

# Maintaining Financial Records (International Stream)

ACCA CERTIFIED ACCOUNTING TECHNICIAN EXAMINATION

INTERMEDIATE LEVEL

WEDNESDAY 8 DECEMBER 2004

## QUESTION PAPER

Time allowed **2 hours**

**This paper is divided into three sections**

**Section A** ALL TWENTY questions are compulsory and  
MUST be answered

**Section B** ALL FOUR questions are compulsory and MUST  
be answered

**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 T3(INT)



**Section A – ALL TWENTY questions are compulsory and MUST be attempted**

Each question in this section is worth 2 marks.

Please use the Candidate Registration Sheet provided to indicate your chosen answer to each multiple choice question.

**1 Which of the following correctly calculates cost of sales?**

- A Opening inventory + Closing inventory – Purchases
- B Opening inventory – Closing inventory – Purchases
- C Opening inventory + Closing inventory + Purchases
- D Opening inventory – Closing inventory + Purchases

**2** When the purchases day book was posted to the general ledger, \$650 for stationery was posted to the wrong side of the stationery account.

**Which of the following will correct the error on the stationery account?**

- A a debit entry of \$650
- B a debit entry of \$1,300
- C a credit entry of \$650
- D a credit entry of \$1,300

**3** When Yvonne checked the entries in her cash book with her bank statement seven cheques with a total value of \$3,259 had not been presented at her bank. Yvonne had instructed her bank to cancel two of these cheques but did not make any entries in her cash book. The value of the cancelled cheques is \$642.

**What entry should Yvonne make in the bank account in her general ledger to correct the balance?**

- A Debit \$642
- B Debit \$2,617
- C Credit \$642
- D Credit \$2,617

**4** The closing balance on Frank's bank account in his general ledger is \$2,355 (debit).

**How should the balance be reported in Frank's final accounts?**

- A as a non-current asset
- B as a current asset
- C as a current liability
- D as a non-current liability

**5 Which of the following statements is/are correct?**

- (i) a separate suspense account should be opened for each error in the ledgers
- (ii) a suspense account is sometimes opened to complete postings while more information is sought on a transaction

- A neither (i) nor (ii)
- B (i) only
- C (ii) only
- D (i) and (ii)

6 Norma's trial balance includes a suspense account with a credit balance of \$280. She has discovered that a supplier's invoice for \$140 was entered twice in the purchase day book.

**What is the balance on the suspense account after the error is corrected?**

- A nil
- B \$140 credit
- C \$280 credit
- D \$420 credit

7 Jane has acquired a computer for use in her business. The invoice analyses the total amount due as follows:

	\$
Basic cost of computer	2,500
Additional memory	125
Maintenance for first year	250
Total	<u>2,875</u>

**What is the value of Jane's capital expenditure?**

- A \$2,500
- B \$2,625
- C \$2,750
- D \$2,875

8 **If capital expenditure is incorrectly classified as revenue expenditure, how will net profit and net assets be affected?**

	Net profit	Net assets
A	understated	understated
B	understated	overstated
C	overstated	overstated
D	overstated	understated

9 The total of the balances on the individual suppliers accounts in Arnold's payables ledger is \$81,649. The balance on the payables control account in his general ledger is \$76,961. He has discovered that an invoice for \$4,688 has been posted twice to the correct supplier's account and that payments totalling \$1,606 which he made by standing order have been omitted from his records.

**What amount should be reported in Arnold's balance sheet for trade payables?**

- A \$72,273
- B \$75,355
- C \$76,961
- D \$81,649

10 Jennifer is preparing her year end accounts and she has to deal with a prepayment for rent.

**Which of the following statements is correct?**

- A the prepayment will increase the charge to the income statement
- B the prepayment will reduce the charge to the income statement
- C the prepayment has no effect on the income statement
- D the prepayment will only affect the income statement

11 When he prepared his draft accounts, Ralph included \$1,400 as an accrual for rent for two months. However he should have provided for only one month's rent.

**How will Ralph's current liabilities be affected when he adjusts the accrual?**

- A reduced by \$1,400
- B increased by \$1,400
- C reduced by \$700
- D increased by \$700

12 Nigel has closing inventory which cost \$38,750. This includes some damaged items which cost \$3,660. It will cost Nigel \$450 to repair these. He will be able to sell them for \$1,500 after the repairs are completed.

**What is the correct value of Nigel's closing inventory?**

- A \$35,090
- B \$36,140
- C \$36,590
- D \$38,750

13 When she prepared her draft accounts, Wilma included her closing inventory at a value of \$21,870. She has just found out that some items valued at \$2,150 had not been included in the calculation.

**How will net profit and net assets be affected when the inventory value is corrected?**

- |   | Net profit           | Net assets           |
|---|----------------------|----------------------|
| A | reduced by \$2,150   | reduced by \$2,150   |
| B | reduced by \$2,150   | increased by \$2,150 |
| C | increased by \$2,150 | reduced by \$2,150   |
| D | increased by \$2,150 | increased by \$2,150 |

14 Which one of the following statements correctly describes the difference between current liabilities and non-current liabilities?

- A Current liabilities are amounts which it is currently known must be paid, while non-current liabilities are amounts which might need to be paid in the long term.
- B Current liabilities are amounts which must be paid within the next year, while non-current liabilities are amounts which must be paid in more than one year.
- C Current liabilities are amounts under a certain value, while non-current liabilities are amounts greater than that value.
- D Current liabilities are amounts for which there is currently a known value, while the value of non-current liabilities requires confirmation.

15 A few days before his year end, Colin received a claim for \$30,000 following an accident caused by one of his lorries. He accepted liability and offered to pay \$15,000. His offer was rejected and legal proceedings were commenced. His legal advisor told him that when the claim goes to court he will be required to pay \$20,000.

**What amount should Colin provide in his year end accounts?**

- A no provision is required
- B \$15,000 should be provided
- C \$20,000 should be provided
- D \$30,000 should be provided

- 16 At 31 October 2003 Maurice's balance sheet included a provision for \$35,000. He has re-assessed the provision at 31 October 2004, and has decided that at that date the provision should be \$38,000.

**What will be the effect on Maurice's income statement for the year to 31 October 2004?**

- A a debit of \$3,000
- B a credit of \$3,000
- C a debit of \$38,000
- D a credit of \$38,000

- 17 Which of the following statements is/are correct?

- (i) salaries paid to partners should be charged to the income statement
- (ii) each partner's current account must have a credit balance

- A (i) only
- B (i) and (ii)
- C (ii) only
- D neither (i) nor (ii)

- 18 Albert and David are in partnership, sharing profits and losses in the ratio 3:2. Under the terms of the partnership agreement, David is entitled to a salary of \$8,000.

The partnership income statement for the year to 30 November 2004 reported a profit of \$16,000.

**What is Albert's share of the profit?**

- A \$3,200
- B \$4,800
- C \$9,600
- D \$11,200

- 19 Tina is preparing her accounts for the year to 30 September 2004 using an extended trial balance. After extending and completing the extended trial balance, the totals are:

Income Statement Columns		Balance Sheet Columns	
Dr	Cr	Dr	Cr
\$	\$	\$	\$
148,990	136,909	149,608	161,689

**What is Tina's profit or loss for the year to 30 September 2004?**

- A a profit of \$12,081
- B a loss of \$12,081
- C a profit of \$12,699
- D a loss of \$12,699

- 20 In the year to 31 August 2004 Jermaine received \$29,860 from his customers. At 31 August 2004 he was still owed \$15,865. A year earlier he was owed \$16,528.

**What is the value of Jermaine's sales for the year to 31 August 2004?**

- A \$29,197
- B \$29,860
- C \$30,523
- D \$45,725

**(40 marks)**

**Section B – ALL FOUR questions are compulsory and MUST be attempted**

- 1 (a) Explain the main purpose of a trial balance. (2 marks)
- (b) Briefly explain the differences between a bad debt and a doubtful debt and the accounting treatment of each. (4 marks)
- (c) State what is meant by the term 'accounting policies'. (2 marks)
- (d) Explain why both a debit entry and a credit entry are used to record a transaction and give an example of a transaction and the entries required. (4 marks)
- (e) Give three reasons why there may be a difference between the assets listed on the non-current asset register and the physical presence of assets. (3 marks)
- (15 marks)**

2 Jeffrey's trial balance at 30 September 2004 is shown below.

	Dr \$	Cr \$
Capital at 1 October 2003		30,217
Inventory at 1 October 2003	12,560	
Receivables	12,880	
Payables and accruals		6,561
Bank	4,754	
Sales		90,560
Returns inward	375	
Purchases	72,674	
Carriage inwards	974	
Wages	4,684	
Rent	3,200	
Stationery	382	
Travel	749	
Telephone	853	
General expenses	753	
Drawings	12,500	
	127,338	127,338

The value of Jeffrey's inventory at 30 September 2004 was \$11,875.

Jeffrey has discovered the following errors in the postings:

- (i) An invoice for carriage inwards was posted to the returns inwards account. The invoice was for \$264.
- (ii) A credit sale invoice for \$560 was posted as \$650.
- (iii) The telephone bill for the three months to 30 September 2004 which was received after the year end has not been included. The bill is for \$297.

**Required:**

**(a) Indicate which of the balances in the Trial Balance will be changed by the correction of the errors, and calculate the corrected balances.** (6 marks)

**(b) Based on the corrected Trial Balance, calculate:**

- (i) the Gross Profit and the Net Profit for the year to 30 September 2004;** (7 marks)
- (ii) the capital balance at 30 September 2004.** (2 marks)

**(15 marks)**

- 3** Simon depreciates his machinery at a rate of 20% per annum on a reducing balance basis. He provides a full year's depreciation in the year an asset is acquired, and no provision is made in the year of disposal.

At 1 November 2003, the cost of Simon's machinery was \$140,900, and the net book value was \$94,570.

During the year to 31 October 2004, a machine which had cost \$35,000 and had been depreciated for four years was traded in for a new machine. The new machine cost \$50,000, and the trade in value was \$14,000. At 31 October 2004 the balance of the cost of the new machine was still outstanding.

**Required:**

- (a) Calculate the profit or loss on the machine traded in. (3 marks)
- (b) Calculate the depreciation charge for machinery for the year to 31 October 2004. (2 marks)
- (c) Show the following ledger accounts for the year:
- (i) Machinery at cost; (4 marks)
- (ii) Accumulated depreciation. (3 marks)
- (d) Calculate the total charge to be reported in the income statement for the year to 31 October 2004 in respect of machinery. (1 mark)
- (e) State the balances to be reported in the balance sheet as at 31 October 2004 as a result of these transactions. (2 marks)
- (15 marks)**

- 4** At 30 November 2004, the balance on the receivables control account in Elizabeth's general ledger was \$39,982. The total of the list of balances on the customers' personal accounts was \$39,614. Elizabeth has discovered the following errors:

- (i) an invoice for \$288 was entered correctly in the general ledger, but no entry was made in the personal account.
- (ii) a payment of \$1,300 was accepted in full settlement of a balance of \$1,309. No entry was made to record the discount.
- (iii) a credit note issued to a credit customer for \$120 was incorrectly treated as an invoice.
- (iv) an addition error on a personal account meant that the balance was understated by \$27.
- (v) a customer had lodged a payment of \$325 directly to Elizabeth's bank account. The balance on the personal account was adjusted, but no entry was made in the general ledger.
- (vi) an invoice for \$644 was posted as \$466 in the general ledger.
- (vii) A credit balance of \$47 on a customer's account was treated as a debit balance.

**Required:**

- (a) Show the receivables control account, including the necessary correcting entries and the corrected balance. (6 marks)
- (b) Prepare a reconciliation of the list of balances to the corrected balance on the receivables control account. (7 marks)
- (c) State the correct receivables balance for inclusion in the final accounts and indicate where it should be reported on the balance sheet. (2 marks)
- (15 marks)**

**End of Question Paper**