

UNIVERSITY OF GREATER MANCHESTER
GREATER MANCHESTER BUSINESS SCHOOL
BA (HONS) ACCOUNTANCY
SEMESTER ONE EXAMINATIONS 2025/2026
FINANCIAL ACCOUNTING AND REPORTING
MODULE NO: ACC5001

Date: Thursday 15th January 2026

Time: 2.00pm – 5.00pm

INSTRUCTIONS TO CANDIDATES:

There are 3 questions in this examination; Answer ALL three questions.

This is a closed book examination.

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

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Question 1

Heritage Furnishings Ltd specialises in manufacturing high-quality handcrafted furniture. The company's trial balance at 31 December 2025 is as follows.

Debit	£ '000	Credit	£ '000
Manufacturing costs	3,134	Preference shares capital	300
Inventory 31.12.2024	1202	Ordinary shares capital	1,032
Return inwards	280	Exchange reserve	275
Wages and salaries: admin	320	General reserve	350
Wages and salaries: sales	497	Retain profit (31.12.2024)	355
Motor expenses	164	Revenue	6,995
Bad debts	218	Income from shares in associates	936
Loan-note interest	140	Discounts received	369
Preference dividend	220	Provision for depreciation:	
Ordinary dividend	300	Building at cost	775
Bank overdraft interest	9	Plant and machinery at cost	595
General distribution expenses	281	Motor vehicles at cost	260
General admin expenses	173	Bank overdraft	121
Directors' remuneration	350	Trade accounts payable	532
Investments in associates	540	Loan notes 10%	700
Discounts allowed	155	Return outwards	235
Buildings: at cost	2,300		
Plant and machinery: at cost	1230		
Motor vehicles: at cost	980		
Goodwill	235		
Patents and licenses	338		
Trade accounts receivable	764		
Total debit	13,830	Total credit	13,830

Question 1 continues over the page – Please turn the page

Question 1 continued

Additional information:

- I. Inventory at 31.12.2025: £1,520,000 at cost.
- II. Motor expenses and depreciation on motors to be apportioned: distribution 70%; administrative 30%.
- III. Depreciation on buildings and plant and machinery to be apportioned: distribution 60%; administrative 40%.
- IV. Depreciate on cost: motor vehicles 25%; plant and machinery 20%; and buildings 15%.
- V. Accrued corporation tax on profits of the year £300,000. This is payable 1 August 2026.
- VI. The buildings are revalued at £2,500,000 at 31.12.2025. This figure is to be included in the financial statements.
- VII. Directors' remuneration was as follows:

	£
Marketing	75,000
Chairman	80,000
Managing	95,000
Finance	92,000
	342,000

In addition, each director drew £2,000 fees.

- VIII. The loan notes are to be redeemed in four equal annual instalments, starting in October 2026.
- IX. Accrue auditors' remuneration, including expenses, £10,000.
- X. A transfer of £55,000 has been made from retained earnings at the end of the year to general reserve.

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Question 1 continued

Required:

- (a) Prepare Heritage Furnishings Ltd.'s statement of comprehensive income for the year ended 31 December 2025.**

(20 Marks)

- (b) Prepare Heritage Furnishings Ltd.'s statement of financial position as at 31 December 2025.**

(20 Marks)

- (c) Given the following industry efficiency ratios, evaluate how Heritage Furnishings Ltd managed its inventory, account receivable and account payable in 2025**

Efficiency ratios	Industry average
Inventory conversion period	160 days
Account receivable collection period	55 days
Account payable period	90 days

(10 Marks)

(Total 50 marks)

End of question 1

Questions continue over the page

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Question 2

Trafford Plc. operates in the entertainment industry and has prepared the following statement of financial position as at 31 December 2025 and comprehensive income for the year:

Trafford Plc. Statements of Financial Position as at 31 December 2025

	2024	2025
	£000	£000
<i>Non-current assets:</i>		
Property, plant and equipment, at cost	1325	1524
Less accumulated depreciation	<u>258</u>	<u>398</u>
	1067	1126
Investments	256	450
<i>Current assets:</i>		
Inventory	584	685
Trade receivables	651	715
Bank	<u>152</u>	<u>205</u>
	1387	1605
Total assets	2710	3181
<i>Capital and reserves:</i>		
Ordinary shares	1285	1400
Share premium	250	321
Retained earnings	<u>358</u>	<u>475</u>
	1893	2196
<i>Non-current liabilities:</i>		
12% debentures	500	605
<i>Current liabilities:</i>		
Trade payables	258	315
Taxation	<u>59</u>	<u>65</u>
	317	380
Total equity and liabilities	2710	3181

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Question 2 continued

Trafford Plc. Statements of Comprehensive Income for the year ended 31 December 2025

	£000
Revenue	5,098
Cost of sales	<u>3,057</u>
Gross profit	2,041
Distribution costs	569
Administration expenses	<u>758</u>
Operating profit	714
Interest on debentures	<u>100</u>
Profit before tax	614
Tax	212
Profit after tax	402

The statement of changes in equity disclosed a dividend of \$285,000.

Required:

Prepare Trafford Plc's Statement of Cashflow for the year ended 31 December 2025 using the indirect method.

(Total 25 marks)

End of question 2

Questions continue over the page

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Question 3

- (a) Ashford Interiors Ltd. has a financial year-end of 30 June. On 1 July 2023, the company purchased a showroom and workshop building for £24 million, estimating a useful economic life of 40 years. The asset was classified as Property, Plant, and Equipment (PPE) and measured using the revaluation model under IAS 16.

At the end of 2024 fiscal year, the fair value of the property increased to £26.4 million, and Ashford Interiors adjusted its financial statements to reflect this upward revaluation, maintaining the same useful life.

However, by 30 June 2025, a downturn in the property market resulted in a decline in value, and the fair value of the building was reassessed at £21 million.

Required:

Discuss how the above PPE should be recognised in the financial statements on 30 June 2024 and 30 June 2025

(10 marks)

- (b) Smiths and Newton have been in partnership for several years, sharing profits and losses in the ratio 3:2. In recent years, they have been suffering losses due to fierce market competition which has resulted in poor liquidity. Therefore, they have agreed to dissolve the partnership under the following terms:
1. The inventory is to be sold at a discount of £7,500.
 2. The equipment will be sold for £25,000. Smiths will take the motor vehicle at an agreed valuation £10,000.
 3. The debtors are expected to pay their accounts in full.
 4. The costs of dissolution will be £1000.

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Question 3 continued

Their last statement of financial position which was prepared on 31 October 2025 is as follows:

<i>Non-current assets</i>	£
Motor vehicle and equipment at cost	45000
Less accumulated Depreciation	<u>7500</u>
Net motor vehicle and equipment	37500
<i>Current assets</i>	
Inventory	8240
Accounts receivable	<u>18000</u>
	26240
Total assets	63740
<i>Current liabilities</i>	
Bank overdraft	8100
Accounts payable	21640
Total liabilities	29740
Capital	
Smiths	21000
Newton	13000
Total capital	34000
Total equity and liabilities	63740

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Question 3 continued

Required:

Using the following T account, illustrate how to close down the books of the partnership

- a) **The Realisation Account** (5 marks)
 - b) **The Capital Account** (5 marks)
 - c) **The Bank Account** (5 marks)
- (Total 25 marks)**

End of question 3

END OF QUESTIONS