

Recording Financial Transactions

ACCA CERTIFIED ACCOUNTING TECHNICIAN EXAMINATION

INTRODUCTORY LEVEL

PILOT PAPER – JUNE 2004

QUESTION PAPER

Time allowed **2 hours**

ALL FIFTY questions are compulsory and **MUST** be answered using the answer sheet provided

Do not open this paper until instructed by the supervisor

This question paper must not be removed from the examination hall

The Association of Chartered Certified Accountants

Paper 1 (INT)



ALL FIFTY questions are compulsory and MUST be attempted

- 1 Avalon gives his customers individual trade discounts from the list price and a general 5% cash discount for all invoices settled within 7 days of issue. A new customer, Nolava negotiates a 25% trade discount. His transactions during June are:

June 12 Buys goods with a \$5,000 list price
15 Returns goods with a \$1,000 list price as faulty
16 Pays half of the net balance on his account

How much does Nolava owe Avalon at the end of June?

- A \$1,425
- B \$1,500
- C \$2,000
- D \$2,850

- 2 Jasmine buys goods from Reshma on 60-day credit terms. Alternatively, a 10% cash discount is available on any payment received within 10 days. During February the following transactions took place:

Feb 2 Jasmine buys \$800 of goods
11 Jasmine pays Reshma a cheque for \$360

What is the balance of Jasmine's account in Reshma's receivables ledger at 28 February?

- A \$360
- B \$400
- C \$440
- D \$485

- 3 **What document is usually sent every month from the supplier to the customer, listing all the transactions between them during that month?**

- A Invoice
- B Receipt
- C Statement
- D Credit note

- 4 Manish buys goods on credit from Lisa but finds that some of them are faulty.

What document would Manish return to Lisa with the faulty goods?

- A Statement
- B Debit note
- C Sales invoice
- D Purchase invoice

5 What business document provides proof of payment for a business transaction?

- A Invoice
- B Receipt
- C Claim
- D Debit note

6 What is the purpose of crossing a cheque?

- A To stop it being paid into an account other than the payee's
- B To speed up the time it takes to go through the clearing system
- C To allow it to be paid into any account, not just the payee's
- D To tell the bank to check that there is enough money in the account to pay it

7 Christa pays her mortgage by instructing her bank to make monthly payments of a fixed amount from her current account. When the mortgage rate changes she issues revised instructions to the bank.

Which method of payment is Christa using?

- A Standing Order
- B Payable Order
- C Direct Debit
- D Crossed cheque

8 Alfredo is the Managing Director of a large engineering company. He signs his name on a company cheque for \$260 in accordance with the bank mandate. The company name appears on the cheque.

If the bank dishonours the cheque as the company has insufficient funds in the account, who is liable for the \$260?

- A The engineering company
- B Alfredo
- C The bank
- D No one

9 Which of the following items would be likely to be paid out of petty cash?

- (i) Payment to window cleaner \$10
- (ii) Hire purchase payment for a delivery van \$123
- (iii) A payment for postage stamps \$11.60
- (iv) A payment to a supplier for goods bought on credit of \$65

- A All of the above
- B i, iii and iv
- C i only
- D i and iii

10 Boris is employed as an accounting technician in the payables ledger section of a contract cleaning company.

Upon making a payment to a supplier, what is the sequence of events that Boris should carry out?

- A** Draw up a cheque for signing, check invoice with goods received note, check invoice with purchase order, check invoice calculation
- B** Check invoice with purchase order, draw up a cheque for signing, check invoice with goods received note, check invoice calculation
- C** Check invoice with purchase order, check invoice with goods received note, check invoice calculation, draw up a cheque for signing
- D** Check invoice calculation, draw up a cheque for signing, check invoice with purchase order, check invoice with goods received note.

11 Which of the following represents the correct imprest amount in an imprest petty cash system?

- A** Notes and coins in the cash box – vouchers – IOUs
- B** Notes and coins in the cash box + vouchers – IOUs
- C** Notes and coins in the cash box – vouchers + IOUs
- D** Notes and coins in the cash box + vouchers + IOUs

12 Louise introduces her car into her business.

Which parts of the business' accounting equation will change?

- A** Assets and capital
- B** Capital and profit
- C** Liabilities and assets
- D** Capital and liabilities

13 Which of the following should be classified as current liabilities?

- (1) Trade receivables
- (2) Sales tax payable
- (3) Trade payables
- (4) Drawings

- A** 1 and 2
- B** 2 and 3
- C** 3 and 4
- D** 2 and 4

14 Which item will appear as a debit balance in the ledger accounts?

- A** Capital
- B** Bank overdraft
- C** Trade payables
- D** Inventory

15 Which of the following balance sheet summaries is correct?

	<i>Capital</i>	<i>Assets</i>	<i>Liabilities</i>
A	\$35,000	\$24,000	\$11,000
B	\$21,000	\$15,000	\$36,000
C	\$25,000	\$33,000	\$8,000
D	\$33,000	\$25,000	\$8,000

16 Joanne has just started-up a business. She introduced \$10,000 of her own savings, equipment worth \$2,500 and obtained a bank loan of \$1,000.

What is the correct balance on Joanne's capital account following these transactions?

- A** \$10,000
- B** \$13,500
- C** \$12,500
- D** \$11,000

17 Which of the following is the correct posting to record a cash purchase of \$300 from Amdale?

- A** Debit Purchases \$300 Credit Amdale \$300
- B** Debit Amdale \$300 Credit Purchases \$300
- C** Debit Purchases \$300 Credit Bank \$300
- D** Debit Bank \$300 Credit Purchases \$300

18 Which of the following items would appear on opposite sides of a trial balance?

- A** Inventory and Drawings
- B** Sales and Returns out
- C** Carriage in and Carriage out
- D** Trade receivables and Returns out

19 East buys goods from South on credit. Which one of the following is the correct double entry for this transaction in East's books?

- A** Dr Purchases, Cr Cash
- B** Dr Purchases, Cr South
- C** Dr Cash, Cr Purchases
- D** Dr South, Cr Purchases

20 Which of the following errors would be found by extracting a trial balance?

- A** A transaction has been completely missed in the accounts
- B** The double entries have been made the wrong way round
- C** Different figures have been entered for the debit and credit entries
- D** An expense item has been posted to a non-current asset account.

21 The trade receivables control account balance is \$1,000 and the total of the individual trade receivables balances is \$850.

Which of the following errors could account for this difference?

- A A receipt from a credit customer \$150 was recorded twice in the receivables ledger and control account
- B A receipt from a credit customer \$150 was not recorded at all in the receivables ledger
- C A receipt from a credit customer \$150 was not recorded at all in the control account
- D A receipt from a credit customer \$150 was recorded twice in the control account

22 The following are the year end balances in Sam's ledgers:

	\$
Sales	43,000
Purchases	16,000
Equipment	22,000
Overdraft	8,000
Inventory	19,000
Capital	6,000

What is the trial balance total?

- A \$43,000
- B \$57,000
- C \$63,000
- D \$114,000

23 Janice buys a dress costing \$120, shoes costing \$60 and a jacket costing \$190. These are all gross figures, inclusive of sales tax at 17.5%.

How much sales tax in total has Janice paid?

- A \$55.11
- B \$64.75
- C \$74.48
- D \$68.51

24 Sarah runs her own business and is registered for sales tax. This week her purchases were \$2,350 *inclusive* of sales tax and her sales were \$1,000 *exclusive* of sales tax.

The rate of sales tax is 17.5%.

At the end of the week what will the sales tax account in her ledger show?

- A \$350 receivable
- B \$350 payable
- C \$175 receivable
- D \$175 payable

25 Idris is a sales tax registered trader. On 1 October he purchases carpets for his new showroom at the list price of \$2,000. He is given a trade discount of 20% and the sales tax rate is 17.5%.

What sum will Idris be invoiced, inclusive of sales tax?

- A \$1,980
- B \$2,350
- C \$1,600
- D \$1,880

26 Which of the following is a record of prime entry?

- A Receivables ledger control account
- B Journal
- C Purchase invoice
- D Trial balance

27 Which one of the following is the correct posting from the purchase day book?

- A Dr General ledger purchase account, Cr Suppliers' accounts in payables ledger
- B Dr General ledger purchase account, Cr Cash book
- C Dr Suppliers' accounts in payables ledger, Cr General ledger purchase account
- D Dr Cash book, Cr General ledger purchase account

28 Jonathan sends a debit note to one of his suppliers.

In which of Jonathan's books of prime entry would this be recorded?

- A Sales
- B Purchases
- C Sales returns
- D Purchase returns

29 In which books of prime entry would the following transactions be entered?

A credit sale for \$387 and a cash sale of \$200 less 10% discount for cash payment.

- A The cash book and sales day book
- B The petty cash book and sales day book
- C The purchase day book and sales day book
- D The journal and cash book

30 Rivano has a balance of \$350,000 on its payables ledger control account at the end of May.

What does this mean?

- A It has bought \$350,000 of goods in May
- B It is owed \$350,000 by its customers
- C It owes \$350,000 to its suppliers
- D It has paid \$350,000 to its suppliers in May

31 Phillip's bank reconciliation statement shows outstanding lodgements paid in by Phillip of \$3,800 and outstanding cheques to suppliers of \$3,500. His bank account in his ledger shows a debit balance of \$25,000.

What balance does Phillip's bank statement show?

- A \$25,000
- B \$24,700
- C \$25,300
- D \$32,300

32 Vic's receivables ledger balances add up to \$50,000, which does not agree with his trade receivables control account.

What should the total of the balances on his receivables ledger be after correcting the following errors?

- 1 A bank credit transfer from a credit customer of \$750 was not recorded in the receivables ledger
- 2 A contra entry of \$2,000 was entered in the control account but not in the receivables and payables ledgers.

- A \$52,750
- B \$50,000
- C \$49,250
- D \$47,250

33 Which of the following would *normally* be entered through the journal?

- A Credit purchase returns
- B Transfers between accounts
- C Receipts from credit customers
- D Expense payments

34 Which journal entry correctly records the credit purchase of plant and equipment?

- A Dr the supplier's personal account, Cr Plant and Equipment
- B Dr Cash, Cr Plant and Equipment
- C Dr Plant and Equipment, Cr the supplier's personal account
- D Dr Plant and Equipment, Cr Cash

35 Seb packs goods on an assembly line. He is paid a different amount each week, depending on his output of assembled goods.

By what method of remuneration is Seb paid?

- A Piecework
- B Commission
- C Hourly paid
- D Salaried

36 For the month of May, the following figures have been extracted from a trader's records concerning wages.

- | | |
|--------------------------------------|---------|
| (i) Employees' pension contribution | \$678 |
| (ii) Gross basic wages | \$9,900 |
| (iii) Income tax | \$2,000 |
| (iv) Employer's pension contribution | \$925 |

What will be the total charge for wages and salaries in the final accounts?

- A \$10,825
- B \$10,578
- C \$11,503
- D \$13,503

37 Anish manufactures wooden pallets and employs people on a piece rate scheme of \$2.00 per pallet made. If an employee produces more than 200 pallets in a week, any extra pallets made over 200 are paid at a rate of \$3.00 per pallet. All employees have a guaranteed minimum weekly wage of \$375.

Last week an employee produced 235 pallets.

What will the employee's gross pay be for last week?

- A \$400
- B \$375
- C \$505
- D \$370

38 Which of the following would be classed as revenue expenditure for a shop?

- 1 Assistants' wages
- 2 Business rates paid
- 3 Purchase of a new shop counter
- 4 Repainting the outside of the shop

- A 1 and 2
- B 1, 2 and 3
- C 1, 2 and 4
- D 3 and 4

39 An item of capital expenditure was incorrectly treated as revenue expenditure.

What effect did this have on the accounts?

- A Expenses were understated and non-current assets understated
- B Expenses were overstated and non-current assets understated
- C Expenses were understated and non-current assets overstated
- D Expenses were overstated and non-current assets overstated

40 Matthew is preparing a trial balance which balances despite Matthew making an error. He has mis-classified capital expenditure as revenue expenditure.

What is this type of error known as?

- A a posting error
- B an error of principle
- C an error of omission
- D a compensating error

41 The total of the discounts allowed column in the cash book is \$150

How should this item be posted in the ledger?

- A Dr Discount Allowed
- B Cr Discount Allowed
- C Dr Discount Received
- D Cr Discount Received

42 The following are the year end balances in a business' ledgers:

	\$
Sales	628,000
Cost of sales	458,000
General overheads	138,000
Trade Payables	54,000
Trade Receivables	?
Cash on deposit	61,000
Capital	86,000

If the trial balance balances, what is the missing figure for trade receivables?

- A \$61,000
- B \$111,000
- C \$233,000
- D \$387,000

43 Which of the following is the correct posting to record a discount received from a supplier?

- A Dr Trade payables Cr Bank
- B Dr Trade receivables Cr Bank
- C Dr Trade payables Cr Discounts received
- D Dr Trade receivables Cr Discounts received

44 Which of the following will help to reduce overdue balances in receivables ledger accounts?

- A Improved debt collection methods
- B An increase in the bank overdraft facility
- C Credit customers paying invoices more slowly
- D An increase in credit facilities to customers

45 A bookkeeper has made the following errors:

A cash transaction of \$100 not entered in the books at all.

A discount received of \$30 was entered in the debit side of discounts allowed and correctly posted to the trade payables account.

\$300 cash drawings were entered in the repairs expense account and correctly posted in the cash book.

What would be the balance on the suspense account before these errors were corrected?

- A Cr \$30
- B Dr \$100
- C Cr \$300
- D Cr \$60

46 Which of the following methods of payment is Tariq most likely to use to pay for his weekly food shopping?

- A Debit card
- B Standing order
- C Direct debit
- D Bankers draft

47 Selina receives a cheque from her sister

What term describes Selina's role in this transaction?

- A Payer
- B Drawer
- C Payee
- D Drawee

48 According to Arnold's records his business bank account is overdrawn by \$2,600, yet the balance shown on his bank statement is only \$1,200 overdrawn

Assuming no errors have been made by Arnold or the bank, what could account for this difference?

- A** Bank interest of \$1,400 charged by the bank
- B** Customers' cheques totalling \$1,400 paid into the bank by Arnold
- C** Unpresented cheques posted to suppliers totalling \$1,400
- D** A \$1,400 increase in the business overdraft facility

49 Marion's cash book shows a month end debit balance of \$13,100. Her bank statement, however, shows a different figure. Marion has identified four differences:

- Bank charges of \$950 have been deducted during the last quarter, but not yet entered in the cash book.
- A cheque for \$11,600 paid to a creditor has not yet been presented to Marion's bank
- A customer's cheque for \$6,820 paid into the bank has not yet been cleared
- Marion had forgotten that an annual direct debit of \$1,020 was due, and this has been taken from the account

What is the balance on Marion's bank statement at the end of the month?

- A** \$10,290
- B** \$11,130
- C** \$15,910
- D** \$17,880

50 Which is the correct double entry for the write-off of a bad debt?

- A** Dr Trade receivables Cr Bad debts
- B** Dr Trade payables Cr Bad debts
- C** Dr Bad debts Cr Trade receivables
- D** Dr Bad debts Cr Trade payables

End of Question Paper