Mock Examination : CAT Paper FA1

Recording Financial Transactions

Session : December 2012

Set by : Mr Chris Lee

Your Lecturer

☐ Mr Veeramani
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Your Mailing Address : ______________________________________

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Your Contact Number : _________________________________

I wish to have my script marked by my lecturer and

☐ collect the marked script at the SAA-GE Reception Counter
☐ have the marked script returned to me by mail

(Please submit your script latest by 12th November 2012 for marking)
Recording Financial Transactions

FA1 Mock Examination

Time Allowed 2 hours

All Fifty questions are compulsory and MUST be answered using the answer sheet provided
1 Mary gives a 10% cash discount for all invoices settled with 15 days from the date of issue. The following transactions took place in the month of May:

- May 6: sales to Peter for $500 (list price) Peter negotiated a trade discount of 20% and paid for the goods on 12 May
- May 7: sales to Robert for $1200 (list price). Robert paid 50% on May 15
- May 11: sales to June for $2000 (list price). June paid 70% of the invoice on 28 May

How much was the sales collections in the month of May?
A $2,340
B $2,200
C $2,300
D $2,400

2 Based on the information in Question 1 above, what is the total receivables in Mary’s books?
A $1,040
B $1,200
C $1,080
D $1,400

3 Which of the following is a capital expenditure?
A Amount paid for the repair to motor vehicle
B Dividend paid to shareholders
C Rental paid
D Import duties paid for the purchase of machinery

4 Xiao Feng started business by introducing the following:
1 Cash paid in of $10,000
2 Personal computer worth $2,500
3 Took a business loan for the business of $5,000
4 Purchased stocks on credit for $1,200

What is the capital brought in by Xiao Feng?
A $10,000
B $12,500
C $17,500
D $18,700
5 Which is the correct entry for goods returned by a customer
A  Dr  Sales  Cr  Purchases
B  Dr  Payables Control Account  Cr  Returns Outward Account
C  Dr  Returns Inwards Account  Cr  Receivables Control Account
D  Dr  Purchases Returns Account  Cr  Cash Account

6 Which of the following transactions would be entered in the journal?
A  Sales receipts
B  Correction of an error in posting
C  Goods returned by customers
D  Capital introduced by the owner

7 A credit purchase of goods for $75 was entered in the accounts as $57. What type of error has occurred?
A  Error of transposition
B  Error of recording
C  Error of principle
D  Error of posting

8 A credit entry represents
A  An increase in expenses
B  An increase in non-current assets
C  A decrease in the payables account
D  A decrease in the receivables account

9 What is the net salary received by Andrew based on the following:
   Basic salary            $2,000
   Pension Contribution by employee  $  150
   Pension Contribution by employer $  50
   Overtime pay             $  120
   Tax deducted from employee  $  120

A  $2,120
B  $2,040
C  $2,320
D  $1,850
When a bank statement is received, which items must be included in the cash book?

i) Unpresented cheques
ii) Direct Credit to the account
iii) Lodgement not cleared
iv) Bank charges

Is it
A) i) and iii)
B) i) and iv)
C) ii) and iv)
D) iii) and iv)

The Sales Day Book will contain:
A) Cash sales made
B) Sales of fixed assets
C) Sales of all discounted items
D) Sales made but payment not received

The opening balance on the sales ledger was $125,000. During the month, sales of $200,000 was made and net cash received, after cash discount of 10%, was $135,000. How much has the closing balance changed?
1. An increase of $65,000
2. An increase of $200,000
3. An increase of $ 50,000
4. An increase of $75,000

The following information is obtained:

Balance per Bank statement $12,350 (overdrawn)
Outstanding cheques $ 5,000
Bank charges $ 400
Outstanding lodgements $ 3,000

What is the corrected balance to be reported in the SOFP?

1. $13,950
2. $ 8,750
3. $14,350
4. $10,750
14. Prepaid car road tax is reported as:
   A) An unearned income in the SOFP
   B) A liability in the SOFP
   C) An asset in the SOFP
   D) An expense in the income statement

15. A customer returns goods to Bob. What document should Bob send to the customer
   A) A Goods Received Note
   B) A Debit Note
   C) An Invoice
   D) A Credit Note

16. Which is the correct equation

<table>
<thead>
<tr>
<th></th>
<th>Assets</th>
<th>Liabilities</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>3000</td>
<td>1000</td>
<td>2000</td>
</tr>
<tr>
<td>B</td>
<td>4000</td>
<td>7000</td>
<td>3000</td>
</tr>
<tr>
<td>C</td>
<td>8000</td>
<td>9000</td>
<td>1000</td>
</tr>
<tr>
<td>D</td>
<td>2000</td>
<td>3000</td>
<td>5000</td>
</tr>
</tbody>
</table>

17. John’s sales in the month of January was $13,200, inclusive of sales tax. Total purchases for the same month was $10,000, exclusive of sales tax. What is the balance on his sales tax account? Sales tax is 10%
   A) $200 payable
   B) $200 receivable
   C) $290 payable
   D) $290 receivable

18. On 1 January, the balance on the receivable control account was $250,000. During the year, total sales was $420,000, including cash sales of $60,000. Allowances for receivables was increased from $3,000 to $3,800. Total payment received during the year was $290,000. What is the closing balance for receivables as at 31 December.
   A) $380,000
   B) $376,200
   C) $319,200
   D) $320,000

19. William buys goods costing $24,150, including sales tax @15%. A 10% cash discount is offered for settlement within 10 days. William issued a cheque for $13,500 within 1 week of purchase. On day 10th after the purchase date, he discovered defective goods amounting to 20% of his total purchased. He returned these defective goods on the same day. What is the outstanding amount William must pay.
   A) $6,150
   B) $4,920
   C) $4,950
   D) $5,020
20. Which of the following statements is correct?
A) Assets and Capital normally have credit balances
B) Assets and expenses normally have debit balances
C) Liabilities and drawings normally have credit balances
D) Assets and revenues normally have debit balances

21. Which of the following statements is incorrect?
i. The cash book is used to record receipts from cash sales
ii. The debit entries to the cash book represent payment to creditors
iii. Sales proceeds from disposal of non-current assets are not recorded in the cash book
iv. Cash payments are recorded using a petty cash voucher

A) i) and ii)
B) i) and ii) and iii)
C) ii) and iv)
D) ii) and iii) and iv)

22. Which of the following are correctly matched?

<table>
<thead>
<tr>
<th>Transactions</th>
<th>Source Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Sales</td>
<td>Debit Notes</td>
</tr>
<tr>
<td>ii) Returns by customers</td>
<td>Invoice</td>
</tr>
<tr>
<td>iii) Depreciation charge</td>
<td>Journal Vouchers</td>
</tr>
<tr>
<td>iv) Trade Discount</td>
<td>Discount Journals</td>
</tr>
<tr>
<td>v) Petty cash payment</td>
<td>Petty cash vouchers</td>
</tr>
</tbody>
</table>

A) i) and iii)
B) ii) and iv)
C) i) and v)
D) iii) and v)

23. Which of the following is the correct posting to record a credit purchase of $800 from Peter?

A) Dr Cash Cr Peter
B) Dr Purchases Cr Peter
C) Dr Peter Cr Purchases
D) Dr Purchases Cr Cash
24 Which of the following correctly records the irrecoverable debt from a customer in the receivables ledger control account

A) Dr Bad Debt Expense
    Cr Receivables Ledger Control A/c

B) Dr Allowances for Irrecoverable Debt
    Cr Receivables Ledger Control A/c

C) Dr Receivables Ledger Control A/c
    Cr Individual Customer A/c in the Sales Ledger

D) Dr Bad Debt Expense
    Cr Cash A/c

25 Which of the following appear on opposite side of the trial balance?
   i) receivables and sales returns
   ii) cash discount received and allowances for irrecoverable debts
   iii) drawings and rental income
   iv) payables and cash balance

A) iii) and iv)
B) ii) and iv)
C) i) and ii)
D) i) and iii)

26 A credit entry was made in the bank statement but not recorded in the cash book. This entry could be:

A) Bank Charges
B) Interest received from the bank
C) Giro transfer to creditors
D) cheque made out to suppliers

27 Which of the following is a document to record goods returned by customers

A) Sales Invoice
B) Purchase Order
C) Credit Note
D) Debit Note
28 Which of the following items should appear on the credit side of the receivables control account?

i) credit sales to customer
ii) cash collected from customer
iii) Sales return
iv) discount allowed
v) cash refund to credit customer
vi) interest charged on overdue balance

A) i), v) and vi)
B) ii), iii) and iv)
C) i), ii) and v)

The following information is provided:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from trade receivables</td>
<td>20,500</td>
</tr>
<tr>
<td>Due from trade receivables as at 1/1/x1</td>
<td>2,000</td>
</tr>
<tr>
<td>Opening inventory</td>
<td>1,000</td>
</tr>
<tr>
<td>Closing inventory</td>
<td>800</td>
</tr>
<tr>
<td>Due to suppliers on 1/1/x1</td>
<td>850</td>
</tr>
<tr>
<td>Due to suppliers on 31/12/x1</td>
<td>400</td>
</tr>
<tr>
<td>Cash paid to suppliers</td>
<td>1,100</td>
</tr>
</tbody>
</table>

Based on the above information provided, attempt Question 29, 30, 31

29 What is the sales for the period

A) 20,500
B) 19,500
C) 18,500
D) 17,500

30 What is the purchases for the period

A) $600
B) $650
C) $350
D) $550

31 Calculate the gross profit

A) $18,500
B) $16,250
C) $17,250
D) none of the above
A trail balance was extracted and the balances failed to agree. A suspense account was created for the difference. Which of the following errors would require an entry in the suspense account in correcting them?

i) Discount allowed as mistakenly debited to discount received account  
ii) freight charges paid was correctly recorded in the cash book but credited to the freight charges account  
iii) the balance on the closing stock account was not included in the trial balance 
iv) a sales was wrongly debited to purchases account and credited to trade payables account

A) i) and ii)  
B) iii) and iv)  
C) iii) only  
D) ii) only

Which equation is correct?

i) assets + liabilities = capital  
ii) capital + profit = assets – liabilities  
iii) liabilities + drawings = capital + assets  
iv) capital + profit – drawings = assets – liabilities  

A) i) and ii)  
B) ii) and iv)  
C) i) and iii)  
D) ii) and iii)

Which of the following are not errors of principle?

i) motor insurance entered in the motor vehicle account  
ii) purchases from Peter entered as purchased from Paul  
iii) sales of $567 entered as sales of $576  
iv) payment for rent omitted from the records

A) i) ii) and iv)  
B) ii) iii) and iv)  
C) i) iii) and iv)  
D) all of the above

In a bank reconciliation, outstanding lodgement should be

A) added to the bank balance  
B) subtracted from the bank balance  
C) does not require any adjustment to the bank balance  
D) should be added back to the cash book balance

Which is not a source document?

A) Invoice  
B) Credit Note  
C) Month end Statement to customer  
D) Cash Receipt from Purchase
37 When the total debits of a trial balance does not equal the total balance of the credits, we needed to open a
A) Balancing account
B) Statement of Financial Position account
C) A Profit and Loss Account
D) A Suspense Account

38 Which of these is an example of an internal document?
A) supplier’s invoice
B) bank statement
C) a sales order from a supplier
D) a purchase order

39 The receivables ledger shows a balance of $2,000 for Vick Company but is different from a statement from Vick Company. An investigation revealed the following errors:
i) sales of $500 was omitted
ii) cash discount of $150 was not recorded by Vick Company
The corrected balance after reconciliation should be:
A) $2,500 debit
B) $2,350 debit
C) $2,500 credit
D) $2,350 credit

40 The purpose of establishing an effective storage system is to ensure
i) easy retrieve of documents
ii) storage of information forever
iii) evidence is available in the event of any legal disputes over payment
iv) employment can be created for a person to keep the documents
A) i), and iii)
B) ii) and iii)
C) i) and iv)
D) ii) and iv)

41 The following information relates to a purchase
List price of item is $20 per unit
Cash Discount is 7%
Sales Tax is 15%
Total quantity purchased is 25 per item
The total debit to the purchase account is
A) $534.75
B) $465.00
C) $575.00
D) $500.00
42 The following account is prepared

<table>
<thead>
<tr>
<th>Receivables Control Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance b/d</td>
</tr>
<tr>
<td>Bad Debts</td>
</tr>
<tr>
<td>Allowances for Doubtful debt</td>
</tr>
<tr>
<td>Cash received</td>
</tr>
</tbody>
</table>

What is the corrected balance c/d?

A) $21,200  
B) $22,000  
C) $26,200  
D) $4,400

43 Ryan sold goods to Peter worth $3,000 (list price) A trade discount of 15% was given. What is the correct entries in the books of Peter?

A) Dr Purchases 3,000  
   Cr Creditors 2,550  
   Cr Discount received 450  
B) Dr Debtors 2,550  
   Cr Sales 2,550  
C) Dr Purchases 2,550  
   Cr Creditors 2,550  
D) Dr Debtors 2,550  
   Cr Sales 2,550

44 The following information is provided on the payables control account:
   i) Opening balance $2,000  
   ii) cash purchases $3,000, credit purchases $15,000  
   iii) purchases returns $400  
   iv) discount received $750  
   v) cash paid $6,500  

The balance on the payables control account is

A) $6,350  
B) $7,050  
C) $5,600  
D) $9,350

45 Which of the following is not included in a sales invoice?  
A) Unit price of the items sold  
B) Sales tax charged  
C) Payment Terms  
D) Cost of goods sold
A piece rate system of payment is used. The following rates apply for monthly production:

- 0 - 50 units $1.00 per unit
- 51 - 100 units $1.20 per unit
- 101 - 150 units $1.40 per unit
- 151 - 200 units $1.60 per unit

Bonus of $5 is also paid for every 20 units above 150 units. Contribution for pension fund is 10% payable by employers and 20% by employees.

James produced 176 units in the month of Marc. What is his take home pay for the month?

A) $246.40  
B) $221.60  
C) $243.76  
D) $177.28

When cash is paid, the possible effect is

i) An increase in liabilities  
ii) An increase in assets  
iii) An increase in income  
iv) An increase in expenses

A) i) and ii)  
B) ii) and iii)  
C) i) and iii)  
D) ii) and iv)

Which of the following statement is NOT true

i) every transaction has dual effect  
ii) user of accounts include employees  
iii) trade discount needs to be reported  
iv) repair to motor vehicle can be included in the cost of the vehicle

A) i) and ii)  
B) ii) and iii)  
C) iii) and iv)  
D) ii) and iv)

Which of the following is not a current asset?

A) Cash  
B) Debtors  
C) Machinery  
D) Stocks
The following information is available:

2 Feb  Sales of $2000 (not including 10% sales tax)
5 Feb  Purchases $1500 (not including 10% sales tax)
10 Feb  Sales return of 50% or sales on 2 Feb

What is the balance on the sales tax?

A) $50 credit balance
B) $50 debit balance
C) $200 credit balance
D) $150 debit balance