Mock Examination : CAT Paper FA2

Maintaining Financial Records

Session : December 2012

Set by : Ms Edith Quek

Your Lecturer

☒ Ms Edith Quek

Your Mailing Address : ______________________________________

____________________________________

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)
1. Which of the following is the purpose of charging depreciation?
   I. The cost of the non-current asset can be reduced
   II. Accumulated depreciation can be reflected
   III. Application of the matching principle
   a. I only
   b. I and II
   c. III only
   d. II only

2. Malin has a suspense account with a credit balance of $100. He then discovered that:
   - A cash sales of $2,700 was debited to Cash Book only
   - Motor vehicle account was overcast by $360
   - A sales invoice of $12,000 was omitted from the books
   - Insurance account was undercast by $400

   Malin decided to correct the above errors. What is the balance on the suspense account after the correction? Is it a debit or credit balance? ______________

3. Which of the following statements is incorrect?
   a. Financial statements of a partnership must be shown to the public annually.
   b. Financial statements are prepared with the intention of meeting the needs of various groups of users
   c. Potential investors can find useful information in the financial statements
   d. Financial statements provide information on profit and loss of the business

4. Which accounting concept requires that foreseen losses should be anticipated and taken into account immediately?

____________
5. Jenny and Jolene were partners sharing profit and loss equally. On 1 January 2011, they decided to admit John as a partner in their business on the following agreement:

- Goodwill of $240,000 was to be valued
- Goodwill would not be maintained in the books of partnership
- The partners would share profits in the ratio of 3: 2: 1 for Jenny, Jolene and John
- John would introduce cash to ensure that her opening capital balance is maintained at $100,000

How much cash must John bring in to the partnership?  ________________

6. When preparing the extended trial balance, in which column should the balance for accumulated depreciation of non-current assets be included?
   a. Statement of financial position debit
   b. Statement of financial position credit
   c. Income statement debit
   d. Income statement credit

   ( )

7. Zanny made a net profit of $35,400. He injected additional capital of $10,200 during the year and withdrew $200 per week for his household expenses. If net assets at the end of the year were $60,000, what was Zanny’s capital at the beginning of the year?
   a. $14,600
   b. $24,800
   c. $95,200
   d. $34,600

   ( )

8. Lim’s receivable control account had a closing balance of $8,500. It contained a contra to the payables ledger of $400, but this had been entered on the wrong side of the receivable control account.
   What should be the correct balance on the receivable control account?
   a. $7,700
   b. $8,100
   c. $8,400
   d. $8,900

   ( )
9. A company’s trade payables increased by $20,000 over the year. Its cash sales for the year totaled $60,000 and its payments to suppliers totaled $230,000. Closing inventory and opening inventory is $5,000. If the company’s margin on cash sales is 20% and on credit sales 25%, to the nearest whole dollar, what were credit sales for the year?

__________________

10. Mark and Mary partnership business is using first in, first out (FIFO) method for valuing their inventories. At 1 July 2012, the partnership had 700 units of computer parts in inventory valued at $190 each.

During the year ended 30 June 2013, the following transactions took place:

2012
1 July Purchased 500 units at $220 each
1 December Sold 400 units for $160,000

2013
1 February Purchased 300 units at $230 each
15 April Sold 250 units for $125,000

What is the value of the partnership’s closing stock at 30 June 2013?

____________

11. Poline’s suspense account shows a debit balance of $100. What could this balance be due to?
   a. Entering $50 received from Wong on the debit side of Wong’s account
   b. Entering $50 received from Wong on the credit side of Wong’s account
   c. Undercasting the sales day book by $100
   d. Undercasting the purchases account by $100

   ( )

12. Boh and Lih are in partnership. In the year to 31 December 2011, Lih’s drawings were $28,000 and the following entries have been made in the partnership appropriation account or Lih:

   Salary $9,800
   Interest on drawings $1,000
   Share of Loss $4,900

At 1 January 2011, Lih’s current account has a debit balance of $430. What is the debit or credit balance on Lih’s current account as at 31 December 2011?
13. Which one of the following would occur if the purchase of petrol was debited to motor van account?
   a. An overstatement of profit and an overstatement of non-current assets
   b. An understatement of profit and an overstatement of non-current assets
   c. An overstatement of profit and an understatement of non-current assets
   d. An understatement of profit and an understatement of non-current assets

14. WoWo Ltd sold a non-current asset which cost $298,700 for $99,100. At the date of disposal, the accumulated depreciation on the asset was $256,000. What was the profit or loss on disposal of the asset?
   a. $42,700 loss
   b. $56,400 loss
   c. $42,700 gain
   d. $56,400 gain

15. A periodic weighted average method of valuing inventories is being adopted by Una Company. During December 2011, the following inventory details were recorded:
   1 December 2011: balance units of 20 units valued at $19 each
   10 December 2011: purchase of 40 units at $20 each
   12 December 2011: sale of 30 units at $25.00 each
   15 December 2011: purchase of 50 units at $20.50 each
   20 December 2011: sale of 30 units at $27 each
   30 December 2011: purchase of 20 units at $22 each

   What is the value of closing inventory and gross profit as at 31 December 2011?
   Closing inventory:_______
   Gross profit:_______

16. A water treatment equipment was purchased by Winnie recently. The invoice shows the following costs:
   Equipment $50,000
   Delivery $ 2,000
   Maintenance charge $ 4,500
   Sales tax $ 8,750 (recoverable)

   What is the total value of capital expenditure on the invoice?
   a. $56,500
   b. $52,000
   c. $65,250
   d. $60,750
17. Which one of the following assets may be classified as non-current asset in the accounts of a business?
   a. A motor van held for resale
   b. Stationery for office use
   c. Cleaning products used to clean the floors
   d. A cash register for collection of money

18. A suspense account with a debit balance of $9,689 was opened when Wendy prepared her trial balance. Wendy then found that a cash purchase of stationery for $6,321 was correctly entered in the Cash Book, but was entered on the wrong side of the stationery account.

   When the error is corrected, what is the balance on the suspense account?

19. Which of the following statements is/are true about non-current assets?
   I. Assets which will be converted into cash in the long term
   II. Assets which will be converted into cash in short term
   III. Assets which are not intended for sale

   a. (i) only
   b. (i) and (ii)
   c. (iii)
   d. (ii) and (iii)

20. At 30 June 2011, net assets of Robert was $530,000. His total assets was $648,900 and his non-current payables was $108,677.

   What is his current payables?

21. Wenny purchased a motor van on 1 July 2010 for $16,000. She incurred $590 for transportation and $600 for installation. On 15 July 2010, the motor van broke down and she incurred another $400 for repairs. Wenny charges depreciation of 15% per annum on straight line basis.

   What is the correct net book value of the machine as at 30 June 2011?
   a. $13,600.00
   b. $14,951.50
   c. $14,611.50
   d. $14,110.00
22. Jian Hui Ltd, a VAT registered company has the following in her invoice for purchase of a machinery:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machine cost</td>
<td>$50,000</td>
</tr>
<tr>
<td>Delivery cost</td>
<td>$12,000</td>
</tr>
<tr>
<td>Annual maintenance cost</td>
<td>$1,100</td>
</tr>
<tr>
<td>Sales tax</td>
<td>$3,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$66,600</strong></td>
</tr>
</tbody>
</table>

What is the total value of capital expenditure and revenue expenditure of Jian Hui Ltd in this transaction?

a. Capital expenditure : $66,600   Revenue expenditure : $0
b. Capital expenditure : $65,500   Revenue expenditure : $1,100
c. Capital expenditure : $62,000   Revenue expenditure : $1,100
d. Capital expenditure : $62,000   Revenue expenditure : $4,600

23. John’s trade receivables is $19,788 as at 31 December 2011. A year earlier it was $15,899. During the year, he banked $89,000 into his bank account. This amount was collected from his credit customers after paying $15,000 for his daughter’s school fees. Discount allowed for the year is $12,000.

What was the value of John’s sales for the year to 31 December 2011?

________________

24. On 1 June 2011, Moline paid $45,000 and traded in an old motor vehicle for a new van. The seller allowed him $9,500 in part exchange for the old motor vehicle. Moline depreciates motor vehicles using the reducing balance method at a rate of 15% per annum. The old motor vehicle had cost her $80,000 and had been depreciated by $70,000.

What is the depreciation charge on the new motor vehicle for the year to 31 December 2011?

What is the gain or loss on disposal of the old motor vehicle?

a. Depreciation Charge : $8,175.00   Gain : $500
b. Depreciation Charge : $8,175.00   Loss : $500
c. Depreciation Charge : $4,768.75   Gain : $500
d. Depreciation Charge : $4,768.75   Loss : $500
25. March kept a payables control account in his general ledger. He showed you the following entries in his payables control account:

Debit: Payables Control
Credit: Bank
What aspect of the transaction is recorded by this entry?
   a. Goods returned by March’s customers
   b. March returned goods to his suppliers
   c. Payment to his suppliers
   d. Refund by cheque to Mark’s customers

26. What accounting rule is applied when non-current assets are recorded at cost?
   a. Prudence
   b. Business entity
   c. Historical cost
   d. Going concern

27. Which one of the following is not the purpose of a receivables ledger control account?
   a. A receivables ledger control account provides a check on the arithmetical accuracy of the personal ledger
   b. A receivables ledger control account helps to locate errors in the trial balance
   c. A receivables ledger control account ensures that there are no errors in the personal ledger
   d. Control accounts deter fraud

28. Sona’s net assets increased by $40,600 in 2011 as compared to 2010. In 2011, his cash drawings was $19,800 and he also transferred $23,000 from his personal account into the business bank account. What is his net profit or loss for 2011?

29. Fenton’s business uses a gross profit margin of 50% in his business. His opening inventory was $32,900 and closing inventory was valued at $45,000. Included in the closing inventory was some damaged goods which cost $6,000. These damaged goods can only be sold at the usual selling price if further repair work was carried out at a cost of $1,280. The total sales of Fenton is $1,500,000.

   What is the value of Fenton’s purchases?
30. From 1 January 2010 to 31 December 2010, Mavis paid a total of $900,900 to Tolison, a supplier and also a carpenter. Included in this payment is a payment of $52,000 for repair work on Mavis’s family house. Her balances for trade payables and inventories are as follows:

Trade payables : 1 January 2010 : $180,000
          : 31 December 2010 : $160,000

Inventories : 1 January 2010 : $140,000
             : 31 December 2010 : $150,000

All suppliers give Mavis 10% trade discount.

What was Mavis’s cost of sales for the year to 31 December 2010?

a. $880,900
b. $870,900
c. $828,900
d. $818,900

31. Una bought a machine that cost her $90,000. The installation costs were $5,900 and she sent her employees for training on how to use the machine, at a cost of $1,400. In addition, a test was undertaken and the paper and ink cost $500.

What should be the cost of the machine to be reported in the Statement of Financial Position?

a. $96,400
b. $97,800
c. $97,300
d. $91,900

32. At 31 December 2011, Eric has a total trade receivables of $23,890. At the same time, he has an allowance for doubtful debts of $430. Eric decided to write off a debt of $300 and provide 3% of total receivables as allowance for doubtful debts. On 10 January 2012, Eric received $320 from Wendy, whose debt was written off in 2009.

What is the amount chargeable to Income Statement for the year ended 31 December 2011?

a. $266.70
b. $257.70
c. $410.00
d. $577.70
33. Dan and Rong are in partnership, sharing profits equally, after charging salaries of $6,000 for each partner in each accounting year.

On 1 September 2011, they agreed to change the profit-sharing ratio 3:2 and to increase each partner’s salary to $9,000 per year. For the year ended 31 December 2011, the partnership profit amounted to $144,000. Profits are made evenly throughout the year.

What were the partner’s total share of profit to be posted their respective current accounts for the year ended 31 December 2011?

Dan : ____________
Rong : ____________

34. Yanni has a bank balance of $12,800 recorded in her general ledger. The following transactions were omitted after comparing the bank statement and the bank account in the ledger:

- Receipts from credit customers $9,210
- Dividends received by the bank $ 390
- Unpresented cheques $9,899
- Bank Charges $ 190
- Uncredited lodgements $8,780
- Direct Debit $1,200
- Cash drawings by Yanni $3,000

What is the new bank balance in the Cash Book?

____________________

35. The following is a current account of a partnership where Lee is one of the partners. He noticed some errors in the account and would need your help to correct them and provide him with the correct balance. What is the corrected balance in Dolly’s current account?

<table>
<thead>
<tr>
<th>Current Account – Dolly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
</tr>
<tr>
<td>Partner’s Salary</td>
</tr>
<tr>
<td>Additional Capital</td>
</tr>
<tr>
<td>Balance c/d</td>
</tr>
<tr>
<td>Balance b/d</td>
</tr>
<tr>
<td>Drawings</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>$64,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>$81,300</td>
</tr>
<tr>
<td>b.</td>
<td>$89,300</td>
</tr>
<tr>
<td>c.</td>
<td>$58,900</td>
</tr>
<tr>
<td>d.</td>
<td>$38,700</td>
</tr>
</tbody>
</table>

( )
36. Collins bank balance in the cash book was $29,000. He discovered the following information that would need to be adjusted to reconcile the balance in his cash book and the bank statement:

- Bank charges of $100 on the bank statement have not been entered in the cash book
- Cheques totaling $45,780 have been entered in the cash book but not been credited by the bank
- The bank has credited $120 in Collin’s business bank account. This amount should be credited to Collin’s personal account
- A dishonoured cheque of $3,200 from Collin’s customer was not recorded

What was the balance as shown by the bank statement before taking the items above into account? Indicate whether it is a debit or credit balance.

37. Sonni Co’s payables ledger control account is $31,554. You, the accountant at Sonni’s Co has discovered the following omissions:

A settlement discount of $53 received from a supplier; and
A supplier’s invoice for $622.

What amount should be reported for payables on Sonni’s Co statement of financial position?

a. $30,879
b. $30,985
c. $32,123
d. $32,229

38. Venni bought 2 motor vans and 1 car during the year. Each motor van costs $29,375 (plus sales tax) and the car cost her $19,890 (plus sales tax). Sales tax is at 17.5%. Venni used the car for her family 50% of the time.

Venni charges depreciation on a full year charge in the year of purchase. Her depreciation charge is 8% per annum.

What is her depreciation expense for the year?

39. Which of the following would a decrease in the allowance for receivables result in?

a. An increase in liabilities
b. A decrease in current assets
c. A decrease in net profit
d. An increase in net profit
40. Rachel has an opening inventory of $23,900 and makes purchases during the year of $390,899. In 2011, she removed goods costing $200 for her daughter’s use weekly and this was omitted from the accounting records. Her business achieves a constant mark-up of 20% on cost and records sales for the year of $480,000. What is her cost of closing inventory on 31 December 2011?

   a. $20,399  
   b. $14,799  
   c. $ 4,399  
   d. $14,599  

41. Alec’s financial year ended on 31 December 2011. He discovered that he has an outstanding invoice of $9,000 for electricity covering a period of 3 months starting from 1 December 2011. What adjustment is required when preparing the accounts for the year to 31 December 2011?

   a. An accrual of $6,000  
   b. An accrual of $3,000  
   c. A prepayment of $6,000  
   d. A prepayment of $3,000  

42. Wong and Tan were in partnership sharing profits and losses equally. On 1 January 2011, they decided to admit Lim as a new partner into their business with the profit sharing ratio of 3:2:1 for Wong, Tan and Lim. Lim is to bring in $100,000 as capital into the business. When Lim was admitted, all partners agreed that the there should be a goodwill of $30,000 and goodwill should not be reflected in the accounts. Wong and Tan’s capital balances are $80,000 and $120,000 respectively. What are the capital balances after the adjustment of goodwill when Lim was admitted?

   Wong:____________  Tan :_____________ Lim :____________

43. Assume that the extended trial balance has been extended but the result for the year has not been calculated. The totals of the income statement and the statement of financial position columns are:

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>Statement of financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr $567,900</td>
<td>Dr $890,768</td>
</tr>
<tr>
<td>Cr $690,000</td>
<td>Cr $768,668</td>
</tr>
</tbody>
</table>

Which of the following is the correct result for the year?

   a. A loss of $122,100  
   b. A profit of $121,900  
   c. A loss of $121,900  
   d. A profit of $122,100  


44. Consider the following statements:
   (i) Subsidiary ledger is one of the books of prime entry
   (ii) The purpose of preparing trial balance is to ensure there is mathematical equality of debits and credits
   Are the statements true or false?

<table>
<thead>
<tr>
<th>Statement (i)</th>
<th>Statement (ii)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>False</td>
</tr>
<tr>
<td>B</td>
<td>True</td>
</tr>
<tr>
<td>C</td>
<td>True</td>
</tr>
<tr>
<td>D</td>
<td>False</td>
</tr>
</tbody>
</table>

45. Speedy’s balance on his receivables ledger is $19,987. After some investigation, he discovered the following errors:
   - A credit balance of $1,780 on one of the list of balances in the receivables ledger has been listed as debit balance
   - The list of balances had been overcast by $4,020
   - $1,100 received from a credit customer was credited in the payables ledger instead of the receivable ledger
   - An invoice of $3,200 sent to a credit customer was omitted from the books
   - A credit note of $350 issued to one of his credit customers was misplaced.

   What is the correct balance on the Speedy’s receivable control account?

46. Eli’s supplier sent her a statement of account showing an outstanding balance of $12,989. Eli’s own records show a balance outstanding of $13,989. Which of the following could be one reason that causes the difference?
   a. Eli has sent a cheque of $1,000 but was the supplier has not received it
   b. Eli has returned goods of $1,000 but the supplier has not received it
   c. A trade discount of $1,000 was given and was not recorded by Eli
   d. A cash discount of $1,000 was received and was not recorded by Eli

47. Candy’s reported a sales revenue of $3,000,000 and gross profit of $800,500 for the year ended 30 June 2011. It was subsequently discovered that the sales revenue was overstated by $300,000 and the opening inventory overstated by $40,000.

   After correction, what was Candy’s revised sales revenue and gross profit?
48. On 31 December 2011, Xenon’s receivables balance was $30,900. His allowance for receivables was $1,000. On 31 December 2011, Xenon realized one of his customer Mary has declared bankrupt and will only be able to pay $0.40 for every $1 she owes. Mary still has an outstanding debt of $4,000. Mary made her payment and Xenon decided to write off Mary’s debt. On the other hand, on 30 December 2011, Xenon also received a cheque of $200 from Joey, another credit customer whose debts was written off in February 2010.

Xenon would like to maintain an allowance for receivables of 4% of the remaining receivables based on past experience.

What are the amount to be posted to Xenon’s income statement and the balance of net receivables in the Statement of Financial Position for the year ended 31 December 2011?

Income Statement: ____________
Statement of Financial Position: ____________

49. Pier’s trial balance failed to agree, the totals being:

Debit    $815,602
Credit   $808,420

Which one of the following errors could fully account for the difference?

a. The omission from the trial balance of the balance on the insurance expense account $7,182 debit
b. Discount allowed $3,591 debited in error to the discount received account
c. No entries made in the records for cash sales totaling $7,182
d. The returns outwards total $3,591 was included in the trial balance as a debit balance

50. When an extended trial balance is being completed, in which column should the value for an accumulated depreciation be entered?

a. Statement of financial position debit
b. Statement of financial position credit
c. Income Statement debit
d. Income Statement credit

End of Paper