

# T Level Technical Qualification in Accounting

Specimen assessment material for first teaching

September 2022

Time: 2 hours 30 minutes

Paper Reference **XXXX/01**

## Paper 1: Business Principles

You must have a calculator.

Total Marks

### Instructions

- Use **black** ink or a ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- There are two sections in this question paper. Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*

### Information

- The total mark for this paper is 90.
- The marks for each question are shown in brackets.  
– *use this as a guide to how much time to spend on each question.*

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

**SXXXXXA**

**SECTION A**

**Answer ALL questions. Write your answers in the spaces provided.**

- 1 Name the financial professional whose role is to calculate and assess future financial risks and make predictions using models and statistics.

(1)

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**(Total for Question 1 = 1 mark)**

- 2 Give **one** risk to an accountancy practice in outsourcing work to a third-party provider.

(1)

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**(Total for Question 2 = 1 mark)**

- 3 Explain **one** disadvantage to a business of offering an on-the-job training scheme.

(2)

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**(Total for Question 3 = 2 marks)**

4 Give **one** reason for compiling a bibliography in a research project. (1)

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**(Total for Question 4 = 1 mark)**

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5 Explain how using a data governance process can have a positive impact on data management. (2)

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**(Total for Question 5 = 2 marks)**

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6 Explain **one** benefit to a business of using flexible budgets. (2)

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**(Total for Question 6 = 2 marks)**

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7 Explain how using invoice discounting rather than debt factoring can help a business.

(3)

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**(Total for Question 7 = 3 marks)**

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## SECTION B

Answer ALL questions. Write your answers in the spaces provided.

### Scenario 1

*L and T Accountancy Services (LTAS)* is a large established accounting practice that operates in a competitive market.

*LTAS* employs a team of accountants with industry expertise and who are familiar with accounting software. It also employs a telesales team to sell its accounting services. The telesales team members are not accountants. Their role is to contact a set number of prospective clients daily to try to convert leads into sales. *LTAS* has a project team looking at how to improve the performance of these telesales staff.

The owners of *LTAS* have recently carried out an employee survey as they were concerned that morale of the telesales team was low. In the survey these telesales staff stated that they were unhappy. They felt overworked and undertrained as they dealt with prospective clients. They did not feel they were providing the best possible service. The management team are considering making operational changes to address these issues.

To help achieve *LTAS*'s aims of business growth and increased efficiency, the owners have purchased new computer hardware for the practice's offices. This hardware was purchased at the beginning of the financial year and, in line with *LTAS*'s accounting policy, will be depreciated using the straight-line method of depreciation. This hardware will have a useful life of five years with no residual value.

They have also carried out some research into improving online services. They have discovered that it would cost £60 000 to improve the website and add more digital tools such as custom transactional bots and chat bots, digital assistants and robo-advisors. Although they believe this would be a positive move for the firm, they are worried about the effect this will have on the liquidity of the business.

The owners of *LTAS* have supplied you with current financial data to allow you to analyse business performance.

Financial data for <i>LTAS</i>		
Cash at bank	£26 000	
Trade payables	£10 899	
Financial ratios	Dec 20X3	Dec 20X2
Current Ratio	2.8:1	2.95:1
Net Profit Margin	19%	17%

Table 1

You must use Scenario 1 to answer questions 9a - 9d.

9 a) Explain **one** impact on the value of the computer hardware after one year if *LTAS* uses the straight-line depreciation method. (2)

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b) Explain **one** Key Performance Indicator (KPI) that *LTAS* could set as part of the plan to improve performance of the telesales team. (2)

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c) Explain **one** change to business operations at *LTAS* which could address the issues arising from the employee survey. (3)

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## Scenario 2

You are working at *Iosega Professional Services (IPS)*. The business offers financial services such as accounting and taxation services, business planning, development and financial decision making. It provides these services to private individuals, sole traders, partnerships, and business corporations.

You have been given the details of **two** clients, a limited company and a plc.

### Client 1 (this information relates to questions 10a, 10b and 10c)

Stefan is a director of a limited company (Ltd) which operates a local taxi service and a separate garage business. The company has recently signed a long-term lease on the business's garage premises. It has also negotiated 30 days credit terms with suppliers.

A significant amount of the garage's business is conducted on a credit sales basis. This contributes positively to profit levels. However, managing cash flow at certain times during the year is a challenge that needs to be addressed.

Stefan has supplied you with some current data for the garage.

Data for the garage from 20X1	
Hours worked by mechanic	30 hours a week for 50 weeks
Charge for labour and overheads	£25 an hour
Target net profit (profit for the year) 20X1	£40 000
Actual net profit (profit for the year) 20X1	£28 000

Table 2

Stefan currently takes a salary of £64 046 each year from the taxi service business.

Personal tax bands	
Income £	Income Tax rate
0 - 12 570	Stefan's personal tax-free allowance
Taxable income up to 37 700	20%
Taxable income above 37 700	40%

Table 3

<b>Extract from cash flow forecast for the garage business in 20X2</b>			
	<b>October</b>	<b>November</b>	<b>December</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>RECEIPTS</b>	5 500	5 600	6 150
<b>PAYMENTS</b>			
Rent to include utilities	536	536	536
Purchases	2 833	2 867	3 050
Wages	3 000	3 000	3 000
Loan repayments	1 000	1 000	1 000
<b>TOTAL PAYMENTS</b>	7 369	7 403	7 586
Opening balance	3 567	1 698	(105)
Net cash flow	(1 869)	(1 803)	(1 436)
Closing balance	1 698	(105)	(1 541)

Table 4

## Client 2 (this information relates to questions 10d and 10e)

Malin Yung is the CEO of *Malin Yung Investments (MYI)*. *MYI*'s clients are people looking for advice on retirement and pensions.

Malin is proud of the business's commitment to excellence through the use of up-to-date technologies, ethical practices and staff training. This is reflected in the high morale of the company's team of experienced advisors who operate from 8am to 8pm from Monday to Saturday.

The business has recently converted from a limited company (Ltd) to a public limited company (plc). Malin currently owns 51% of the share capital of *MYI*.

The company is committed to making the best possible return for its shareholders and wants to purchase new equipment and invest in technology to increase productivity. Malin is recommending to the Board that an additional share issue is used to finance the proposed new investment.

Malin has had some reports of poor customer service and so is also planning to make some rapid changes to operations.

Malin has provided you with some data from the company.

Extract from the Statement of Financial Position for <i>MYI</i> as at 31 December 20X1	
	£000s
Non-current assets	300
Current assets	225
Share capital	100
Retained earnings	50
Non-current liabilities	325
Current liabilities	50

Table 5

**You must use Scenario 2, Client 1 to answer questions 10a - 10c.**

10 a) Using the data given in Table 2, calculate the hourly rate Stefan should have charged to achieve the target net profit (profit for the year) in 20X1.

(2)

You must show your workings.

£.....

b) Using the information in Table 3, calculate the income tax liability for Stefan if earning £64 046 each year.

(3)

You must show your workings.

£.....

Stefan plans to increase the charge for labour and overheads at the garage.

c) Explain **one other way** that Stefan can improve the cash flow forecast position of the garage.

(2)

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**(Total for Question 10 = 28 marks)**

### Scenario 3

*Best-start* is a business advisory service, giving help and support to prospective business start-ups and new small businesses. They have been approached by a client, Siriol, that wants to set up a new business as a sole trader.

Siriol has just finished training to become a carpenter. Siriol does not have any customers at present but plans to rent and equip a small industrial unit to make quality furniture by hand. They plan to use the finest materials sourced wherever possible from the UK.

Siriol wants to get started as soon as possible and has prepared a business plan which outlines the business objectives for the future. These are to be profitable, to grow, and to create and maintain a reputation for excellence.

Siriol has created an online survey to gather opinions about the proposed business start-up from potential customers.

Proposed online survey
<p>Hi, I'm Siriol and I would love your opinions on my idea for a furniture business in your area.</p> <p>I have lots of ideas. I am considering:</p> <ul style="list-style-type: none"><li>• making and selling basic but beautiful pieces of furniture at reasonable prices that will please all</li><li>• taking commissions for bespoke pieces that you will adore</li><li>• upcycling pieces of pre-loved furniture that fit your décor exactly.</li></ul> <p>My ideas are both exciting and innovative - don't you agree?</p> <p>Please post your comments on whether you think I should start up my furniture business below.</p>

Table 6

Siriol also wants to discuss the best way to fund this business start-up. At present they have very limited funds.

Siriol has approached the bank but their application for a loan was unsuccessful. Family and friends have offered to help towards financing the project, but Siriol is looking at alternative investment opportunities.

They are now considering equity crowdfunding as their main source of finance.

**You must use scenario 3 to answer questions 11a - 11d.**

Siriol plans to maintain accurate records for their furniture business to ensure it operates efficiently.

11 (a) Explain **one other reason** why Siriol must maintain accurate financial records for their business.

(3)

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b) Explain **two issues** with the design of the proposed survey.

(4)

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**Total for Question 11 = 28 marks)**

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**TOTAL FOR SECTION B = 72 MARKS**

**TOTAL FOR PAPER = 90 MARKS**