IQM4010

LEVEL 4 · CONTROLLED ASSESSMENT

INTO QUALIFICATIONS

Financial Accounting and Reporting

Sample closed-book financial accounting examination

Candidate question paper

Duration
2 hours

Total marks
100

Assessment window
Sample assessment

Assessment set
Set S of 2026

Response instruction
Follow the response instructions shown for each section.

Release timing
exam release

Paper
IQM4010 A1

Assessment set ID
2026-S

INTO QUALIFICATIONS LEARNER ID

DELIVERY CENTRE ID (OPTIONAL)

EXAM DATE
_____

ASSESSMENT SET
Set S of 2026

Do not open this paper until instructed. Follow the response instructions in this paper.

FOR MARKER USE ONLY

Marker initials	**Mark / 100**

About this sample assessment

Two-hour 100-mark examination sampling accounting concepts, double entry, adjustments, financial statements, cash flows, interpretation and ethical/professional practice. Assessment structure: 15 multiple-choice questions (15 marks), four compulsory structured questions (80 marks), and presentation/layout (5 marks). Assessment 1 conditions: individual secure invigilated closed-book examination. The centre supplies an approved formula booklet containing financial-ratio formulae. A non-programmable, non-graphing scientific calculator is required. No other candidate-provided materials, equipment or software are permitted. Calculators with computer algebra systems (CAS), text, image or document storage, or internet capability, and phones, tablets and smart watches, are not permitted. No generative AI or external assistance is permitted at any stage of the examination.

Mcqs

1

Prudence under the conceptual framework is:

- A: caution in judgement under uncertainty
- B: delaying all revenue until cash
- C: understating all assets
- D: recognising every possible loss

2

Settlement discount received is recorded by:

- A: Dr discounts received, Cr payables
- B: Dr payables, Cr discounts received
- C: Dr receivables, Cr sales
- D: Dr purchases, Cr cash

3

Output VAT is £4,800 and input VAT is £3,100. Net VAT payable is:

- A: £1,700
- B: £3,100
- C: £4,800
- D: £7,900

4

Inventory cost £12 each; subsequent evidence shows net realisable value £10.50. Measure at:

- A: £12
- B: £10.50
- C: £22.50
- D: nil

5

A £24,000 machine has four-year straight-line life and nil residual value. Annual depreciation:

- A: £4,000
- B: £6,000
- C: £8,000
- D: £24,000

6

When computing operating cash from profit using indirect method, depreciation is usually:

- A: added back
- B: deducted as cash paid
- C: ignored with working capital
- D: treated as financing

7

Rent received £9,000 includes £1,000 for next period; opening accrual nil. Current-period revenue is:

- A: £8,000
- B: £9,000
- C: £10,000
- D: £1,000

8

A trial balance difference should initially be:

- A: hidden in revenue
- B: investigated and suspense used only temporarily if needed
- C: charged to capital automatically
- D: ignored

9

A current ratio of 1.8:1 means current assets are:

- A: 1.8 times current liabilities
- B: 1.8% of sales
- C: equal to non-current assets
- D: negative

10

Trade receivables days approximates:

- A: credit sales / receivables
- B: receivables / credit sales ×365
- C: cash / purchases
- D: inventory / sales ×12

11

A provision is recognised where there is a present obligation, probable outflow and:

- A: reliable estimate
- B: certain exact payment date
- C: shareholder approval
- D: cash payment already made

12

Purchase of equipment for cash is normally a:

- A: financing inflow
- B: investing outflow

- C: operating inflow
- D: revenue expense

13

A bank reconciliation identifies differences between:

- A: cash book and bank statement
- B: sales and purchases
- C: assets and liabilities
- D: budget and actual

14

A manager knowingly omits a material liability to improve reported profit. The main professional concern is:

- A: integrity and faithful representation
- B: prudence requires it
- C: consistency
- D: cash flow classification only

15

A high gross margin may be caused by:

- A: higher selling prices or lower cost of sales
- B: only a fall in cash
- C: higher receivable days
- D: additional share capital

Structured Questions

16 [20 marks]

A sole trader began with equipment cost £30,000, accumulated depreciation £6,000, inventory £8,400, receivables £6,200, cash £2,000, and trade payables £5,600. During the year: credit sales £96,000; cash sales £12,000; sales returns £2,000; purchases £51,000; purchase returns £1,500; carriage inwards £1,200; wages £14,000; rent paid £6,000 of which £500 relates to next year; insurance paid £1,800, with £300 owing; drawings £7,000; customer receipts £94,000; supplier payments £45,000. Closing inventory is £9,100. Equipment depreciation is 10% straight-line on original cost. Prepare a statement of profit or loss for the year, showing workings.

17 [20 marks]

On 1 April a business bought equipment for £48,000, expected useful life 6 years, residual value £6,000, straight-line depreciation. It also bought a delivery van for £24,000 on 1 October, useful life 4 years and residual value £4,000. Year end 31 March. Calculate depreciation for each asset and carrying values at year end; explain two limitations of depreciation estimates.

18 [20 marks]

A company reports profit before tax £42,000 including depreciation £5,000 and loss on disposal £1,000. During year receivables increase £2,000, inventory falls £1,500, payables increase £2,500. Tax paid £7,000; equipment purchased £12,000; equipment sale proceeds £3,000; new share issue £8,000; dividend paid £2,000. Prepare cash flows from operating activities using indirect method, then classify investing and financing cash flows and calculate net change in cash.

19 [20 marks]

At year end, a customer owing £4,000 is in administration. The business expects to recover 25%. Another customer balance of £6,000 is overdue but no evidence indicates impairment. Explain and calculate the impairment allowance, journal entry, and effects on profit and receivables. Explain the ethical risk of manipulating estimates.

Instructions

Select one answer A-D for each of the 15 multiple-choice items; answer all structured questions and show workings.