

Certified Accounting Technician Examination
Intermediate Level

Maintaining Financial Records (International Stream)

Wednesday 4 June 2008

Time allowed: 2 hours

This paper is divided into two sections:

Section A – ALL 20 questions are compulsory and **MUST**
be attempted

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

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)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

Section A – ALL 20 questions are compulsory and MUST be attempted

Please use the Candidate Registration Sheet provided to indicate your chosen answer to each multiple choice question. Each question in this section is worth 2 marks.

- 1 At 1 May 2007 Brian had an opening accrual of \$353 for motor expenses. During the year to 30 April 2008 he paid invoices for motor expenses with a total value of \$4,728.
He has no closing accrual or prepayment at 30 April 2008.

What balance should Brian enter on his trial balance for motor expenses?

- A \$4,375 debit
- B \$4,375 credit
- C \$5,081 debit
- D \$5,081 credit

- 2 The balance on Jane’s payables ledger control account is \$31,554. Jane has discovered that she has not recorded: a settlement discount of \$53 received from a supplier; and a supplier’s invoice for \$622.

What amount should be reported for payables on Jane’s statement of financial position (balance sheet)?

- A \$30,879
- B \$30,985
- C \$32,123
- D \$32,229

- 3 At his year end, Keith had accrued expenses totalling \$4,176 and prepaid expenses totalling \$3,718.

How should the accrued and prepaid expenses be reported on Keith’s statement of financial position (balance sheet)?

- A as a current asset of \$458
- B as a current liability of \$458
- C as a current asset of \$4,176 and a current liability of \$3,718
- D as a current asset of \$3,718 and a current liability of \$4,176

- 4 **According to the Framework for the Preparation and Presentation of Financial Statements, how is the measurement of assets and liabilities affected by the application of prudence?**

- | | Assets should not be .. | Liabilities should not be .. |
|---|-------------------------|------------------------------|
| A | overstated | understated |
| B | overstated | overstated |
| C | understated | understated |
| D | understated | overstated |

5 Which of the following should normally be recorded in a non-current asset register?

- (i) the location of each asset;**
- (ii) the serial number of each asset;**
- (iii) accumulated depreciation on each asset.**

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

6 Ed's year end is 30 September. He depreciates office furniture at 15% per annum on the straight line basis. A full year's depreciation is charged in the year an asset is purchased, and no depreciation is charged in the year it is sold. In March 2005 Ed bought office furniture for \$80,000.

If he sells the office furniture for \$39,000 in July 2008, what will be Ed's profit or loss on disposal?

- A** a profit of \$7,000
- B** a loss of \$7,000
- C** a profit of \$5,000
- D** a loss of \$5,000

7 When Pete's trial balance was extracted, the total of the debit balances was \$420 less than the total of the credit balances. He opened a suspense account while he checked the entries. He then found that:

- (i) a cash sale for \$80 was entered correctly in the cash account, but no entry was made in the sales account;
- (ii) when journal entries were posted to the general ledger, a debit entry of \$100 was incorrectly recorded as a credit entry of \$700.

When Pete corrects these errors what is the balance on his suspense account?

- A** \$300 credit
- B** \$460 credit
- C** \$1,140 debit
- D** \$1,300 debit

8 Bill uses the first in first out method of inventory valuation. At 1 May 2008 he had 60 units in inventory at a total value of \$1,320. The movement on his inventory in May 2008 was:

Receipts	14 May	120 units at \$22.20
	26 May	150 units at \$22.30
Sales	18 May	90 units
	28 May	80 units

What is the value of Bill's inventory at 31 May 2008?

- A** \$3,547
- B** \$3,552
- C** \$3,567
- D** \$3,568

- 9 In June 2008 Laura bought goods for \$12,000. She paid \$11,000 of this by cheque and agreed a 30 day credit period for the balance. She intends to buy more goods for \$13,000 in July 2008.

What value should be reported for Laura's payables at 30 June 2008?

- A \$25,000
- B \$14,000
- C \$13,000
- D \$1,000

- 10 Cathy is extending the entries for depreciation on her extended trial balance (ETB).

Into which ETB columns should the entries for depreciation charge and accumulated depreciation be extended?

- | | Depreciation charge | Accumulated depreciation |
|---|-------------------------|--|
| A | Income statement debit | Statement of financial position (Balance sheet) debit |
| B | Income statement debit | Statement of financial position (Balance sheet) credit |
| C | Income statement credit | Statement of financial position (Balance sheet) credit |
| D | Income statement credit | Statement of financial position (Balance sheet) debit |

- 11 At 30 April 2008 the balance on the bank account in Jim's general ledger showed that he had \$685 cash at the bank. When he carried out his bank reconciliation, he found that he had omitted bank charges of \$722 for the year to 30 April 2008.

What bank balance should be included on Jim's opening trial balance at 1 May 2008?

- A \$685 debit
- B \$685 credit
- C \$37 debit
- D \$37 credit

- 12 Which of the following statements describes current assets?

- A assets which are currently located on the business premises
- B assets which are used to conduct the organisation's current business
- C assets which are expected to be converted into cash in the short term
- D assets which are not expected to be converted into cash in the short term

- 13 Which of the following is the correct journal entry to record a credit note issued to a customer for goods returned?

- | | | | |
|---|-------|-------------------|-------------------|
| A | Debit | Sales returns | |
| | | Credit | Cash |
| B | Debit | Cash | |
| | | Credit | Sales returns |
| C | Debit | Trade receivables | |
| | | Credit | Sales returns |
| D | Debit | Sales returns | |
| | | Credit | Trade receivables |

- 14** Jane is preparing her bank reconciliation. The bank balance in her general ledger is \$422 credit. The only items which need to be dealt with are:
- (i) a cheque for \$822 issued to a supplier which has not yet appeared on the bank statement;
 - (ii) interest received of \$153 which was credited by the bank, but not recorded by Jane.

What is the closing balance on Jane's bank statement?

- A** \$269 overdrawn
 - B** \$1,091 overdrawn
 - C** \$553 cash at bank
 - D** \$1,397 cash at bank
- 15** When Paul's extended trial balance was extended and totalled, the totals were:

Income statement		Statement of financial position (Balance sheet)	
Debit	Credit	Debit	Credit
\$97,945	\$120,634	\$84,752	\$62,063

What is Paul's profit or loss?

- A** \$22,689 loss
 - B** \$22,689 profit
 - C** \$35,882 loss
 - D** \$35,882 profit
- The following information relates to questions 16 and 17:**

At 31 May 2008, Janet's general ledger included the following balances:

trade receivables	\$137,850
receivables allowance at 1 June 2007	\$2,492

Janet has calculated that her receivables allowance should be revised to \$2,757.

- 16 What amount should be reported on Janet's income statement for receivables expense?**
- A** a charge of \$265
 - B** a credit of \$265
 - C** a charge of \$2,757
 - D** a credit of \$2,757
- 17 How should receivables be reported on Janet's statement of financial position (balance sheet) at 31 May 2008?**
- A** Current asset of \$137,850 and current liability of \$2,757
 - B** Current asset of \$135,093
 - C** Current asset of \$137,850 and current liability of \$2,492
 - D** Current asset of \$135,358

18 Anne has prepared the following reconciliation between the balance on her trade payables ledger control account in her general ledger and the list of balances from her suppliers ledger:

	\$
Balance on general ledger control account	68,566
Credit balance omitted from list of balances from payables ledger	(127)
	68,439
Undercasting of purchases day book	99
	68,538

What balance should be reported on Anne's statement of financial position (balance sheet) for trade payables?

- A** \$68,439
- B** \$68,538
- C** \$68,566
- D** \$68,665

19 In the year to 30 April 2008, Tanya paid a total of \$127,569 to her suppliers.

Her opening and closing balances due to suppliers and her opening and closing inventory values were:

	Opening value	Closing value
Suppliers	\$11,564	\$12,826
Inventory	\$5,288	\$4,184

What was Tanya's cost of sales for the year to 30 April 2008?

- A** \$125,203
- B** \$126,307
- C** \$127,727
- D** \$129,935

20 In the year to 31 May 2008, Lesley's sales totalled \$600,000 and her cost of sales totalled \$480,000

What are the correct figures for Lesley's mark up and margin?

	Mark up	Margin
A	25%	25%
B	25%	20%
C	20%	25%
D	20%	20%

(40 marks)

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

- 1 (a) Identify **THREE** situations in which the total of the debit balances in a trial balance is the same as the total of the credit balances, but the trial balance contains errors. (3 marks)
- (b) If capital expenditure is incorrectly treated as revenue expenditure what is the effect on:
- (i) profit and net assets in the year in which the error is made; and (2 marks)
- (ii) profit in the following year. (1 mark)
- (c) Explain how each element of the accounting equation is affected when goods for resale are purchased on credit. (3 marks)
- (d) IAS 2 'Inventories' requires inventory to be valued at the lower of cost and net realisable value.
- Define the terms 'cost' and 'net realisable value'. (4 marks)
- (e) State the purpose of:
- (i) the income statement; and
- (ii) the statement of financial position (balance sheet). (2 marks)
- (15 marks)**

- 2 When carrying out the reconciliation between the balance on the trade receivables control account in her general ledger (\$28,024 debit) and the list of balances from the receivables ledger (\$28,245), Pat McCartney has noted:
- (i) an invoice for \$875 issued to a customer was recorded in the daybook as a credit note;
- (ii) the balance on a customer's account was included in the list of balances as \$856, but the correct balance is \$586;
- (iii) although Pat had agreed to offset a balance of \$450 due from a customer against a balance due to a supplier, no entries were made;
- (iv) a payment of \$1,500 was accepted in full settlement of a balance of \$1,507. The discount was correctly recorded in the general ledger, but no entry was made in the customer's account;
- (v) a customer returned goods valued at \$422, but no credit note was issued;
- (vi) a debit balance of \$28 on a customer's account was included on the list of balances as a credit balance.

Required:

- (a) For each of the items (i)–(vi) above, identify whether an adjustment is required in the general ledger account, to the list of balances, or both. (6 marks)
- (b) Calculate the corrected balance on the general ledger account. (3 marks)
- (c) Prepare the reconciliation of the list of balances to the corrected balance on the general ledger account. (6 marks)
- (15 marks)**

3 You are preparing final accounts for Roy and Greg who are in partnership.

Under the terms of the partnership agreement:

- (i) Greg receives a salary of \$12,000 per annum;
- (ii) partners are paid interest on the opening balance on their capital account at 8% per annum;
- (iii) interest on drawings is to be charged as follows: Roy \$4,480
Greg \$2,744; and
- (iv) profits and losses are shared 4:3 between Roy and Greg.

The partnership income statement for the year to 30 April 2008 shows a net profit of \$67,891.

The opening balances on the partners' capital and current accounts, and their drawings during the year were:

	Capital accounts at 1 May 2007	Current accounts at 1 May 2007	Drawings during year to 30 April 2008
Roy	\$55,000 Cr	\$28,563 Cr	\$32,000
Greg	\$51,000 Cr	\$17,506 Dr	\$19,600

Required:

- (a) Calculate each partner's share of the profit of \$67,891. (8 marks)
- (b) Prepare the partners' current accounts for the year to 30 April 2008. (4 marks)
- (c) Calculate the net assets of the partnership at 30 April 2008. (3 marks)

(15 marks)

- 4 On checking the draft accounts for the year to 31 May 2008 prepared by Cynthia Harrison you note that she has not made adjustments for the following items:
- (i) Her rent account includes a payment of \$11,100 for the six months to 30 June 2008.
 - (ii) Electricity has only been paid up to 31 March 2008. The last invoice included in Cynthia's records was for the three months to that date and was for \$3,570.
 - (iii) Cynthia's policy is to depreciate non-current assets at 18% per annum on the reducing balance basis. At 31 May 2008, the cost of her non-current assets was \$138,900. The accumulated depreciation at 1 June 2007 was \$45,500. She did not purchase, or dispose of, any non-current assets during the year.
 - (iv) Cynthia's inventory at 31 May 2008 was included at cost. However, some items which cost \$5,290 have been held for over 12 months. Cynthia is confident she will be able to sell these items for \$4,000, but she will have to pay \$250 to update them.
 - (v) Trade receivables includes a balance of \$1,288 due from a customer who has gone out of business. Cynthia does not expect to receive any payment in respect of this balance. You have calculated that an allowance of \$668 in respect of the remaining balances is required. Cynthia had not made any allowance in previous years.

Required:

Prepare the journal entry required for each of the items (i) to (v).

Note: narratives are not required.

(15 marks)

End of Question Paper