

# Maintaining Financial Records (UK Stream)

ACCA CERTIFIED ACCOUNTING TECHNICIAN EXAMINATION

INTERMEDIATE LEVEL

WEDNESDAY 7 DECEMBER 2005

## QUESTION PAPER

Time allowed **2 hours**

**This paper is divided into two 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(GBR)



**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 is a bank overdraft an example of?**

- A An asset
- B A liability
- C Income
- D An expense

**2** Tony made one error when he posted the total value of invoices from the purchase daybook to the nominal ledger. He posted £274,865 to the debit side of the purchases account. The correct total was £274,685.

**How is the trial balance affected by this error?**

- A The total of the debit balances and the total of the credit balances will agree, but will be overstated
- B The total of the debit balances and the total of the credit balances will agree, but will be understated
- C The total of the debit balances will exceed the total of the credit balances
- D The total of the credit balances will exceed the total of the debit balances

**3 What is the main purpose of a balance sheet?**

- A To report the current value of the business
- B To indicate if the business is trading profitably
- C To report the assets and liabilities of the business
- D To report the personal assets of the business owner

The following information relates to questions 4 and 5:

Arnold bought a machine for use in his business on 1 November 2004. He gave the supplier a cheque for £11,570 and traded in an old machine. The supplier allowed him £4,430 in part exchange for the old machine. Arnold depreciates machinery on the reducing balance basis at a rate of 20% per annum. The old machine had cost £12,000 and had been depreciated by £5,856.

**4 What is the depreciation charge on the new machine for the year to 31 October 2005?**

- A £886
- B £1,428
- C £2,314
- D £3,200

**5 What is the profit or loss on the trade in of the old machine?**

- A a profit of £1,426
- B a profit of £1,714
- C a loss of £1,426
- D a loss of £1,714

- 6 Linda found the following when carrying out her bank reconciliation:
- (i) a cheque for £7,523 has not been presented at the bank
  - (ii) a cheque for £560 has been incorrectly recorded as £650 in Linda's ledger

**Which of these items will require an entry in Linda's nominal ledger?**

- A (i) only
  - B (ii) only
  - C both (i) and (ii)
  - D neither (i) nor (ii)
- 7 Beth's draft accounts for the year to 31 October 2005 report a loss of £1,486. When she prepared the accounts, Beth did not include an accrual of £1,625 and a prepayment of £834.

**What is Beth's profit or loss for the year to 31 October 2005 following the inclusion of the accrual and prepayment?**

- A a loss of £695
  - B a loss of £2,277
  - C a loss of £3,945
  - D a profit of £1,807
- 8 William's trial balance at 30 September 2005 includes the following balances:

Trade debtors	£75,943
Debtors allowance	£4,751

**How should these balances be reported in William's balance sheet as at 30 September 2005?**

- A An asset of £71,192
  - B An asset of £75,943 and a liability of £4,751
  - C A liability of £71,192
  - D A liability of £75,943 and an asset of £4,751
- 9 At 1 November 2004 Dorothy's debtors allowance was £5,670. At 31 October 2005 she was owed £275,600 by her customers. She has determined that based on past experience an allowance equivalent to 2% of outstanding balances is required at 31 October 2005.

**What should be reported in Dorothy's profit and loss account for the year to 31 October 2005?**

- A a credit of £158
  - B a credit of £5,512
  - C a charge of £158
  - D a charge of £5,512
- 10 Simon, who is a sole trader, made a profit of £22,860 in the year to 30 November 2005. During the year his drawings were £16,890. At 1 December 2004 the balance on his capital account was £68,920.

**What is the balance on Simon's capital account at 30 November 2005?**

- A £29,170
- B £62,950
- C £74,890
- D £108,670

- 11 Priscilla is completing her extended trial balance, which includes balances for depreciation expense and accumulated depreciation.

**Into which columns should these balances be extended?**

	<b>Depreciation expense</b>	<b>Accumulated depreciation</b>
<b>A</b>	Profit and loss debit	Profit and loss credit
<b>B</b>	Balance sheet credit	Balance sheet debit
<b>C</b>	Profit and loss debit	Balance sheet credit
<b>D</b>	Balance sheet debit	Profit and loss credit

- 12 At 1 November 2004 Brian owed £28,754 to his suppliers. During the year he paid his suppliers a total of £185,844. At 31 October 2005 he owed £26,189.

**What was the value of Brian's credit purchases in the year to 31 October 2005?**

- A** £130,901
- B** £183,279
- C** £188,409
- D** £240,787

- 13 During the year to 30 November 2005, Amanda bought goods for resale at a cost of £75,550. Her stock at 1 December 2004 was valued at £15,740. She did not count her stock at 30 November 2005, but she knows that her sales for the year to 30 November 2005 were £91,800. All sales were made at a mark up of 20%.

**Based on the information above, what was the value of Amanda's stock at 30 November 2005?**

- A** £13,630
- B** £14,790
- C** £16,690
- D** £17,850

- 14 When Mervyn's trial balance was extracted, the total of the debit balances was £500 more than the total of the credit balances.

**Which of the following errors is a possible explanation for the difference?**

- A** a cash sale for £250 had not been recorded
- B** a cash sale for £250 had been recorded twice
- C** a cash sale for £250 had been posted to the credit side of both the sales account and the cash account
- D** a cash sale for £250 had been posted to the debit side of both the sales account and the cash account

- 15 Trevor's trial balance includes a suspense account with a debit balance of £900. He has discovered that:
- a supplier's invoice for £16,700 was posted to the correct side of the purchases account as £17,600 (the correct entry was posted to the creditors' control account); and
  - a cheque for £900 has not been recorded in his ledger.

**What is the balance on the suspense account after these errors are corrected?**

- A** nil
- B** £900
- C** £1,800
- D** £2,700

**16 Which of the following are desirable characteristics of financial information according to the Statement of Principles?**

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

**17 Which of the following is the correct journal entry to write off a bad debt?**

- A** Debit Sales  
Credit Bad debts
- B** Debit Bad debts  
Credit Bank
- C** Debit Debtors  
Credit Bad debts
- D** Debit Bad debts  
Credit Debtors

**18** At 30 November 2005 Jenny had a bank loan of £8,500 and a balance of £678 in hand in her bank account.

**How should these amounts be recorded on Jenny's opening trial balance at 1 December 2005?**

- A** Debit £7,822  
**B** Credit £7,822  
**C** Credit £8,500 and Debit £678  
**D** Debit £8,500 and Credit £678

**19** Bert has extracted the following list of balances from his nominal ledger at 31 October 2005:

	£
Sales	258,542
Opening stock	9,649
Purchases	142,958
Expenses	34,835
Fixed assets (NBV)	63,960
Debtors	31,746
Creditors	13,864
Cash at bank	1,783
Capital	12,525

**What is the total of the debit balances in Bert's trial balance at 31 October 2005?**

- A** £267,049  
**B** £275,282  
**C** £283,148  
**D** £284,931

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

- (i) the fixed asset register is part of the double entry system
- (ii) a fixed asset register is required in every organisation's accounting system
- (iii) assets should be removed from the fixed asset register when they have been fully depreciated

- A** (i) only
- B** (ii) only
- C** (iii) only
- D** none of the statements

**(40 marks)**

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

- 1 (a) Explain the difference between a current liability and a long-term liability and give one example of each. (4 marks)
- (b) State why it is important to differentiate between capital expenditure and revenue expenditure, and briefly explain the accounting treatment of each type of expenditure. (4 marks)
- (c) Briefly explain the purpose of the depreciation charge in the profit and loss account. (2 marks)
- (d) Give THREE examples of errors which will NOT be revealed by extracting a trial balance. (3 marks)
- (e) Briefly explain the business entity concept and its impact on the recording of transactions. (2 marks)
- (15 marks)**

- 2 You work for a wholesaler which distributes a single product. A trainee has prepared draft accounts for the month of October 2005. The accounts report a net loss of £35,580 and total net assets of £283,468. You have noted that:
- 1 the profit and loss account does not report a figure for gross profit;
  - 2 the trainee has not included any value for closing stock;
  - 3 the trainee has included £57,600 for opening stock. This was calculated on the first in, first out (FIFO) basis. There were 480 items, valued at £120 per item.
  - 4 Purchases during the month were:

Date	Number of items	Cost per item £
9 October	1,140	145
15 October	1,310	150
24 October	620	155
	<u>3,070</u>	

- 5 Sales during the month were:

Date	Number of items	Selling price per item £
12 October	1,040	205
21 October	1,840	220
	<u>2,880</u>	

- 6 As well as purchases, the other costs deducted from sales to calculate the net loss were:

	£
Wages of staff	44,700
Premises expenses	42,750
Administrative expenses	13,620
Selling and marketing costs	17,890
Carriage inwards	3,750
Carriage outwards	4,120
Depreciation	11,250
	<u>138,080</u>

**Required:**

**(a) Calculate:**

- (i) the number of items in stock at 31 October 2005; and (1 mark)
- (ii) the value of stock at 31 October 2005 on the FIFO basis. (2 marks)

**(b) Using the revised stock value calculated in (a), calculate:**

- (i) Cost of sales for October 2005; (4 marks)
- (ii) Gross profit for October 2005; (2 marks)
- (iii) Net profit for October 2005; and (2 marks)
- (iv) Net assets at 31 October 2005. (2 marks)

- (c) State the basic rule set out in SSAP 9 which is to be applied to the valuation of stock. (2 marks)**

**(15 marks)**





- 4 You are employed as a Trainee Accountant in Jonty and Co. One of your tasks is to prepare the monthly reconciliation of the balance on the creditors control account in the nominal ledger (£98,524) to the list of balances from the creditors ledger (£97,264).

When preparing the reconciliation at 30 November 2005, you have noted the following:

- (i) One of the suppliers agreed to accept £1,500 in payment of a balance of £1,514. The full balance of £1,514 was deducted from the supplier's personal account, but only the cheque issued was recorded in the nominal ledger.
- (ii) There is an ongoing agreement to offset balances with Tim Robinson, who is both a customer and a supplier. The amount for November is £2,856. No entries have yet been made.
- (iii) A credit balance of £623 on the account of Joe Coleman was listed as a debit balance.
- (iv) An invoice for £462 received from Robin Wayne was incorrectly recorded in the purchase day book as a credit note.
- (v) Your company makes direct payments to Bruce Robbins. The payment of £974 made in November has not been recorded.
- (vi) An invoice for £760 from Hill's Haulage was entered in the purchase day book as £670.

**Required:**

- (a) **Show the creditors control account in the nominal ledger, including the necessary adjusting entries and the corrected balance.**

(NB You must present your answer in a format which clearly indicates whether each entry is a debit entry or a credit entry.)

(6 marks)

- (b) **Show the reconciliation of the list of balances to the corrected balance on the creditors control account in the nominal ledger.**

(7 marks)

- (c) **State the correct creditors 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**