

ACCA INTERIM 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 Which of the following is the accounting equation?

- A Assets + Liabilities = Capital + Profit – Drawings
- B Assets – Liabilities = Capital + Profit + Drawings
- C Assets – Liabilities = Capital + Profit – Drawings
- D Assets + Liabilities = Capital – Profit + Drawings

(2 marks)**2 Which of the following is *incorrect*?**

- A A debit entry increases assets
A debit entry increases drawings
A credit entry increases profit
- B A debit entry decreases liabilities
A credit entry increases capital
A credit entry increases profit
- C A credit entry decreases assets
A debit entry increases drawings
A debit entry increases profit
- D A credit entry increases liabilities
A credit entry increases capital
A debit entry decreases profit

(2 marks)**3 A business part-exchanges an old motor vehicle for a new vehicle. The old vehicle originally cost \$12,000 and had a net book value of \$7,000 when it was disposed. A part-exchange allowance of \$6,000 was given against the cost of the new vehicle of \$18,000.**

What profit or loss was made on the disposal of the old motor vehicle?

- A \$1,000 loss
- B \$1,000 profit
- C \$6,000 loss
- D \$6,000 profit

(2 marks)**4 The imprest system applied to operating petty cash means?**

- A The exact amount of expenditure is reimbursed to maintain a fixed float
- B A petty cash book is periodically updated
- C Petty cash vouchers agree to the reconciliation
- D A random amount of cash is transferred into petty cash

(2 marks)

- 5 **Whilst carrying out the year-end inventory count, a business discovered some of its inventory was damaged. The inventory had originally cost \$1,000. It would normally sell for \$1,500. However, it is now thought that the inventory will sell for \$1,200 after some repair work has been carried out which will cost \$300.**

At what value should this inventory be recorded in the financial statements?

- A \$700
 - B \$900
 - C \$1,000
 - D \$1,200
- (2 marks)**

- 6 **Which of the following concepts best explains why depreciation is charged in the financial statements?**

- A Relevance
 - B Going concern
 - C Accruals
 - D Money measurement
- (2 marks)**

- 7 **Which two of the following errors would cause the debit column and the total of the credit column of the trial balance to agree?**

- 1 A transposition error was made when entering a sales invoice into the sales day book.
 - 2 A cheque received from a customer was credited to cash and correctly recognised in receivables.
 - 3 A purchase of non-current assets was omitted from the accounting records.
 - 4 Rent received was included in the trial balance as a debit balance.
- A 1 and 2
 - B 1 and 3
 - C 2 and 3
 - D 2 and 4
- (2 marks)**

- 8 **At 30 April 2007, Judith had three items of closing inventory that had been valued as follows:**

	<i>Cost</i>	<i>NRV</i>
Product X	\$5,600	\$5,500
Product Y	\$1,350	\$1,600
Product Z	\$3,275	\$2,960

What is the correct value of closing inventory to be included in Judith's financial statements?

- A \$9,810
 - B \$10,060
 - C \$10,225
 - D \$10,475
- (2 marks)**

- 9 The following sales tax account has been provided by Jenny for the quarter ended 30 June 2009. The account was prepared by an inexperienced book keeper.

Sales Tax \$			
Bal b/d (amount owing to the tax authority)	11,450	Purchases (sales tax element)	116,280
Sales (sales tax element)	258,400	Purchases returns (sales tax element)	2,325
Bank (payment on account to tax authority)	9,000	Bal c/d	160,245
	278,850		278,850
Bal b/d	160,245		

What is the correct sales tax balance for the quarter ended 30 June 2009?

- A \$160,245 debit
 B \$146,895 credit
 C \$160,245 credit
 D \$123,995 credit (2 marks)
- 10 At 31 January 2007, Joe has a receivables' balance of \$156,785. Following a review of receivables, Joe wishes to write off irrecoverable debts of \$3,455 and to make a specific allowance against a debt of \$1,750. Based on past experience, he also wishes to maintain an allowance at 5% of remaining receivables.

What are the total allowances for receivables that Joe now requires?

- A \$1,750
 B \$2,829
 C \$7,579
 D \$9,329 (2 marks)
- 11 At 1 April 2005, Iman had accrued \$450 for light and heat. During the year ended 31 March 2006 she paid light and heat bills that amounted to \$1,900, and at 31 March 2006 she estimated that she owed \$500 in respect of light and heat.

What is the charge to the income statement in respect of light and heat for the year ended 31 March 2006?

- A \$1,900
 B \$1,950
 C \$1,850
 D \$1,800 (2 marks)

12 From the following details, calculate the closing bank statement balance:

	\$
Unpresented/outstanding cheques	5,000
Deposits not credited (lodgements)	4,850
Closing bank balance in the records of the business before	
adjustments shown below	50,000
Bank charges	250
Dishonoured cheques	400

A \$49,350

B \$49,200

C \$50,300

D \$49,500

(2 marks)

13 At 1 January 2007, Haley had a receivables' balance of \$15,000. During the year ended 31 December 2007, the following transactions took place:

Credit sales	\$96,700
Cash sales	\$10,250
Receipts from credit customers	\$85,900
Discounts allowed	\$5,450
Refunds to credit customers	\$575

What is Haley's receivables' balance as at 31 December 2007?

A \$19,775

B \$20,925

C \$21,500

D \$31,175

(2 marks)

14 When a trade discount is received from a supplier the double entry is as follows:

Dr Discounts received

Cr Payables

Is this statement true or false?

A True

B False

(2 marks)

15 At 31 January 2007, George's bank statement shows a credit balance of \$1,500. In comparing this with his cashbook, George has found the following:

- cheque payments amounting to \$450 have not yet been presented at the bank for payment.
- bank charges of \$20 have not been recorded in his cashbook.
- cheque receipts amounting to \$200 are not shown on the bank statement.

What amount should appear in George's statement of financial position for cash at bank?

- A \$1,500
- B \$1,250
- C \$1,750
- D \$1,230

(2 marks)

16 Which of the following best describes an accrued expense?

- A An expense that will be incurred in the next accounting period but that has been paid for in this accounting period
- B An expense that has been incurred in this accounting period but that was paid for in the last accounting period
- C An expense that has been incurred in this accounting period but will be paid for in the next accounting period
- D An expense that will be incurred and paid for in the next accounting period

(2 marks)

17 A business sold goods to a customer that had a full price of \$1,500. The customer was given a trade discount of 10%, and was offered a cash discount of 5% for prompt payment. The customer took advantage of the cash discount.

How much did the customer pay the business for the goods?

- A \$1,425.00
- B \$1,350.00
- C \$1,282.50
- D \$1,275.00

(2 marks)

18 A business has incorrectly recorded discounts allowed of \$230 by crediting the discounts allowed account with \$320. The entry in the receivables account was made correctly.

What double entry is required to correct this error?

- A Dr Discounts allowed \$90 Cr Suspense \$90
- B Dr Suspense \$90 Cr Discounts allowed \$90
- C Dr Discounts allowed \$550 Cr Suspense \$550
- D Dr Suspense \$550 Cr Discounts allowed \$550

(2 marks)

- 19 Whilst carrying out reconciliation between the receivables' ledger control account and the receivables' ledger, Charlie found that the sales returns day book had been undercast by \$20.**

How should this error be corrected in the receivables' ledger control account and the list of balances per the receivables' ledger?

	<i>Receivables' ledger control account</i>	<i>List of balances</i>	
A	Credit \$20	Subtract \$20	
B	Debit \$20	Subtract \$20	
C	No correction required	Subtract \$20	
D	Credit \$20	No correction required	(2 marks)

- 20 Whilst carrying out reconciliation between the payables' ledger control account and the payables' ledger, Betty found that a purchase of goods for \$575 had been recorded in the purchase day book as \$557.**

How should this error be corrected in the payables' ledger control account and the list of balances per the payables' ledger?

	<i>Payables' ledger control account</i>	<i>List of balances</i>	
A	Debit \$18	Add \$18	
B	Credit \$18	Add \$18	
C	Debit \$18	Subtract \$18	
D	Credit \$18	No correction required	(2 marks)

- 21 A business purchased a new machine for \$15,000 on 31 May 2006. The machine was delivered and installed at an additional cost of \$1,000. The business's policy is to depreciate machinery at 10% on the straight-line basis, with proportionate monthly charges made in the year of acquisition and disposal.**

What depreciation will be charged on this piece of machinery in the year ended 31 December 2006?

A	\$1,500	
B	\$1,600	
C	\$875	
D	\$933	(2 marks)

- 22 At 1 April 2005, Eleanor had accrued income of \$1,000 in respect of rent receivable. She charges her tenants \$6,000 per annum for rent, and at 31 March 2006 her tenants had prepaid rent of \$800.**

How much cash did Eleanor receive from her tenants in the year ended 31 March 2006?

A	\$7,800	
B	\$6,200	
C	\$5,800	
D	\$4,200	(2 marks)

23 In which of the following books of prime entry would a disposal of a non-current asset appear?

- A Cash book
- B The journal
- C Purchase day book
- D Sales day book

(2 marks)

24 At 1 January 2007, a business owed \$6,500 in respect of sales tax. During the quarter ending 31 March 2007, a business made sales of \$45,000 (excluding sales tax) and made purchases amounting to \$35,250 (including sales tax).

Assuming that sales tax is charged at the standard rate of 17.5%, what is the balance on the sales tax account at 31 March 2007?

- A \$9,125 debit
- B \$9,125 credit
- C \$8,207 debit
- D \$8,207 credit

(2 marks)

25 The following information relates to a business for the year ended 31 March 2007:

Sales revenue	\$175,000
Purchases	\$145,000
Opening inventory	\$15,000
Closing inventory	\$12,000
Sales returns	\$3,000
Purchase returns	\$2,500
Carriage inwards	\$500
Carriage outwards	\$250

What is the cost of sales for the business for the year ended 31 March 2007?

- A \$148,500
- B \$148,000
- C \$146,000
- D \$145,500

(2 marks)

26 The profit earned by a business in 2007 was \$72,500. The proprietor injected new capital of \$8,000 during the year and withdrew goods for his private use which had cost \$2,200.

If net assets at the beginning of 2007 were \$101,700, what were the closing net assets?

- A \$35,000
- B \$39,400
- C \$168,400
- D \$180,000

(2 marks)

27 A business purchases machinery on credit for \$14,100 inclusive of sales tax at the standard rate of 17.5%. What accounting entries are needed to reflect this transaction, assuming that the sales tax at the standard rate is recoverable?

- | | | | | |
|---|--------|-----------|-------------|-----------|
| A | Debit | Machinery | \$14,100 | |
| | Credit | Payables | \$14,100 | |
| B | Debit | Machinery | \$14,100 | |
| | Credit | Payables | \$12,000 | |
| | Credit | Sales tax | \$2,100 | |
| C | Debit | Machinery | \$12,000 | |
| | Debit | Sales tax | \$2,100 | |
| | Credit | Payables | \$14,100 | |
| D | Debit | Machinery | \$14,100 | |
| | Debit | Sales tax | \$2,467.50 | |
| | Credit | Payables | \$16,567.50 | (2 marks) |

28 At 1 January 2006, the accounts of a sole trader show accrued rent payable of \$250. During the year he pays rent bills totalling \$1,275, including one bill for \$375 in respect of the quarter ending 31 January 2007.

What is the income statement charge for rent payable for the year ended 31 December 2006?

- A \$900
 - B \$1,150
 - C \$1,400
 - D \$1,650
- (2 marks)

29 Which two of the following are not required to be disclosed as a note to the financial statements for intangible assets?

- 1 The useful lives of intangible assets capitalised in the financial statements.
- 2 A description of the development projects that have been undertaken during the period.
- 3 A list of all intangible assets purchased or developed in the period.
- 4 Impairment losses written off intangible assets during the period.

- A 1 and 4
 - B 2 and 3
 - C 3 and 4
 - D 1 and 2
- (2 marks)

- 30** A business buys a machine on 31 August 2002 for \$44,000. It has an expected useful life of seven years and an estimated residual value of \$2,000. On 30 June 2006 the machine is disposed of for \$18,000. The business's year end is 31 December. Its accounting policy is to charge depreciation using the straight-line method, with a proportionate charge in the years of acquisition and disposal.

Calculate the profit or loss on the disposal of the machine.

- A Loss of \$3,500
- B Loss of \$3,000
- C Loss of \$2,000
- D Profit of \$4,000 (2 marks)

- 31** A company uses the reducing balance method to depreciate its non-current assets. The annual rate is 20%. After three years the proportion of the original cost still undepreciated will be:

- A 51.2%
- B 48.8%
- C 40.0%
- D Impossible to determine. It depends on the estimated residual value (2 marks)

- 32** What is the purpose of charging depreciation in the accounts?

- A To allocate the cost of a non-current asset over the accounting periods expected to benefit from its use
- B To ensure that funds are available for the eventual replacement of the asset
- C To reduce the cost of the asset in the statement of financial position to its estimated market value
- D To comply with the prudence concept (2 marks)

- 33** IAS 1 (revised) *presentation of financial statements* requires some of the items to be disclosed on the face of the financial statements and others to be disclosed in the notes:

- i Depreciation.
- ii Revenue.
- iii Closing inventory.
- iv Finance cost.
- v Dividends.

Which two of the above have to be shown on the face of the income statement, rather than in the notes?

- A i and iv
- B iii and v
- C ii and iii
- D ii and iv (2 marks)

34 What double entry should be made with the total of the purchases returns day book?

- A Dr Payables
Cr Purchases returns
 - B Dr Purchases returns
Cr Payables
 - C Dr Purchases
Cr Payables
 - D Dr Payables
Cr Bank
- (2 marks)**

35 Zebedee purchases a machine for \$14,000. After incurring transportation costs of \$1,100 and spending \$1,500 on installing the machine, he is disappointed when it breaks down during the first month of operation. It costs \$1,000 to repair. Zebedee depreciates his machines at the rate of 10% per annum on cost.

What is the asset's net book value after one year?

- A \$12,600
 - B \$13,950
 - C \$14,940
 - D \$15,840
- (2 marks)**

36 Which one of the following errors would give rise to a difference on a trial balance in a business where sales and purchase ledger control accounts are maintained?

- A Bringing forward the opening balance on an account as \$9,390 instead of \$9,930
 - B Undercasting of the sales day book by \$1,000
 - C Failure to record the purchase of new plant and machinery costing \$5,000
 - D The posting of a payment of \$2,000 in respect of rent to the electricity account
- (2 marks)**

37 Justin's inventory valuation excludes goods held by customers on a sale or return basis. The goods have a cost to the company of \$1,200 and a selling price to customers of \$1,700. They have not been invoiced to customers.

The effect on Justin's profit of excluding this inventory is that:

- A Profit is understated by \$500
 - B Profit is understated by \$1,200
 - C Profit is understated by \$1,700
 - D Profit is stated correctly
- (2 marks)**

- 38 Jenkins has 200 identical units of inventory. Each one cost \$60 originally and they would be ready for sale after modification work costing \$12 per unit. Their selling price would then be \$100 each but the business would incur selling costs of 8% of sales value.**

Calculate the total statement of financial position value of this inventory.

- A \$12,000
- B \$14,400
- C \$16,000
- D \$18,400

(2 marks)

- 39 Which of the following errors should be detected by preparing a trial balance?**

- A A credit with no corresponding debit entry
- B An error of commission
- C A transaction for which no entries were made

(2 mark)

- 40 Which of the following statements are true regarding Financial Accounting?**

- (i) Generally required by law.
- (ii) Reflects past performance.
- (iii) Includes budgets and forecast of future activities.
- (iv) Prepared normally for external users.
- (v) Presented in accordance with strict legal and accounting requirements.

- A All statements are correct
- B All except statement (i) are correct
- C All except statement (iii) are correct
- D All except statement (iv) are correct

(2 marks)

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

- (i) Sole traders and partnerships businesses normally have limited liability.
- (ii) Companies are owned by shareholders and managed by directors.
- (iii) In a partnership each partner is jointly and severally liable for the debts of the partnership business.
- (iv) The capital of a company is normally divided into shares.

- A All the statements are correct
- B Statements (i), (iii) and (iv) are correct
- C Statements (i), (ii) and (iii) are correct
- D Statements (ii), (iii) and (iv) are correct

(2 marks)

42 The following information relates Ashanti, a limited liability company.

Purchases

- 1 January 10 units bought for \$6 each.
- 3 January 10 units bought for \$7 each.
- 8 January 10 units bought for \$10 each.

Sales

- 5 January sold 12 units for \$18 each.

What is the value of closing inventory if the company uses the FIFO method of inventory valuation and the gross profit?

	<i>Closing inventory</i>	<i>Gross profit/(loss)</i>	
A	\$156	Gross loss \$14	
B	\$156	Gross profit \$142	
C	\$152	Gross profit \$ 142	
D	\$116	Gross profit \$102	(2 marks)

43 An error of principle entry will result in the disagreement of the trial balance totals.

Is this statement true or false?

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

44 A business maintains control accounts as part of its integral double entry system. Goods are returned to a credit supplier. Which of the following double entry is recorded in the ledger accounts?

- A Debit Returns outwards
Credit Purchases ledger control account
- B Debit Purchases ledger control account
Credit Returns outwards
- C Debit Sales ledger control account
Credit Returns outwards
- D Debit Purchases ledger control account
Credit Returns inwards **(2 marks)**

- 45 At 1 April 2005, Gary had a payables' balance of \$15,485. During the year ended 31 March 2006, Gary paid cheques amounting to \$46,570 and cash of \$3,450 to his suppliers. He also received prompt payment discounts totalling \$2,680, and returned goods to suppliers totalling \$550. At 31 March 2006, Gary owed \$17,890 to his suppliers.**

What were Gary's purchases in the year ended 31 March 2006?

- A \$55,655
- B \$52,205
- C \$55,105
- D \$50,020

(2 marks)

- 46 Which of the following errors would cause a difference between the total of the individual balances and the control account?**

- (i) Undercasting of the purchase day book.
- (ii) Omission of a sales invoice from the sales day book.
- (iii) Posting \$79 from the purchase return day book to the individual account instead of the correct amount of \$97.
- (iv) Recording a purchase return in the sales day book.

- A All the above
- B Only (i) and (ii)
- C Only (iii) and (iv)
- D Only (i) and (iii)

(2 marks)

The following information applies to questions 47 and 48.

On 31 May, the bank statement of Edward shows a balance in hand of \$4,100. When checking the bank statement, it is found that bank charges of \$50 and a credit of \$1,000 from a trade receivable have not been entered in the cashbook.

There are cheques entered in the cashbook totalling \$3,330 which have yet to be presented to the bank, one of which, in respect of a purchase of goods of \$950, was issued but not sent to the supplier because the goods were not delivered. A banking of \$400 made on 31 May was not credited on the bank statement until 6 June.

- 47 What amount of cash at bank or bank overdraft should appear on the company's statement of financial position at 31 May?**

- A \$5,050 in hand
- B \$2,120 bank overdraft
- C \$2,120 in hand
- D \$7,980 in hand

(2 marks)

48 What would be the effect on the company's profits for the year after making the necessary adjustments?

- A \$50 reduction
 - B \$1,000 increase
 - C \$950 increase
 - D \$900 increase
- (2 marks)**

49 Which of the following errors would result in an adjustment being made to a suspense account when they are corrected?

- 1 A payment for rent which had been incorrectly debited to light and heat.
 - 2 The balance for drawings had been omitted from the trial balance.
 - 3 A payment for telephone expenses that had been correctly recorded in the bank account, but that had been incorrectly credited to wages.
- A 1, 2 and 3
 - B 1 and 3
 - C 2 and 3
 - D 2 only
- (2 marks)**

50 A trial balance is made up of a list of debit balances and credit balances.

Which of the following statements is correct?

- A Every debit balance represents an expense
 - B Assets are represented by debit balances
 - C Liabilities are represented by debit balances
 - D Income is included in the list of debit balances
- (2 marks)**

(Total: 100 marks)