



Introduction to Accounting and Economics

22 June 2016

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	85
10 July	Sales	42		25 July	F Smith	88
31 July	A Iqbal	55				

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	£230,000

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