

# Maintaining Financial Records (International Stream)

ACCA CERTIFIED ACCOUNTING TECHNICIAN EXAMINATION

INTERMEDIATE LEVEL

WEDNESDAY 7 JUNE 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(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 Wilson has returned goods which he bought on credit.

**What journal entry should Wilson make in his general ledger?**

- A Debit Purchase returns  
Credit Trade payables
- B Debit Trade payables  
Credit Bank
- C Debit Bank  
Credit Trade payables
- D Debit Trade payables  
Credit Purchase returns

2 A business borrowed \$1,700 from its bank, and used the cash to buy a new computer.

**How is the accounting equation affected by these transactions?**

- |   | <b>Assets</b> | <b>Liabilities</b> |
|---|---------------|--------------------|
| A | unchanged     | decreased          |
| B | unchanged     | increased          |
| C | increased     | increased          |
| D | increased     | decreased          |

3 Two types of common errors in bookkeeping are:  
errors of principle  
errors of transposition

**Which of the following correctly states whether or not these errors will be revealed by extracting a trial balance?**

- |   | <b>Errors of Principle</b>  | <b>Errors of Transposition</b> |
|---|-----------------------------|--------------------------------|
| A | will be revealed            | will <b>not</b> be revealed    |
| B | will be revealed            | will be revealed               |
| C | will <b>not</b> be revealed | will <b>not</b> be revealed    |
| D | will <b>not</b> be revealed | will be revealed               |

4 Harvey's trial balance includes a balance for his drawings.

**How should this balance be treated in the final accounts?**

- A as expenses in the income statement
- B as income in the income statement
- C as a reduction in capital
- D as an increase in capital

- 5 Colin bought stationery on credit for \$430 but recorded it as \$340. When he extracted his trial balance, the total of the debit balances was \$157,728.

**When the error is corrected, what is the revised total of the debit balances?**

- A \$157,388
- B \$157,638
- C \$157,818
- D \$157,728

- 6 Gayle paid for office cleaning in cash. She made the following entries in her general ledger:

Debit	Trade payables
Credit	Office cleaning expenses

**Which accounts require a correcting entry?**

- A Office cleaning expenses and cash only
  - B Office cleaning expenses and trade payables only
  - C Cash and trade payables only
  - D Office cleaning expenses, cash and trade payables
- 7 Gladys has prepared her draft final accounts, which show a net profit of \$24,952 and closing capital of \$75,841. She has now found that a supplier's invoice for \$250 for advertising expenses was not recorded in her general ledger.

**When the error is corrected what are the revised figures for net profit and capital?**

	Net Profit	Capital
A	\$24,702	\$75,591
B	\$24,702	\$76,091
C	\$25,202	\$75,591
D	\$25,202	\$76,091

- 8 In the year to 31 May 2006, Julie paid \$2,500 for property repairs. Her bookkeeper treated this as capital expenditure.

**What is the effect of this error on Julie's profit for the year to 31 May 2006, and the value of her assets at that date?**

	Profit	Assets
A	understated	overstated
B	understated	understated
C	overstated	overstated
D	overstated	understated

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

- (i) the receivables ledger control account balance must be correct if it agrees with the total of the list of balances from the receivables ledger
- (ii) if there is a difference between the balance on the receivables ledger control account and the total of the list of balances from the receivables ledger, the balance on the control account is always correct

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

**10** Tony's bookkeeper has prepared the following trade payables ledger reconciliation:

Balance on general ledger control account	\$78,553
Less Discount not recorded in general ledger	\$ 128
	<hr/>
	\$78,425
Add Debit balance of \$100 included on list of balances as credit balance	\$ 200
	<hr/>
Total of list of balances	\$78,625
	<hr/> <hr/>

**What is the correct payables balance to be reported in the balance sheet?**

- A** \$78,425
- B** \$78,553
- C** \$78,626
- D** \$78,753

**11** Jodie is carrying out a reconciliation of the bank account in her general ledger with the balance on her bank statement. She has found the following reasons for the difference between the two balances:

- (i) some cheques paid to suppliers have not been presented at the bank;
- (ii) the bank has made charges on Jodie's account;
- (iii) a customer has paid \$980 directly into Jodie's bank account.

**Which of the above items will require an entry in the general ledger?**

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

**12** You are preparing a client's final accounts. You know that the client's bookkeeper has correctly completed a reconciliation of the bank balance in the general ledger to the balance on the bank statement. The balances from the general ledger and the bank statement are:

General ledger balance	\$2,358 (credit)
Bank Statement balance	\$1,053 (debit)

The difference between the two balances is explained by unrepresented cheques and outstanding lodgements.

**How should the bank balance be reported in the final accounts?**

- A** as a current asset of \$1,053
- B** as a current liability of \$1,053
- C** as a current asset of \$2,358
- D** as a current liability of \$2,358

**13** Dave Hull is preparing his final accounts for the year to 30 April 2006. The last payment Dave made for electricity was in March 2006 when he paid \$3,270 for the three months to 28 February 2006.

**What adjustment does Dave need to make when preparing his final accounts for the year to 30 April 2006?**

- A** a prepayment of \$1,090
- B** an accrual of \$1,090
- C** a prepayment of \$2,180
- D** an accrual of \$2,180

**14** Naomi has calculated that her result for the year is a profit.

**In which columns of the extended trial balance should Naomi make entries for the profit?**

	Income statement	Balance sheet
<b>A</b>	debit	debit
<b>B</b>	debit	credit
<b>C</b>	credit	debit
<b>D</b>	credit	credit

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

- A** To report the assets, liabilities and capital of the business at a particular date
- B** To provide a valuation of the business at a particular date
- C** To provide information about the activities of the business over a period of time
- D** To report the growth in the value of capital since the business was established

16 In Theo's income statement for the year ended 31 May 2006 the charge for motor repairs was \$2,850. This included an accrual of \$220.

**When Theo's opening trial balance at 1 June 2006 is prepared, what is the correct balance on the motor repairs account?**

- A \$220 (debit)
- B \$220 (credit)
- C \$2,850 (debit)
- D \$2,850 (credit)

17 Edith has estimated that at 31 May 2006, she had the following assets and liabilities:

	\$
Non-current assets	33,750
Inventory	4,845
Trade receivables	11,248
Trade payables	9,633
Bank overdraft	539

On checking, you note that she also has a prepayment for rent of \$520.

**What is the value of Edith's capital at 31 May 2006?**

- A \$39,151
- B \$40,191
- C \$40,229
- D \$41,269

18 In the year to 30 April 2006, Peter's sales were \$182,000. All of his sales were made at a mark up of 30%. His opening inventory value was \$11,800 and his closing inventory value was \$9,700.

**What was the value of Peter's purchases in the year to 30 April 2006?**

- A \$125,300
- B \$137,900
- C \$140,000
- D \$142,100

19 Ingrid and Sam are in partnership sharing profits and losses in the ratio 3:4. The income statement for the year to 31 May 2006 reported a net profit of \$30,709. Ingrid is entitled to a salary of \$14,000 per annum.

**What is Sam's share of the profit for the year to 31 May 2006?**

- A \$7,161
- B \$9,548
- C \$17,548
- D \$25,548

- 20** George guarantees his customers that they will obtain a full refund if they return goods within 30 days. At 31 March 2005 his provision for sales returns was \$2,700. At 31 March 2006 he estimated that the provision should be \$3,000.

**What value should be included in George's income statement for the year to 31 March 2006 for the movement in the provision for sales returns?**

- A** a charge of \$3,000
- B** a credit of \$3,000
- C** a charge of \$300
- D** a credit of \$300

**(40 marks)**

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

- 1 (a) **How should a bad debt be treated in the final accounts, and what is the journal entry to record a bad debt?** (4 marks)
- (b) **State the basis on which inventory should be valued in the final accounts, and briefly describe ONE method of valuing inventory.** (4 marks)
- (c) **Briefly explain the difference between a current liability and a non-current liability.** (2 marks)
- (d) **State two ways in which accounting standards (IASs and IFRSs) improve financial accounting.** (3 marks)
- (e) **Briefly explain the going concern concept.** (2 marks)
- (15 marks)**

- 2 You are carrying out a reconciliation between the balance on the trade receivables control account (which is \$64,969) and the total of the list of the balances on the customers' personal accounts (which is \$65,132). You have found the following reasons for the difference:
- (i) a sales invoice for \$320 was entered in the sales day book as \$230;
  - (ii) the total of the sales returns daybook was understated by \$900;
  - (iii) a credit note for \$460 was treated as an invoice when the entries were being made in the personal ledger;
  - (iv) a customer paid \$1,700 in full settlement of a balance of \$1,715. The discount was correctly recorded in the personal ledger, but was not entered in the control account;
  - (v) the total value of cheques received from customers was \$67,908 but \$67,980 was posted to the control account;
  - (vi) a debit balance of \$20 on a customer's account was omitted;
  - (vii) a credit balance of \$53 on a customer's account was treated as a debit balance.

**Required:**

- (a) **Show the trade receivables control account, including any necessary correcting entries and the corrected closing balance.** (5 marks)
- (b) **Prepare a reconciliation of the total of the list of balances on the customers' personal accounts to the corrected balance on the trade receivables control account.** (5 marks)
- (c) **State the amount to be reported in the final accounts for trade receivables, and indicate how this balance will be reported.** (2 marks)
- (d) **State three reasons why a reconciliation between the balance on the control account and the total of the list of balances is carried out.** (3 marks)

**(15 marks)**



- 3 Gareth Carson has been in business as a sole trader since 1 May 2005. He has prepared the draft income statement shown below and has asked you to check if it is correct.

**Draft Income Statement as at 30 April 2006**

	\$	\$
Sales		97,600
Purchases	46,840	
Rent	15,000	
Electricity	4,800	
Telephone	2,750	
Returns inward	954	
Carriage and delivery	1,846	
Wages	31,580	
Other expenses	839	
	<hr/>	
	104,609	
Trade discounts on purchases	(1,523)	103,086
	<hr/>	
Loss for year		<u><u>(5,486)</u></u>

Additional information:

- Closing inventory cost \$6,378. This includes damaged items which cost \$1,564. These could be repaired for \$375 and then sold for \$1,820.
- The figure for rent is the total paid in the year to 30 April 2006. Five equal payments were made for the three month periods commencing on:
  - 1 May 2005;
  - 1 August 2005;
  - 1 November 2005;
  - 1 February 2006; and
  - 1 May 2006.
- Carriage and delivery comprises \$1,428 for carriage on goods received and \$418 for delivering goods to customers.
- The charge for wages is made up of \$28,000 paid to Gareth and \$3,580 paid to a part-time employee.

**Required:**

**Prepare Gareth's corrected Income Statement for the year to 30 April 2006, clearly showing both gross profit and net profit.**

**(15 marks)**

4 Carol Dolby's balance sheet at 31 May 2005 reported her motor vehicles as follows:

Cost	Accumulated Depreciation	Net book Value
\$	\$	\$
170,000	62,000	108,000

During the year to 31 May 2006, Carol scrapped a van and part exchanged an old car for a new car.

The van had been bought in January 2003 at a cost of \$9,600.

The car had been bought in September 2003 at a cost of \$14,400. The part exchange value of the old car was \$8,400, and the total cost of the new car was \$17,610.

Carol provides a full year's depreciation in the year of purchase of an asset, and no depreciation is charged in the year of disposal. She depreciates motor vehicles at a rate of 25% per annum on a reducing balance basis.

**Required:**

**(a) Calculate:**

- (i) the profit or loss on disposal of each of the vehicles; (5 marks)
- (ii) the depreciation charge for the year to 31 May 2006 for motor vehicles; (3 marks)
- (iii) the total amount to be reported in the income statement for the year to 31 May 2006 in respect of motor vehicles. (2 marks)

**(b) Prepare the following ledger accounts for the year to 31 May 2006:**

- (i) motor vehicles at cost; (2 marks)
- (ii) disposal of assets. (3 marks)

**(15 marks)**

**End of Question Paper**