

# Maintaining Financial Records (UK Stream)

ACCA CERTIFIED ACCOUNTING TECHNICIAN EXAMINATION

INTERMEDIATE LEVEL

WEDNESDAY 6 DECEMBER 2006

## 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 Jody knows that a number of errors were made when her daybooks were posted to the nominal ledger.

**Which of the following errors will be detected when a trial balance is extracted?**

- (i) error of transposition
- (ii) error of commission
- (iii) error of complete omission
- (iv) error of single entry

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

2 When Michelle purchased a new car, she used her old car in part exchange. She has made the correct entry for the part exchange value of £3,500 in the fixed asset disposal account.

**What other entry is needed to complete the double entry for the part exchange value of £3,500?**

- A** a debit entry in the motor vehicles at cost account
- B** a credit entry in the motor vehicles at cost account
- C** a debit entry in the bank account
- D** a credit entry in the bank account

3 On 1 July 2004 Tom bought a machine for £15,500. He depreciates machinery at a rate of 20% per annum on the reducing balance basis. A full year's depreciation is charged in the year an asset is purchased. His year end is 31 October.

**What is the depreciation charge on the machine for the year to 31 October 2006?**

- A** £3,100
- B** £2,480
- C** £2,232
- D** £1,984

4 A sales invoice for £3,450 was recorded in Susan's nominal ledger as follows:

Debit		Sales	£3,540	
	Credit		Trade debtors	£3,540

**If the errors are not corrected before the final accounts are drafted, how will Susan's net profit be affected?**

- A** Understated by £90
- B** Overstated by £90
- C** Understated by £6,990
- D** Overstated by £6,990

5 In the year to 31 October 2006, Nadine recorded some revenue expenditure as capital expenditure.

**What is the effect on her profit for the year to 31 October 2006 and her net assets at that date?**

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

6 **What accounting principle is described by the following statement?**

'For accounting purposes, a business is separate from its owners.'

- A going concern
- B materiality
- C business entity
- D prudence

7 In September 2006 Alison paid £7,800 for rent for the four months from 1 October 2006.

**What should be reported on Alison's balance sheet at 30 November 2006?**

- A an accrual of £3,900
- B an accrual of £1,950
- C a prepayment of £3,900
- D a prepayment of £1,950

8 At 30 November 2006 the balance on Claire's debtors ledger is £37,890. Clare has decided to write off balances totalling £1,570. She has also calculated that an allowance equivalent to  $2\frac{1}{2}\%$  of the remaining balances is required.

**What is the value of debtors which should be reported in Claire's balance sheet at 30 November 2006?**

- A £35,642
- B £35,412
- C £36,400
- D £37,142

9 At 31 October 2006 Janine had an outstanding balance of £24,000 on her bank loan account. The terms of the loan require her to repay £400 on the first day of each month.

**How should the loan be reported on Janine's balance sheet at 31 October 2006?**

	Current Liability	Long-term liability
A	nil	£24,000
B	£24,000	nil
C	£19,200	£4,800
D	£4,800	£19,200

10 Owen allows customers to return faulty goods within 14 days of purchase. At 30 November 2005 he made a provision of £6,548 for sales returns. At 30 November 2006 he has calculated that his provision should be £7,634.

**What should be reported in Owen's profit and loss account for the year to 31 October 2006 in respect of the provision?**

- A a charge of £7,634
- B a credit of £7,634
- C a charge of £1,086
- D a credit of £1,086

11 Heather is completing her extended trial balance.

**Into which columns should she extend the balances for closing stock?**

	Profit and Loss	Balance Sheet
A	debit	credit
B	credit	debit
C	debit	debit
D	credit	credit

12 **What entries should be made in a sole trader's capital account to record a loss for the period and drawings?**

	Loss	Drawings
A	debit	debit
B	credit	credit
C	credit	debit
D	debit	credit

13 Alex and Kim are in partnership. In the year to 31 October 2006, Alex's drawings were £18,000 and the following entries have been made in the partnership appropriation account for Alex:

	£
Salary	6,500
Interest on drawings	1,800
Share of profit	12,750

At 1 November 2005, the balance on Alex's current account was £24,800 (credit).

**What is the balance on Alex's current account at 31 October 2006?**

- A £24,250
- B £27,850
- C £42,250
- D £45,850

14 **Which of the following are reasons for maintaining a fixed asset register?**

- (i) to calculate the total balance outstanding on loans raised to buy fixed assets
- (ii) to help in carrying out the physical verification of fixed assets
- (iii) to calculate the profit or loss on disposal of fixed assets

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

- 15 In the year to 30 November 2006 Norah paid £1,765 for electricity. At 1 December 2005 she had an accrual of £264 for electricity. At 30 November 2006 the accrual was £312.

**What is the charge for electricity in Norah's profit and loss account for the year to 30 November 2006?**

- A £1,189
- B £1,717
- C £1,813
- D £2,341

- 16 At 31 October 2006 Roger's trial balance included the following balances:

	£
Machinery at cost	12,890
Accumulated depreciation	8,950
Stock	5,754
Debtors	11,745
Creditors	7,830
Bank overdraft	1,675
Cash at bank	150

**What is the value of Roger's current assets at 31 October 2006?**

- A £17,649
- B £17,499
- C £15,974
- D £13,734

- 17 When Jan's trial balance was extracted, the total of the debit balances was £450 less than the total of the credit balances so a suspense account was opened.

When she checked, Jan found that:

- (i) a supplier's invoice for £225 had been debited to both the expense account and the creditors' control account.
- (ii) a cash sale for £900 had been omitted from the accounting records.

**When these errors are corrected, what is the balance on the suspense account?**

- A £900 debit
- B £900 credit
- C £1,800 debit
- D £1,800 credit

- 18 When carrying out the reconciliation of the balance on the sales ledger control account with the list of balances from the sales ledger, Tom found the following:

- (i) the total of the sales day book was overcast by £90
- (ii) a sales invoice for T. Blair was posted to J. Blair's account
- (iii) an invoice to a customer for £650 had been recorded as £560 in the sales day book

**Which of the errors will require an entry in the nominal ledger?**

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

**19 What nominal ledger entries are required to write off an irrecoverable balance due from a customer?**

- A** Debit Sales  
Credit Debtor expense
- B** Debit Debtor expense  
Credit Sales
- C** Debit Debtor expense  
Credit Debtors control
- D** Debit Debtors control  
Credit Debtor expense

**20 Which of the following statements about a trial balance is/are correct?**

- (i) if the total of the debit balances equals the total of the credit balances, no errors have been made in posting to the nominal ledger
- (ii) the trial balance always records fixed assets at market value

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

**(40 marks)**

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

Each question in this section is worth 15 marks.

- 1 (a) **Identify two users of the final accounts of a business, and a reason why each user is interested in the final accounts.** (4 marks)
- (b) **Identify and explain two reasons for using control accounts.** (4 marks)
- (c) **Explain two reasons for carrying out a bank reconciliation, and identify two items which may appear in the reconciliation statement.** (4 marks)
- (d) **Explain why every transaction is recorded using both a debit entry and a credit entry.** (3 marks)

**(15 marks)**

- 2 You are assisting in the preparation of the year end accounts of Rogers and Co. The balance on the creditors control account in the nominal ledger is £45,505. The total value of the list of balances on the suppliers' personal accounts is £46,886.

You have noted the following:

- (i) an invoice from a supplier for £739 has been entirely omitted from the accounting records;
- (ii) a credit note received from a supplier for £266 was entered in the daybook as an invoice;
- (iii) no entries have been made in respect of an agreement to offset a credit balance of £864 in the creditors ledger against a debit balance in the debtors ledger;
- (iv) payments to a supplier totalling £1,800 have been recorded in the nominal ledger, but no entries have been made in the supplier's personal account;
- (v) a payment of £17,500 was made to settle a balance of £17,585. The balance on the supplier's personal account was fully written off, but only the payment of £17,500 was entered in the nominal ledger;
- (vi) a payment of £340 to a supplier was recorded in the cheques issued daybook as £430;
- (vii) a credit balance of £167 on a supplier's account was listed as a debit balance.

**Required:**

- (a) **Prepare the creditors control account including the necessary adjusting entries and the corrected balance.** (6 marks)
- (NB You must present your answer in a format which clearly indicates whether each entry is a debit entry or a credit entry.)
- (b) **Prepare the reconciliation of the list of balances to the corrected balance on the creditors control account.** (7 marks)
- (c) **State the correct creditors balance for inclusion in the final accounts and where it should be reported.** (2 marks)

**(15 marks)**

- 3 (a) Tony Dunlop restores and sells vintage motorcycles. At 30 November 2006 he had three motorcycles in stock. Details of these were:

Model	Details
Triumph	This item cost £4,800, and at 30 November 2006 Tony had also spent £750 on repairs. He has not yet sold it but is confident that he will be able to sell it at a motorcycle event in January 2007 for at least £7,500. It will cost Tony £400 to transport the motorcycle to the event.
Ducati	Tony bought this item for £6,800. When he bought it, he estimated that repairs would cost £1,100. By 30 November 2006 he had spent £1,800 on repairs, and he sold it on 2 December 2006 for £8,000.
Norton	Tony bought this item for £8,500. He estimates that he will have to spend £1,200 on repairs, after which he will be able to sell it for £11,500.

**Required:**

**For each of the three motorcycles, calculate the following values at 30 November 2006:**

- (i) **Cost;** (3 marks)
- (ii) **Net Realisable Value; and** (3 marks)
- (iii) **Stock value.** (3 marks)
- (b) Tony also holds a stock of parts, which he values on the periodic weighted average basis. During the year, his purchases of parts were:

Date	Quantity (units)	Cost per unit £
February	500	21·55
June	420	22·90
September	640	23·05

At 30 November 2006 he had 320 units in stock. At 1 December 2005 he had no parts in stock.

**Required:**

**Calculate the value of Tony's stock of parts at 30 November 2006 to the nearest £.** (3 marks)

- (c) Tony has discovered that his stock of motorcycles at 30 November 2005 had been under-valued. He wishes to know how this error will affect his results for the two years to 30 November 2006, and the closing balance on his capital account.

**Required:**

**Indicate how the undervaluation of Tony's stock at 30 November 2005 has affected:**

- (i) **his profit for the year to 30 November 2005;**
- (ii) **his profit for the year to 30 November 2006;**
- (iii) **the balance on his capital account at 30 November 2006.** (3 marks)

**(15 marks)**



4 (a) Jim McAvoy owns a small business. He has provided you with the following information about the business for the year to 30 November 2006:

- (i) During the year £76,846 was paid into the business bank account. This included a gift of £6,000 received from a relative, with the balance being receipts from customers.
- (ii) Before banking the cash Jim paid business expenses of £5,700 in cash and took cash drawings of £7,800.
- (iii) Jim does not hold a balance of cash on hand.
- (iv) As well as payments to suppliers, payments out of the bank account included business expenses of £3,400 and drawings of £2,000.
- (v) Jim does not receive any credit from his suppliers.
- (vi) Jim's current assets and liabilities were:

	1 December 2005	30 November 2006
	£	£
Stock	5,250	4,190
Debtors	1,676	1,360
Cash at bank	nil	566
Bank overdraft	1,240	nil

**Required:**

**For the year to 30 November 2006, calculate Jim's:**

- (i) **total payments made from the bank account;** (2 marks)
  - (ii) **payments received from customers;** (2 marks)
  - (iii) **sales;** (2 marks)
  - (iv) **purchases;** (2 marks)
  - (v) **gross profit;** (2 marks)
  - (vi) **net profit.** (2 marks)
- (b) Following your calculations in (a), Jim tells you that he normally adds a mark up of 20% to calculate his selling price, but on some occasions he reduced his selling price in order to make a sale. He would like to know how much this has cost him.

**Required:**

**Calculate the reduction in Jim's sales for the year to 30 November 2006 as a result of the occasional reduction in his selling price.** (3 marks)

**(15 marks)**

**End of Question Paper**