.

Tracey's business sells three products – A, B and C. The following information was available at the year-end:

	A	B	C
	£	£	£
	Per unit	Per unit	Per unit
Original cost	7	10	19
Estimated selling price	15	13	20
Selling and distribution costs	2	5	6
Units of inventory	20	25	15

What should be the inventory valuation at the year-end?

(3 marks)

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Question 4 continued

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IV.

Faulty goods costing £210 were returned to a supplier but this was recorded as £120 in the ledger accounts.

State the accounting entries required to correct the error.

	Ledger Account:	£
Debit		
Credit		

(1 mark)

V. Which one of the following is the accounting equation?

- A. Assets – Liabilities + Share Capital = Retained Earnings
- B. Assets = Liabilities – Capital + Retained Earnings
- C. Assets – Liabilities – Capital = Retained Earnings
- D. Assets + Liabilities = Capital + Retained Earnings

(1 mark)

VI.

From the following information, calculate the cost of purchases made during the accounting period:

	£
Opening payables	142,600
Cash paid	542,300
Discounts received	13,200
Goods returned	27,500
Closing payables	137,800
£	

(3

marks)

Question 4 continues over the page

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Question 4 continues

VII. Carol owns a shop. The only information available for the year ended 31 December 2005 is as follows:

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Inventory at 1 January 2005 £3,500
 Inventory at 31 December 2005 £1,350
 Sales £17,000
 Gross profit margin 25%

What were the purchases of the shop for the year?

- A. £11,450
- B. £12,750
- C. £14,900
- D. £10,600

(3 marks)

VIII.

From the following information regarding the year to 31 August 20X6, what is the payables payment period?

	£
Sales	50,000
Cost of sales	40,000
Opening inventory	6,000
Closing inventory	3,800
Payables at 31 August 20X6	4,750
_____ days	

(2 marks)

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Question 4 continued

IX.

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From the following information regarding the year to 31 March 20X6, what are the current and quick ratios?

	£
Inventory	5,320
Receivables	10,420
Cash at bank	3,200
Payables	4,100
Overdraft	3,121

Current ratio	Quick ratio
A. 2.62	1.89
B. 2.62	3.84
C. 3.86	2.56
D. 4.62	3.32

(2 marks)

X.

Perry made the following accounting entries to account for the purchase of goods on credit from a supplier:

Debit Payables	£3,200
Credit Purchases	£3,200

**Question 4 continues over the page
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Question 4 continues

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What journal entry is required to account correctly for the purchase of the goods on credit from a supplier?

- A Debit Purchases £3,200, and Credit Receivables £3,200
- B Debit Purchases £3,200, and Credit Payables' £3,200
- C Debit Purchases £3,200, and Credit Suspense £3,200
- D Debit Purchases £6,400, and Credit Payables £6,400

(1 mark)

XI.

Which one of the following choices is included in the statement of financial position of an entity?

- A. Share capital, retained earnings, assets and liabilities
- B. Share capital, dividends paid, revenue and assets
- C. Assets, liabilities, profit on disposals of non-current assets and share capital
- D. Dividends paid, assets, discounts and liabilities

(1 mark)

XII.

How is the gearing ratio normally calculated?

- A Long-term loans as a percentage of total share capital and reserves
- B Current and long-term debt as a percentage of total assets less current liabilities
- C Total share capital and reserves as a percentage of long-term loans
- D Total share capital and reserves as a percentage of total equity plus total liabilities

(1 mark)

(Total 20 marks)

**END OF QUESTIONS
END OF EXAM PAPER**