

ACCA FINAL ASSESSMENT

Financial Accounting

December 2011

Time allowed: 2 hours

All FIFTY questions are compulsory and **MUST** be attempted.

Do NOT open this paper until instructed by the supervisor.

This question paper must not be removed from the examination hall.

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Paper F3 (INT)

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ALL questions are compulsory

- 1 A company's gross profit as a percentage of sales decreased from 28% in the year ended 31 December 20X1 to 25% in the year ended 31 December 20X2.**

Which of the following events most likely caused the decrease?

- A An increase in sales volume
 B A purchase in December 20X1 mistakenly being recorded as happening in January 20X2
 C Overstatement of the closing inventory at 31 December 20X1
 D Understatement of the closing inventory at 31 December 20X1 **(2 marks)**

- 2 Gavin Co purchased 70,000 ordinary shares in Gary Co for \$95,000 five years ago, when Gary's retained earnings were \$25,000.**

Gary Co's equity and reserves at 30 June 20X9 were as follows

Ordinary shares \$1	90,000
Retained earnings	75,000

The fair value of non-controlling interest at acquisition was \$25,000.

What was the goodwill arising on acquisition of Gary Co?

- A \$30,000
 B \$5,000
 C \$45,000
 D \$20,000 **(2 marks)**
- 3 Below are the extracts of the trial balance of Pattinsons, a limited liability company, for the year ended 30 June 2008:**

	DR	CR
Plant and machinery cost	\$320,000	
Accumulated depreciation (as at 1 July 2008)		\$115,200

The company depreciates plant and machinery at 20% per annum on a reducing balance basis.

The depreciation charge for the year ended 30 June 2009 should be \$40,960.

- A True
 B False **(2 marks)**

4 Pinks acquired 75% of the voting equity shares of Lads. Pinks had the following equity at the date of acquisition:

Ordinary shares	\$ 1,500,000
Retained earnings	\$ 900,000

The cost of the investment was £2,000,000 and the fair value of the non-controlling interest at acquisition was \$450,000.

What was the goodwill on acquisition of Lads?

- A \$500,000
 - B \$650,000
 - C \$50,000
 - D \$450,000
- (2 marks)**

5 When Roberts' trial balance was extracted, the total of the debit balances was \$208,462 and the total of the credit balances was \$208,642. He opened a suspense account while he checked the entries. He then found that:

- (i) a cash sale for \$50 was debited to the cash account, but no entry was made in the sales account;
- (ii) the opening inventory figure of \$1,200 was omitted from the trial balance

When Robert corrects these errors what is the balance on his suspense account?

- A \$1,070 debit
 - B \$1,330 credit
 - C \$1,280 debit
 - D \$970 credit
- (2 marks)**

6 After Edward prepared his draft accounts he discovered that he had incorrectly classified an item of revenue expenditure as capital expenditure.

When the error is corrected, how will his net profit and capital be affected?

	<i>Net profit</i>	<i>Capital</i>
A	Increased	Reduced
B	Reduced	Increased
C	Increased	Increased
D	Reduced	Reduced

(2 marks)

7 At 31 May 2008, Bella's capital balance was \$144,867. During the year to 31 May 2009, her profit was \$25,764. At 31 May 2009 her capital balance was \$153,153

What were Bella's drawings for the year to 31 May 2009?

- A \$8,286
 - B \$17,478
 - C \$34,050
 - D \$70,814
- (2 marks)**

- 8 The following bank reconciliation has been prepared by the company's bookkeeper as at 31 July 2009:**

	\$
Overdraft per bank statement	47,500
Add: Unpresented cheques	2,400
Less: Lodgements/deposits credited	45,700
	95,600
Balance per cash book	95,600

What is the correct balance per the cash book?

- A \$90,800 positive
 B \$4,200 overdraft
 C \$4,200 positive
 D \$90,800 overdraft (2 marks)
- 9 At 30 April 2009, Forks, a limited liability company, was being sued by an ex-employee for wrongful dismissal. Forks has been advised that the claim is 95% likely to succeed, and that damages of \$140,000 will be payable if the claim does succeed.**
- How should this matter be treated in the financial statements of Forks for the year ended 30 April 2009?
- A A provision should be made for \$140,000
 B The matter should be ignored
 C A provision should be made for \$133,000
 D The matter should be disclosed by a note (2 marks)
- 10 A company lets out a number of properties. The total rent received in the year ended 30 June 2009 was \$617,000. The following amounts were received in advance or were in arrears at the dates shown:**

	30 Jun 2009	1 Jul 2008
	\$	\$
Rent received in advance	25,250	37,900
Rent in arrears (all subsequently received)	12,250	31,000

What amount of rental income should appear in the income statement for the year ended 30 June 2009?

- A \$597,100
 B \$610,900
 C \$623,100
 D \$636,900 (2 marks)

11 According to the IASB’s Framework for the Preparation and Presentation of Financial Statements (Framework), ‘equity’ is described as:

- A The amount paid into the enterprise by the owner
- B Accumulated profits less amounts withdrawn
- C The residual interest in the assets less liabilities
- D Owner’s capital investment in the enterprise (2 marks)

12 Which of the following statements is correct?

- A Capital expenditure on Research must be capitalised and depreciated as normal
- B Dividends proposed after the year end must not be accrued in the accounts
- C Contingent liabilities should always be provided in the accounts
- D Land should be depreciated over 50 years (2 marks)

13 James, a limited liability company, has the following capital structure:

	\$
200,000 Ordinary shares of 50c each	100,000
20,000 20% Irredeemable Preference Shares of \$1 each	20,000

The preference shareholders have had their dividend paid during the year.

The following information has been provided for ordinary shareholders:

- (i) Dividends declared **before** the year end was 10 cents per share.
- (ii) Dividends declared **after** the year end was 15 cents per share.

What are the dividends that should be included in the statement of changes in equity (**SOCIE**) and the Statement of Financial Position for the year ended 31 March 2009?

	<i>(SOCIE)</i>	<i>(Statement of Financial Position)</i>	
	\$	\$	
A	24,000	20,000	
B	20,000	20,000	
C	50,000	4,000	
D	50,000	50,000	(2 marks)

14 In compliance with International Accounting Standards proceeds on sale of non-current assets are found in:

- A Statement of Cash Flows
- B Statement of Cash Flows and Income Statement account
- C Income Statement Account and Statement of Financial Position
- D Statement of Changes in Equity and Statement of Financial Position (2 marks)

- 15 You are preparing the final accounts for a business. The cost of the items in closing inventory is \$41,875. This includes some items which cost \$1,960 and which were damaged in transit. You have estimated that it will cost \$360 to repair the items, and they can then be sold for \$1,200. What is the correct inventory valuation for inclusion in the final accounts?**

- A \$39,915
 B \$40,755
 C \$41,515
 D \$42,995

(2 marks)

- 16 Mark's trial balance at 31 October 2009 includes the following balances:**

	\$
Machinery at cost	85,800
Accumulated depreciation on machinery	21,750
Trade receivables	42,650
Allowance for receivable	1,570
Bank overdraft	6,470
Inventory at 1 November 2008	21,650

His inventory at 31 October 2009 is valued at \$22,300

What value should be reported for current assets in Mark's Statement of Financial Position at 31 October 2009?

- A \$62,730
 B \$63,380
 C \$64,950
 D \$69,850

(2 marks)

- 17 On the 31 October 20X2, P acquired 70% of the share capital of S. The non-controlling interest had a fair value of \$1,500,000.**

Extracts from the statement of financial position of S at 31 October 20X2 and 31 October 20X6 are shown below:

Statement of financial position

	31 October 20X2	31 October 20X6
	\$	\$
Ordinary share capital	1,000,000	1,000,000
Share premium account	500,000	500,000
Retained earnings	5,850,000	6,500,000

What figure for non-controlling interest should appear in the consolidated statement of financial position as at 30 June 20X6?

- A \$3,450,000
 B \$1,695,000
 C \$1,955,000
 D \$6,050,000

(2 marks)

18 Which of the items listed below could appear in a company's statement of changes in equity?

- (i) Profit for the year.
- (ii) Closing inventory.
- (iii) Loans.
- (iv) Proposed dividends.
- (v) Dividends paid.

- A (i), (ii) and (iv)
- B (i), (ii) and (iii)
- C (i) and (iv)
- D (i) and (v)

(2 marks)**19 During the year to 30 September 2009, Claire paid \$16,750 for light and heat. At 1 October 2008 she owed \$2,565 in relation to light and heat expenses incurred up to 30 September 2008 and at the 30 September 2009 she had paid \$956 in advance for light and heat.**

What charge for light and heat will appear in the incomes statement for the year ended 30 September 2009?

- A \$20,271
- B \$18,359
- C \$13,229
- D \$15,141

(2 marks)**20 At the 30 September 2008 Shauna had non-current assets with a carrying value of \$345,876.**

At the 30 September 2009 the non-current assets carrying value was \$457,987.

During the year a non-current asset was sold for \$2,870. This created a profit of £1,500.

Depreciation on all non-current assets during the year amounted to \$16,750.

Assuming these were the only adjustments to non-current assets during the year what were the additions to non-current assets during the year to 30 September 2009?

- A \$130,231
- B \$131,731
- C \$130,361
- D None of the above

(2 marks)

- 21 At 30 November 2009, Hollie's general ledger included the following balances:**
- | | |
|--|-----------|
| Trade receivables | \$132,425 |
| Allowance for receivables at 1 December 2008 | \$2,430 |
| Hollie's allowance for receivable should be revised to | \$1,100 |
- How should receivables be reported on Hollie's Statement of Financial Position?
- A Current asset of \$132,425, Current liability \$1,100
B Current asset of \$131,325
C Current asset of \$134,855 Current liability \$1,100
D Current asset of \$133,755 **(2 marks)**
- 22 Which of the following statements is/are correct?**
- 1 A statement of cash flows prepared using the direct method produces the same figure to net cash flow from operating activities from that produced if the indirect method is used.
2 Bonus issues of shares do not feature in a statement of cash flows.
3 Profit on a disposal of a non-current asset will not appear in the statement of cash flows.
4 A loss of on the sale of a non-current asset will appear as an item under cash flows from investing activities in the statement of cash flows.
- A 1 and 2 only
B 3 and 4 only
C 2 and 4 only
D 3 only **(2 marks)**
- 23 At 1 July 2008, Jacob, a limited company, had a balance on their share premium account of \$320,000 and \$1,500,000 on their ordinary share capital. This consists of ordinary shares with a nominal value of \$1.25 each.**
- During the year to 30 June 2009, Jacob made a bonus issue of 1 for 6. This was fully taken up by ordinary shareholders.
- What is the balance on the share premium account at 30 June 2009?
- A \$120,000
B \$70,000
C \$75,000
D \$320,000 **(2 marks)**
- 24 A company has \$120,000 of 8% Preference shares in issue. During the year an interim dividend was paid to preference shareholders of \$5,000.**
- What is the year end preference dividend provision?
- A \$1,600
B \$5,000
C \$9,600
D \$4,600 **(2 marks)**

25 At 1 October 20X4, BK had the following balance:

Accrued interest payable \$12,000 credit

During the year ended 30 September 20X5, BK charged interest payable of \$41,000 to its income statement. The closing balance on accrued interest payable account at 30 September 20X5 was \$15,000 credit.

How much interest paid should BK show on its cash flow statement for the year ended 30 September 20X5?

- A \$38,000
- B \$41,000
- C \$44,000
- D \$53,000 (2 marks)

26 During the reconciliation of the receivables control account with the receivables ledger Jill has found a difference.

	\$
Balance on receivables ledger control account	102,849
Balance on receivables ledger	102,382

On investigation she finds that a contra entry of \$800 has not been reflected in the control account.

What is the un-reconciled difference if we take into account the error above?

- A \$333
 - B \$1,267
 - C \$467
 - D \$1,133 (2 marks)
- 27 On 1 April 2008 Brendon was owed \$61,784 by his credit customers. During the year his credit sales totalled \$660,846. Discounts allowed totalled \$11,945, Irrecoverable debts were \$6,150 and dishonoured cheques amounted to \$250. The amount received from credit customers was \$655,135. On 31 March 2009, Brendon was owed \$52,278 from his credit customers.**

What was the amount of interest was charged to credit customers for late payment during the year ended 31 March 2009?

- A \$3,128
- B \$15,073
- C \$2,628
- D- \$6,400 (2 marks)

- 28 The International Accounting Standards Council (IASC) is the supervisory body for the regulatory framework of accounting. Its objective is to:**
- (i) Develop single set of high quality accounting standards.
 - (ii) Promote use and application of accounting standards.
 - (iii) Bring the convergence of national and international accounting standards.
- A None of the above
B (i) and (ii) only
C (iii) only
D All of the above **(2 marks)**
- 29 Which of the following lists comprises the qualitative characteristics that financial information should possess according to the IASB's Framework for the Preparation and Presentation of Financial Statements?**
- A Relevance, reliability, comparability, understandability
B Relevance, reliability, prudence, understandability
C Relevance, reliability, prudence, accruals
D Relevance, reliability, prudence, accruals, understandability **(2 marks)**
- 30 Carla is preparing her bank reconciliation. The bank balance in her general ledger is \$3,750 credit. The only items which need to be dealt with are:**
- (i) a cheque for \$2,466 issued to a supplier which has not yet appeared on the bank statement;
 - (ii) a cheque receipt from a credit customer of \$1,701 has been dishonoured, Carla has not yet recorded this;
 - (iii) Bank charges of \$735 have been debited by the bank, but not yet recorded by Carla.
- What is the closing balance on Carla's bank statement?
- A \$6,186
B \$3,720 Overdrawn
C \$6,186 Overdrawn
D \$3,720 **(2 marks)**

31 Durzo, a limited liability company, has the following building in its financial statements as at 30 June 2008:

Cost	\$2,400,000
Accumulated depreciation	\$(600,000)
Net book value	<u>\$1,800,000</u>

It has been decided to revalue the property to \$3,600,000 on 1 July 2008.

What is the double entry to record the above revaluation?

		\$	
A	Dr	Cost	1,200,000
	Dr	Accumulated depreciation	600,000
	Cr	Revaluation reserve	1,800,000
B	Dr	Cost	1,800,000
	Cr	Revaluation reserve	1,800,000
C	Dr	Cost	1,200,000
	Cr	Revaluation reserve	1,200,000
D	Dr	Revaluation reserve	1,800,000
	Cr	Cost	1,200,000
	Cr	Accumulated depreciation	600,000

(2 marks)

32 After completing his final accounts, Kyler found that he had understated a year end accrual.

How are Kyler's net profit and capital affected by the correction of the error?

	<i>Net profit</i>	<i>Net assets</i>	
A	Increased	Increased	
B	Increased	Decreased	
C	Decreased	Increased	
D	Decreased	Decreased	(2 marks)

33 While carrying out the reconciliation of the balance on the payables control account in the general ledger with the supplier's statements, Jarl discovered the following errors:

- (i) A supplier's statement had not accounted for cash in transit of \$1,200.
- (ii) The total of the purchase day book was overcast by \$8,000.
- (iii) Jarl took a settlement discount of \$400 that was not allowed by the supplier on their statement as the payment was late.

Which of the above errors require a correcting entry in the control account?

- A (i) and (ii) only
- B (ii) and (iii) only
- C (iii) only
- D All of the above (2 marks)

34 Tanya's year end is 30 June. She depreciates motor vehicles at 20% per annum on the straight line basis. A full years depreciation is charged in the year of acquisition, and none in the year of disposal.

In September 2006 Jackie bought a van for \$27,000.

If she sells the van for \$12,000 in January 2009, what will be Jackie's profit or loss on disposal?

- A A profit of \$4,200
- B A loss of \$4,200
- C A profit of \$1,200
- D A loss of \$1,200 (2 marks)

35 Trillings, a limited company, has a year end of 30 June 2008. On the 5 July 2009 they had a fire which destroyed \$40,000 worth of inventory.

This requires an adjustment in the financial statements for the year ended 30 June 2008 in accordance with IAS 10.

- A True
- B False (2 marks)

36 A contingent asset in accordance with IAS 37 should be adjusted in the financial statements when:

- A It is probable that economic benefit will flow to an entity
- B It is possible that economic benefit will flow to an entity
- C There is a remote possibility that economic benefit will flow to an entity
- D It is virtually certain that economic benefit will flow to an entity (2 marks)

37 According to the Framework for the Preparation and Presentation of Financial Statements, how is the measurement of assets and liabilities affected by the application of prudence?

	<i>Assets should not be</i>	<i>Liabilities should not be</i>	
A	overstated	understated	
B	overstated	overstated	
C	understated	understated	
D	understated	overstated	(2 marks)

38 Barrowhall, a limited liability company, has an under provision of \$5,000 on its tax liability account at end of year ended 31 January 2009 before accounting for that years tax charge.

Estimated tax on profit for the year is \$83,000.

What amounts should be shown in the financial statements for year ended 31 January 2009 in respect of tax?

	<i>Income statement</i>	<i>Statement of Financial Position</i>	
A	\$83,000	\$83,000	
B	\$88,000	\$88,000	
C	\$88,000	\$83,000	
D	\$78,000	\$83,000	(2 marks)

39 Which of the following statements best describes current assets?

- A Assets which are expected to be converted into cash within 12 months
- B Assets which are owned by a business
- C Assets which are controlled or owned by a business **(2 marks)**

40 Steve uses the first in first out method of inventory valuation. At 1 May 2009 he had 24 units in inventory at a total value of \$270. The movement on his inventory in May 2009 was:

Receipts

12 May	25 units at \$11.50
23 May	40 units at \$11.40

Sales

14 May	20 units
26 May	25 units

What is the value of Steve's inventory at 31 May 2009?

- A \$456
- B \$502
- C \$46
- D \$465 **(2 marks)**

- 41 Amber has the following information regarding her accounting records, during the financial year. Opening inventory of \$13,400 and purchases of \$168,000 during the year. Closing inventory amounted to \$10,800. All sales are made up at a mark up on cost of 20%.**

What is Amber's gross profit for the year?

- A \$27,500
- B \$34,120
- C \$33,080
- D \$41,350

(2 marks)

- 42 Which of the following statements are correct?**

- (i) Under the consistency concept items must always be treated in the same way even if circumstances change.
- (ii) According to the money measurement concept only items which can be objectively expressed in monetary terms should be included in the financial statements.
- (iii) The prudence concept involves an exercise of caution when making estimates in financial statements. It therefore ensures that assets and income are not overstated and losses and liabilities are not understated.
- (iv) According to the materiality concept an item is material if its omission or misstatement might reasonably be expected to influence the economic decisions of the users.

- A All of the above
- B None of the above
- C (i),(ii),(iii)
- D (ii),(iii),(iv)

(2 marks)

- 43 In the year to 30 September 2009, Craig paid a total of \$191,353 to his suppliers.**

His opening and closing balances due to suppliers and his opening and closing inventory values were:

	<i>Opening value</i>	<i>Closing value</i>
Suppliers	\$20,340	\$19,240
Inventory	\$4,932	\$6,430

What was Craig's cost of sales for the year to 30 September 2009?

- A \$190,253
- B \$188,755
- C \$181,755
- D \$191,751

(2 marks)

- 44 During the year plant, which originally cost \$18,500 and had been depreciated by \$9,643 was part exchanged for new plant. The part exchange allowance was \$6,250.**

What was the profit or loss on disposal of the non-current asset?

- A \$6,250 loss
- B \$6,250 profit
- C \$2,607 loss
- D \$2,607 profit

(2 marks)

- 45 Paul found a number of errors in the financial statements at the end of the accounting period and put through the following adjustments:**

- Credit sales of \$15,000 completely omitted from the ledgers.
- Property depreciation of \$2,350 had been reflected in the income statement but no adjustment had been put through accumulated depreciation.
- Rent expenditure of \$600 had been treated as Rates.
- Rental income of \$4,000 was received in advance and no adjustment had been made.

Before the adjustments above Paul's profit for the period was \$346,464

What is the profit after the above adjustments?

- A \$344,114
- B \$347,064
- C \$337,814
- D \$357,464

(2 marks)

- 46 Which (if any) of the following statement is true in terms of Limited Companies:**

- (i) The Directors are the owners.
- (ii) The Ordinary Shareholders report to the Directors on the performance.
- (iii) The Directors receive a dividend based on their performance.
- (iv) The dividend for Ordinary shareholders is capped.

- A None of the above
- B (i) and (ii) only
- C (iv) only
- D All of the above

(2 marks)

47 The following extracts are from Sat's financial statements:

Profit before interest and tax	15,200
Interest	(1,250)
Tax	(4,500)
Profit after tax	5,300
Share capital	25,000
Reserves	17,600
Loan liability	7,500

What is Sat's return on capital employed?

- A 30%
- B 10%
- C 36%
- D 12%

(2 marks)

48 If Mel has a mark up on cost of sales of 50% then the gross profit margin is 1/3

- A True
- B False

(2 marks)

49 The profit from operations for Sparkles, a limited company, was \$104,358. What is the cash generated from operations if:

Depreciation for the year was \$7,500

An asset was sold at a loss of \$1,500

An increase in Trade receivables of \$10,962 occurred from one year to the next

A decrease in Trade Payable of \$11,961 occurred from one year to the next

- A \$75,435
- B \$87,435
- C \$118,281
- D \$90,435

(2 marks)

50 Peppermint Ltd had provided income tax for the previous year of \$34,500 however it paid income tax of \$37,650 this year. At the year-end, the company estimates that \$56,000 is owed in relation to income tax for the current year.

What amount will be shown in the income statement account for the current year-end in respect of the income tax?

- A \$52,850
- B \$56,000
- C \$59,150
- D None of the above

(2 marks)

(Total: 100 marks)

