PRIFYSGOL ABERYSTWYTH UNIVERSITY

ARHOLIADAU EXAMINATIONS

Semester One 2025/2026

ABERYSTWYTH BUSINESS SCHOOL

AB11120 – Fundamentals of ACCOUNTING AND FINANCE

Time allowed: **TWO HOURS**

Answer ALL QUESTIONS

Total marks available **100**

This paper contributes **60%** to the overall module mark.

Show all workings clearly and state any assumptions which you make in the **answer booklet only.**

CALCULATORS ARE PERMITTED (Casio FX-991, FX83 or FX85 models only)

NPV table is provided at the end of this question paper

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STUDENTS MAY SUBMIT ANSWERS TO THIS PAPER IN EITHER WELSH OR ENGLISH

Once seated, students may complete the front cover of the answer book and the attendance slip ONLY.

DO NOT TURN THE EXAMINATION QUESTION PAPER ONTO THE NEXT PAGE UNTIL INSTRUCTED TO DO SO.

PLEASE TURN OVER

Question 1

Please choose the correct answer for each of the following questions and write it in the answer booklet.

20 multiple choice questions – each question worth 0.5 mark (10 marks)

1) Equity + Liabilities =……...?

Which term belongs in the blank space?

(a) Income.

(b) Total Assets.

(c) Fixed Assets.

(d) Current Assets.

2) Prime costs include:

(a) Material costs + Direct Labour costs

(b) Production overheads only

(c) Production overheads + material costs + direct labour costs

(d) Material costs + production overheads

3) Which of the following statements represent a current liability?

(a) Assets of a company that are expected to be used for more than one year.

(b) Obligations listed on the balance sheet due for more than one year.

(c) Company's short term financial obligations that are due within one year.

(d) A potential asset that may be bought in the future.

4) Which of the following sources of finance is used primarily for short-term uses?

(a) Debt factoring.

(b) Share Capital.

(c) Sale of buildings.

(d) Long term loan.

Please turn over

(Question 1 continued)

5) Which of the following is NOT a standardised heading on a Cash Flow Statement?

(a) Operating Activities

(b) Gearing Activities

(c) Investing Activities

(d) Financing Activities

6) How would you calculate the gross profit or loss of a company?

(a) Total revenue minus cost of sales.

(b) Total revenue minus total costs.

(c) Total revenue minus administration expenses.

(d) Total revenue minus distribution expenses.

7) Which of the following are users of Management Accounting?

(a) The Government.

(b) The Public.

(c) Competitors.

(d) The owners of the company.

8) Which of the following formulas is correct for the debt/equity ratio?

(a) (Long term debt / Equity) 100%.

(b) Equity / (Equity + Long term debt) x 100%.

(c) Long term debt / (Equity + Long term debt) x 100%.

(d) (Equity / Long term debt) 100%.

9) The calculation for contribution per unit is:

(a) Selling price per unit - fixed cost per unit.

(b) Total costs per unit - variable cost per unit.

(c) Selling price per unit - total variable cost per unit.

(d) None of the above.

Please turn over

(Question 1 continued)

10) Which of the following is not a current asset?

(a) Inventories.

(b) Trade receivables.

(c) Prepayment.

(d) Bank overdraft.

11) If a business has total fixed costs of £10,000 when it produces 2,000 units, what is the fixed cost per unit?

(a) £10.00

(b) £8.00

(c) £2.00

(d) £5.00

12) If the opening balance of Trade Payables (creditors) is £15,000 and the closing balance of Trade Payables (creditors) is £30,000 how would this impact the cash flow statement?

(a) The cash flow would increase by £15,000.

(b) The cash flow would increase by £30,000.

(c) The cash flow would decrease by £45,000.

(d) The cash flow would decrease by £15,000

13) If a company decides to invest in one of two projects, the company chooses the project with:

(a) Lower ARR.

(b) Negative ARR.

(c) Higher ARR.

(d) Zero ARR.

Please turn over

(Question 1 continued)

14) A car cost £10,000 to purchase and has a residual value of £2,000. The car is depreciated on a straight-line basis over 4 years. How much will the annual depreciation charge be in year 4?

(a) £10,000.
(b) £8,000.
(c) £6,000.
(d) £2,000.

15) Solicitors, accountants, and dentists normally set themselves up as what type of business entity?

(a) A charity.
(b) A partnership.
(c) A public limited company.
(d) A private limited company.

16) The Quick ratio excludes which asset?

(a) Cash.
(b) Trade receivables.
(c) Excludes all assets.
(d) Inventories.

17) With reference to the payback method, which of the following statements is NOT true?

(a) It ignores cash flow over the whole lifetime of the project
(b) It includes all the project's cash flow
(c) It ignores total profitability. Its main focus is the length of time it takes to repay the initial outlay.
(d) Is seen more as a risk appraisal method rather than a measure of return

Please turn over

(Question 1 continued)

18) Which of the following sources of finance is internally sourced?

(a) Bank loan.

(b) Issue of shares.

(c) Government grants.

(d) Sales of assets.

19) Which type of cost includes both a fixed charge and a variable element?

(a) Semi-variable cost.

(b) Fixed cost.

(c) Variable cost.

(d) Stepped cost.

20) Which of the following statements refer to the term NPV?

(a) The value of future money if you had it now.

(b) The rate of return expected on an investment compared to the initial investment cost.

(c) The length of time required for an investment to recover its initial outlay.

(d) All of the above.

End of question 1

Please turnover

Question 2 (30 marks)

The following is a trial balance for LMO Ltd, A family run Clothes company for the year ending 31/12/2024:

	£'000 Debit	£'000 Credit
Administration expenses	600	
Sales		7,000
Distribution expenses	300	
Interest paid	50	
Purchases	2,700	
Bank (Overdraft)		150
Cars accumulated depreciation to 31/12/2024		50
Cars at cost	100	
Trade Payables		180
Bank Loan		70
Land	4,000	
Cash at Bank	50	
Plant and equipment accumulated depreciation to 31/12/2024		250
Plant and equipment at cost	900	
Retained profit as at 31/12/2023		500
Revaluation reserve as at 31/12/2024		300
Share capital (£1.00 ordinary shares)		800
Trade Receivables	600	
Total	**9,300**	**9,300**

Please turnover

(Question 2 continued)

It has come to the light that the following transactions have not been taken into the account:

1) Stock at 31/12/2024 was £9,00,000

2) After a final stock take on the 31/12/2024, stock was valued at the lower of cost and net realisable value at £1,000,000 (before taking into account transaction (3)).

3) In the final stock take of the year, £60,000 of stock was found to be damaged. This stock can only be sold for scrap at a value of £30,000.

4) The company issued 5,000 shares for £2.00 each on the 31/12/2024. This included a share premium of £1.

5) The yearly rent of £24,000 for a warehouse, was paid on the 30/09/2024. This invoice was coded to administration expenses and the rental period commenced on the 01/10/2024.

6) The last electricity bill included in administration expenses, related to the five months ending 31/07/2024. It is estimated that the company uses £1,000 of electricity per month.

Show how the transactions above would change the financial statements.

Required

a) Using points 1 to 6 show the adjustments required to the trial balance for the year ended 31/12/2024.

(12 marks)

b) Based on your workings in part (a), prepare both the Income Statement and the Balance Sheet for the year ended 31/03/2024. Your answer must show the following, side by side

1. Original financial statements (7 marks)
2. Adjustment workings (4 marks)
3. Final financial statements (7 marks)

Total 30 marks

End of question 2

Please turnover

Question 3 (20 marks)

Answer EITHER Part A **OR** Part B

PART A

a) List any three users of financial information and explain why each of them is interested in this information.

(6 marks)

b) List the disadvantages of high trade receivables days.

(4 marks)

c) What does the term "accounting" mean?

(4 marks)

d) Discuss three differences between financial accounting and management accounting.

(6 marks)

Total 20 Marks

Please turnover

(Question 3 continued)

OR

PART B

The following are the financial statements for EGY plc. for the years ended 31 December 2023 and 31 December 2024:

EGY Plc.

Income Statements for Year Ended 31 December 2024

	2024	**2023**
	£m	**£m**
Revenue	500	460
Cost of sales	(350)	(295)
Gross profit	**150**	**165**
Distribution	(55)	(40)
Administrative expenses	(30)	(35)
Operating profit	**65**	**90**
Interest payable	(5)	(15)
Profit for the year	**60**	**75**

Please turnover

(Question 3 part B continued)

EGY Plc. Statements of Financial Position as at 31 December 2024		
Assets	2024 £m	2023 £m
Fixed Assets		
Buildings	210	190
Plant and machinery	50	55
Total Fixed Assets	260	245
Current assets		
Inventories	40	50
Trade receivables	30	20
Cash	8	22
Total Current Assets	78	92
Total assets	**338**	**337**
Equity and Liabilities		
Equity		
Share capital	130	130
Retained earnings	77	60
Total Equity	207	190
Non-current liabilities		
Loan notes (10%)	70	70
Current liabilities		
Bank overdraft	-	-
Trade payables	61	77
	61	77
Total Liabilities	131	147
Total equity and liabilities	**338**	**337**

The depreciation was £10 million, and there were no non-current asset disposals in either year.

The interest all paid in cash in each year. Dividends were paid totalling £43 million in each year.

Required:

Prepare a statement of cash flows for EGY Plc. for the year ended 31 December 2024.

Total 20 marks

End of question 3

Please turnover

Question 4 (40 marks) ANSWER ALL PARTS

Part A (26 marks)

The following data relates to the monthly costs at different levels of activity for a manufacturing plant of SKY PLC:

Output levels (units sold):	**400**	**800**
Costs	£	£
Delivery costs	1,200	2,400
Administrative costs	1,500	1,500
Gas and electricity costs	1,400	2,800
Labour costs	1,500	3,000
Production Supervisor salary	2,000	2,000
Materials	1,000	2,000
Insurance	700	700
Telephone	600	1,200
Quality Control*	900	1,500

*Quality control costs depend on the production levels. For up to 400 units per month, the costs are £900. Up to 800 units they are £1,500 and they rise again by £500 for each additional 400 units.

Required:

Answer the following questions and clearly show your workings:

a) For each item state the appropriate cost behavior. **(5 marks)**

b) Assuming that the pattern of cost behaviour remains the same, calculate the expected cost of all cost items at an output level of 1000 units. **(18 marks)**

c) Calculate the break-even price at the activity level in part (b) above. **(3 marks)**

Please turn over

(Question 4 continued)

Part B (14 marks)

The data in the table below shows the expected financial outcomes of an investment into new equipment.

Year	Net cash flow Project A (£'000)	Net cash flow Project B (£'000)	Discount factor rate to calculate NPV (4%)
0	(900)	(1000)	1.00
1	220	190	0.962
2	240	210	0.925
3	250	230	0.889
4	200	250	0.855
5	240	260	0.822

Required:

Answer the following questions and clearly show your workings:

a) Based on the data included in the table above, calculate the payback period of the investment in both project A and B. **(4 marks)**

b) Based on the data included in the table above, calculate the Net Present Value (NPV) of the investment in both projects A and B? **(8 marks)**

c) Comment on your results for part a) and b) above. **(4 marks)**

Total 40 marks

END OF PAPER

Accounting and Finance Group, School of Management and Business, Aberystwyth University

Table 1: Present value of 1 unit received *n* periods in the future assuming a constant discount rate of *r* per period

n \ *r*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%	21%	22%	23%	24%	25%	30%	35%	40%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833	0.826	0.820	0.813	0.806	0.800	0.769	0.741	0.714
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694	0.683	0.672	0.661	0.650	0.640	0.592	0.549	0.510
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579	0.564	0.551	0.537	0.524	0.512	0.455	0.406	0.364
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482	0.467	0.451	0.437	0.423	0.410	0.350	0.301	0.260
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402	0.386	0.370	0.355	0.341	0.328	0.269	0.223	0.186
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335	0.319	0.303	0.289	0.275	0.262	0.207	0.165	0.133
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279	0.263	0.249	0.235	0.222	0.210	0.159	0.122	0.095
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233	0.218	0.204	0.191	0.179	0.168	0.123	0.091	0.068
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194	0.180	0.167	0.155	0.144	0.134	0.094	0.067	0.048
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162	0.149	0.137	0.126	0.116	0.107	0.073	0.050	0.035
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135	0.123	0.112	0.103	0.094	0.086	0.056	0.037	0.025
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112	0.102	0.092	0.083	0.076	0.069	0.043	0.027	0.018
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093	0.084	0.075	0.068	0.061	0.055	0.033	0.020	0.013
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078	0.069	0.062	0.055	0.049	0.044	0.025	0.015	0.009
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.074	0.065	0.057	0.051	0.045	0.040	0.035	0.020	0.011	0.006
16	0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.252	0.218	0.188	0.163	0.141	0.123	0.107	0.093	0.081	0.071	0.062	0.054	0.047	0.042	0.036	0.032	0.028	0.015	0.008	0.005
17	0.844	0.714	0.605	0.513	0.436	0.371	0.317	0.270	0.231	0.198	0.170	0.146	0.125	0.108	0.093	0.080	0.069	0.060	0.052	0.045	0.039	0.034	0.030	0.026	0.023	0.012	0.006	0.003
18	0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.212	0.180	0.153	0.130	0.111	0.095	0.081	0.069	0.059	0.051	0.044	0.038	0.032	0.028	0.024	0.021	0.018	0.009	0.005	0.002
19	0.828	0.686	0.570	0.475	0.396	0.331	0.277	0.232	0.194	0.164	0.138	0.116	0.098	0.083	0.070	0.060	0.051	0.043	0.037	0.031	0.027	0.023	0.020	0.017	0.014	0.007	0.003	0.002
20	0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.178	0.149	0.124	0.104	0.087	0.073	0.061	0.051	0.043	0.037	0.031	0.026	0.022	0.019	0.016	0.014	0.012	0.005	0.002	0.001
21	0.811	0.660	0.538	0.439	0.359	0.294	0.242	0.199	0.164	0.135	0.112	0.093	0.077	0.064	0.053	0.044	0.037	0.031	0.026	0.022	0.018	0.015	0.013	0.011	0.009	0.004	0.002	0.001
22	0.803	0.647	0.522	0.422	0.342	0.278	0.226	0.184	0.150	0.123	0.101	0.083	0.068	0.056	0.046	0.038	0.032	0.026	0.022	0.018	0.015	0.013	0.011	0.009	0.007	0.003	0.001	0.001
23	0.795	0.634	0.507	0.406	0.326	0.262	0.211	0.170	0.138	0.112	0.091	0.074	0.060	0.049	0.040	0.033	0.027	0.022	0.018	0.015	0.012	0.010	0.009	0.007	0.006	0.002	0.001	0.000
24	0.788	0.622	0.492	0.390	0.310	0.247	0.197	0.158	0.126	0.102	0.082	0.066	0.053	0.043	0.035	0.028	0.023	0.019	0.015	0.013	0.010	0.008	0.007	0.006	0.005	0.002	0.001	0.000
25	0.780	0.610	0.478	0.375	0.295	0.233	0.184	0.146	0.116	0.092	0.074	0.059	0.047	0.038	0.030	0.024	0.020	0.016	0.013	0.010	0.009	0.007	0.006	0.005	0.004	0.001	0.001	0.000
26	0.772	0.598	0.464	0.361	0.281	0.220	0.172	0.135	0.106	0.084	0.066	0.053	0.042	0.033	0.026	0.021	0.017	0.014	0.011	0.009	0.007	0.006	0.005	0.004	0.003	0.001	0.000	0.000
27	0.764	0.586	0.450	0.347	0.268	0.207	0.161	0.125	0.098	0.076	0.060	0.047	0.037	0.029	0.023	0.018	0.014	0.011	0.009	0.007	0.006	0.005	0.004	0.003	0.002	0.001	0.000	0.000
28	0.757	0.574	0.437	0.333	0.255	0.196	0.150	0.116	0.090	0.069	0.054	0.042	0.033	0.026	0.020	0.016	0.012	0.010	0.008	0.006	0.005	0.004	0.003	0.002	0.002	0.001	0.000	0.000
29	0.749	0.563	0.424	0.321	0.243	0.185	0.141	0.107	0.082	0.063	0.048	0.037	0.029	0.022	0.017	0.014	0.011	0.008	0.006	0.005	0.004	0.003	0.002	0.002	0.002	0.000	0.000	0.000
30	0.742	0.552	0.412	0.308	0.231	0.174	0.131	0.099	0.075	0.057	0.044	0.033	0.026	0.020	0.015	0.012	0.009	0.007	0.005	0.004	0.003	0.003	0.002	0.002	0.001	0.000	0.000	0.000