PRIFYSGOL ABERYSTWYTH UNIVERSITY

ARHOLIADAU EXAMINATIONS

SEMESTER TWO 2026

ABERYSTWYTH BUSINESS SCHOOL

AB21120 – INTERMEDIATE FINANCIAL ACCOUNTING

Time allowed: **THREE HOURS (3 Hours)**

Answer **ALL FOUR QUESTIONS**

Show all workings and assumptions.

Total **100** marks available

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

CALCULATORS ARE PERMITTED (Casio FX83, FX99-1 or FX85 models only)

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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(s) and the attendance slip ONLY.

DO NOT TURN THE EXAMINATION QUESTION PAPER OVER UNTIL INSTRUCTED TO DO SO.

Answer ALL four questions.

Question 1 Answer **ALL** parts.

On 1 April 2022, Llany Ltd was established through a share issue amounting to total cash proceeds of £12,000,000. This was all immediately invested in the purchase of a luxury hotel complex outside Aberystwyth. The complex is to be depreciated on a straight-line basis over a thirty-year period and the complex has no residual value.

In the first year of opening the cash inflow was £1,000,000 increasing by £500,000 per year – for the year ending 31 March 2026 the cash inflow was £2,500,000.

At the end of the first year (year ending 31 March 2023), an independent valuation was undertaken valuing the complex to £17,400,000 which was to be immediately reflected in the accounts. An additional valuation was undertaken on the 31 March 2025 when the hotel was now valued at £13,500,000. Once again, this valuation was to be immediately reflected in the financial statements.

On 31 March 2026, Llany Ltd received an offer of £20,000,000 for the complex, which was instantly accepted. (You can presume that all cash flows occurred evenly throughout the year while the complex was in use).

REQUIRED:

a) Assuming that there are no transactions other than those referred to above (i.e. no dividends and you may ignore interest on reinvested cash and taxation), show for Llany Ltd for the years ending 31 March 2023, 2024, 2025 and 2026:

i. a statement of comprehensive income;

ii. a statement of financial position;

iii. a statement of changes in equity;

iv. a reconciliation between a historical cost income statement and the statement of comprehensive income statement in part (i) above.

(20 marks)

Please Turn Over

Question 1 Continued

b) If an independent valuation had been undertaken at the end of 31 March 2023 valuing the complex at £10,500,000, how would this have affected your answer at the end of that financial year? **(5 marks)**

(Total 25 marks)

Question 2 Answer **ALL** parts

NaturalBoilers plc has been funding £6 million for research into new hot water boilers for residential premises. On 1 January 2026 a new boiler called 'Too Hot' was launched and is expected to have a product life of 5 years. To build on the success of this product, research has proceeded into a new line of boilers called 'Even Hotter'. The company perceives that the new product has 'technical and commercial viability', and finance is already in place to support the investment. It is anticipated that 'Even Hotter' will be officially launched to market in the early part of 2027. There has already been a lot of media coverage and consumers are looking forward to the new product.

NaturalBoilers plc's financial year end is 31 March 2026 and the following costs have been incurred and are yet to be accounted for:

i. On 1 April 2025, NaturalBoilers plc recruited three new researchers to look at a potential of a new solar panelled boiler. Their starting salary was £40,000 per annum.

ii. To ensure that 'Too Hot' was ready to be launched in January 2026, an additional member of staff was employed on 1 November 2025 to join the Design Team. Their starting salary was £36,000 per annum.

Please Turn Over

Question 2 Continued

iii. NaturalBoilers plc purchased three terraced houses on the 1 July 2025 for £100,000 each. These are to be used for testing the boilers resilience, economy and efficiency. Buildings are traditionally depreciated over 20 years using a straight-line method and no residual value is assumed.

iv. When 'Too Hot' was launched £1,000,000 of expenditure had already been incurred and recognised in the balance sheet at the beginning of the financial year. Before the product was launched a further £600,000 was spent – being £500,000 of further work on the product and the remaining £100,000 on advertising in social media and other traditional media outlets.

v. To help the success of 'Too Hot' two marketing campaigns were commissioned. These campaigns started on the 1 October 2025 and 1 March 2026. The company has agreed to pay £25,000 for each campaign, paid eight weeks after the campaign has started.

REQUIRED:

a) Clearly showing the accounting entries, explain how the activities above should be reflected in NaturalBoilers plc's financial statements for the year ending 31 March 2026. You should clearly justify your choice of accounting treatment and state all assumptions you make. **(15 marks)**

Sarah works for the NHS as a physiotherapist who offer a 1/50th career average defined benefit pension scheme. For her first 2 years of employment, she was paid an annual salary of £25,000. She was then re-graded and for each of the past 4 years has earnt an annual salary of £30,000.

Paul is an administrator who has been working for TfL. For his first 5 years of employment, he was paid an annual salary of £25,000 and then in his 6th year his salary was increased to £35,000. TfL offers a final salary defined benefit scheme calculated on a 1/60th basis.

Please Turn Over

Question 2 Continued

REQUIRED:

b) Showing all your calculations and any assumptions you make, calculate who would receive the largest pension after completing 6 years of service.
(You can ignore the effects of interest when calculating your answer).

(4 marks)

You started working for Alfie Ltd on 1 July 2025 where your starting salary is £40,000. Alfie Ltd is offering a non-contributory defined contribution pension scheme of 10% per year.

REQUIRED:

b) How would Alfie Ltd account for the cost of your pension in their accounts in the financial year ending 31 March 2026? **(2 marks)**

c) Compare and contrast the differences between a defined contribution pension and a defined benefit pension scheme. **(4 marks)**

(Total 25 marks)

Question 3 Answer **ALL** parts.

a) Define a conceptual framework for financial reporting and explain its role in standard-setting. **(4 marks)**

b) With an example, distinguish between an accounting concept and an accounting policy. **(3 marks)**

Please Turn Over

Question 3 Continued

c) The IASB's *Conceptual Framework for Financial Reporting (2018)* contains several chapters that guide the development and application of accounting standards. Four chapters particularly relevant to recognition, measurement and disclosure are:

- Qualitative characteristics of useful financial information
- Recognition and derecognition
- Measurement
- Presentation and disclosure

Using ***two*** of the following accounting standards, discuss and illustrate how these four chapters of the Conceptual Framework above influence the requirements of those standards:

- IAS 2 Inventories
- IAS 16 Property, Plant and Equipment
- IFRS 15 Revenue from Contracts with Customers (including construction-type contracts) **(18 marks)**

(Total 25 marks)

Please Turn Over

Question 4 Answer **ALL** parts

At the end of the financial year 31 March 2026, Teddy Bridge Ltd had entered into three new long term contracts (original details can be found below). All three of the contracts are going to cover a span of at least two years and each contract is recorded separately.

The Ely contract was only signed on the 30 March 2026, whilst the remaining two contracts are approximately half way through to completion.

Contract Data	**Ely (£'000)**	**Tan (£'000)**	**Bat (£'000)**
Contract value	20,000	45,000	30,000
Costs to date	1	20,000	18,000
Estimated costs to complete	16,499	20,000	14,000
Certified value of work completed to date (based on contract value)	-	22,500	18,000
Invoiced (billed) from 1 April 2025 – 31 March 2026	-	13,000	4,500
Payment received during 1 April 2025 – 31 March 2026	-	4,000	2,000

Teddy Bridge Ltd uses the ***input*** method to recognise revenue, as they believe this is the easiest and most efficient way to allocate revenue.

REQUIRED:

In accordance with *IFRS 15 Revenue from Contracts with Customers* for parts a) and b) below:

a) For the contracts above, estimate the profit/loss (if any) to be recognised in Teddy Bridge Ltd's financial statements and construct a summary income statement for the year ending 31 March 2026. **(7 marks)**

b) Construct a summary balance sheet for Teddy Bridge Ltd as at 31 March 2026 – clearly showing all workings. **(8 marks)**

Please Turn Over

Question 4 Continued

c) Estimate the profit/loss (if any) to be recognised in Teddy Bridge Ltd's financial statements and construct a summary income statement for the year ending 31 March 2026 if the ***output*** method was used. **(5 marks)**

d) *IFRS 15 – Revenue from Contract with Customers* sets out a 5-step model in recognising revenue. What are these five steps and describe each.

(5 marks)

End of Paper

Annuity Table Follows:

Table 1: Present value of an annuity of 1 unit received at the end of each of the next *n* periods 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	1.970	1.942	1.913	1.886	1.859	1.833	1.808	1.783	1.759	1.736	1.713	1.690	1.668	1.647	1.626	1.605	1.585	1.566	1.547	1.528	1.509	1.492	1.474	1.457	1.440	1.361	1.289	1.224
3	2.941	2.884	2.829	2.775	2.723	2.673	2.624	2.577	2.531	2.487	2.444	2.402	2.361	2.322	2.283	2.246	2.210	2.174	2.140	2.106	2.074	2.042	2.011	1.981	1.952	1.816	1.696	1.589
4	3.902	3.808	3.717	3.630	3.546	3.465	3.387	3.312	3.240	3.170	3.102	3.037	2.974	2.914	2.855	2.798	2.743	2.690	2.639	2.589	2.540	2.494	2.448	2.404	2.362	2.166	1.997	1.849
5	4.853	4.713	4.580	4.452	4.329	4.212	4.100	3.993	3.890	3.791	3.696	3.605	3.517	3.433	3.352	3.274	3.199	3.127	3.058	2.991	2.926	2.864	2.803	2.745	2.689	2.436	2.220	2.035
6	5.795	5.601	5.417	5.242	5.076	4.917	4.767	4.623	4.486	4.355	4.231	4.111	3.998	3.889	3.784	3.685	3.589	3.498	3.410	3.326	3.245	3.167	3.092	3.020	2.951	2.643	2.385	2.168
7	6.728	6.472	6.230	6.002	5.786	5.582	5.389	5.206	5.033	4.868	4.712	4.564	4.423	4.288	4.160	4.039	3.922	3.812	3.706	3.605	3.508	3.416	3.327	3.242	3.161	2.802	2.508	2.263
8	7.652	7.325	7.020	6.733	6.463	6.210	5.971	5.747	5.535	5.335	5.146	4.968	4.799	4.639	4.487	4.344	4.207	4.078	3.954	3.837	3.726	3.619	3.518	3.421	3.329	2.925	2.598	2.331
9	8.566	8.162	7.786	7.435	7.108	6.802	6.515	6.247	5.995	5.759	5.537	5.328	5.132	4.946	4.772	4.607	4.451	4.303	4.163	4.031	3.905	3.786	3.673	3.566	3.463	3.019	2.665	2.379
10	9.471	8.983	8.530	8.111	7.722	7.360	7.024	6.710	6.418	6.145	5.889	5.650	5.426	5.216	5.019	4.833	4.659	4.494	4.339	4.192	4.054	3.923	3.799	3.682	3.571	3.092	2.715	2.414
11	10.368	9.787	9.253	8.760	8.306	7.887	7.499	7.139	6.805	6.495	6.207	5.938	5.687	5.453	5.234	5.029	4.836	4.656	4.486	4.327	4.177	4.035	3.902	3.776	3.656	3.147	2.752	2.438
12	11.255	10.575	9.954	9.385	8.863	8.384	7.943	7.536	7.161	6.814	6.492	6.194	5.918	5.660	5.421	5.197	4.988	4.793	4.611	4.439	4.278	4.127	3.985	3.851	3.725	3.190	2.779	2.456
13	12.134	11.348	10.635	9.986	9.394	8.853	8.358	7.904	7.487	7.103	6.750	6.424	6.122	5.842	5.583	5.342	5.118	4.910	4.715	4.533	4.362	4.203	4.053	3.912	3.780	3.223	2.799	2.469
14	13.004	12.106	11.296	10.563	9.899	9.295	8.745	8.244	7.786	7.367	6.982	6.628	6.302	6.002	5.724	5.468	5.229	5.008	4.802	4.611	4.432	4.265	4.108	3.962	3.824	3.249	2.814	2.478
15	13.865	12.849	11.938	11.118	10.380	9.712	9.108	8.559	8.061	7.606	7.191	6.811	6.462	6.142	5.847	5.575	5.324	5.092	4.876	4.675	4.489	4.315	4.153	4.001	3.859	3.268	2.825	2.484
16	14.718	13.578	12.561	11.652	10.838	10.106	9.447	8.851	8.313	7.824	7.379	6.974	6.604	6.265	5.954	5.668	5.405	5.162	4.938	4.730	4.536	4.357	4.189	4.033	3.887	3.283	2.834	2.489
17	15.562	14.292	13.166	12.166	11.274	10.477	9.763	9.122	8.544	8.022	7.549	7.120	6.729	6.373	6.047	5.749	5.475	5.222	4.990	4.775	4.576	4.391	4.219	4.059	3.910	3.295	2.840	2.492
18	16.398	14.992	13.754	12.659	11.690	10.828	10.059	9.372	8.756	8.201	7.702	7.250	6.840	6.467	6.128	5.818	5.534	5.273	5.033	4.812	4.608	4.419	4.243	4.080	3.928	3.304	2.844	2.494
19	17.226	15.678	14.324	13.134	12.085	11.158	10.336	9.604	8.950	8.365	7.839	7.366	6.938	6.550	6.198	5.877	5.584	5.316	5.070	4.843	4.635	4.442	4.263	4.097	3.942	3.311	2.848	2.496
20	18.046	16.351	14.877	13.590	12.462	11.470	10.594	9.818	9.129	8.514	7.963	7.469	7.025	6.623	6.259	5.929	5.628	5.353	5.101	4.870	4.657	4.460	4.279	4.110	3.954	3.316	2.850	2.497
21	18.857	17.011	15.415	14.029	12.821	11.764	10.836	10.017	9.292	8.649	8.075	7.562	7.102	6.687	6.312	5.973	5.665	5.384	5.127	4.891	4.675	4.476	4.292	4.121	3.963	3.320	2.852	2.498
22	19.660	17.658	15.937	14.451	13.163	12.042	11.061	10.201	9.442	8.772	8.176	7.645	7.170	6.743	6.359	6.011	5.696	5.410	5.149	4.909	4.690	4.488	4.302	4.130	3.970	3.323	2.853	2.498
23	20.456	18.292	16.444	14.857	13.489	12.303	11.272	10.371	9.580	8.883	8.266	7.718	7.230	6.792	6.399	6.044	5.723	5.432	5.167	4.925	4.703	4.499	4.311	4.137	3.976	3.325	2.854	2.499
24	21.243	18.914	16.936	15.247	13.799	12.550	11.469	10.529	9.707	8.985	8.348	7.784	7.283	6.835	6.434	6.073	5.746	5.451	5.182	4.937	4.713	4.507	4.318	4.143	3.981	3.327	2.855	2.499
25	22.023	19.523	17.413	15.622	14.094	12.783	11.654	10.675	9.823	9.077	8.422	7.843	7.330	6.873	6.464	6.097	5.766	5.467	5.195	4.948	4.721	4.514	4.323	4.147	3.985	3.329	2.856	2.499
26	22.795	20.121	17.877	15.983	14.375	13.003	11.826	10.810	9.929	9.161	8.488	7.896	7.372	6.906	6.491	6.118	5.783	5.480	5.206	4.956	4.728	4.520	4.328	4.151	3.988	3.330	2.856	2.500
27	23.560	20.707	18.327	16.330	14.643	13.211	11.987	10.935	10.027	9.237	8.548	7.943	7.409	6.935	6.514	6.136	5.798	5.492	5.215	4.964	4.734	4.524	4.332	4.154	3.990	3.331	2.856	2.500
28	24.316	21.281	18.764	16.663	14.898	13.406	12.137	11.051	10.116	9.307	8.602	7.984	7.441	6.961	6.534	6.152	5.810	5.502	5.223	4.970	4.739	4.528	4.335	4.157	3.992	3.331	2.857	2.500
29	25.066	21.844	19.188	16.984	15.141	13.591	12.278	11.158	10.198	9.370	8.650	8.022	7.470	6.983	6.551	6.166	5.820	5.510	5.229	4.975	4.743	4.531	4.337	4.159	3.994	3.332	2.857	2.500
30	25.808	22.396	19.600	17.292	15.372	13.765	12.409	11.258	10.274	9.427	8.694	8.055	7.496	7.003	6.566	6.177	5.829	5.517	5.235	4.979	4.746	4.534	4.339	4.160	3.995	3.332	2.857	2.500