Mock Examination : CAT Paper FA1

Recording Financial Transactions

Session : June 2014

Set by : Mr Chris Lee

Your Contact Number : ________________________________

I wish to have my script marked by the lecturer and

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(Please submit your script latest by 9th May 2014 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

June 2014
ALL FIFTY questions are compulsory and MUST be attempted

1. Which of the following is not a book of prime entry?
   A) Cash Book
   B) Creditors Ledger
   C) Journal
   D) Sales Return Day Book

2. Which of the following is an example of a revenue expenditure:
   i) Motor Vehicle Cost
   ii) Motor Insurance
   iii) Motor Repairs
   iv) Import duties for the motor vehicle
   A) i and iii
   B) ii and iv
   C) ii and iii
   D) i and iv

3. To decrease an asset account, the following is the correct entry:
   A) post a credit entry to the account
   B) post a journal entry to the account
   C) post a debit entry to the account
   D) reduce the liability side of the account

4. Jenny bought goods which had a list price of $2000 and obtained a trade discount of 15% He was offered credit term of 30 days and a cash discount of 5% if the account is settled within 10 days of the invoice date. He took advantage of the cash discount and paid within one week. Sales tax was 10%. How much did he pay to settle the account?
   A) $1700
   B) $1870
   C) $1776.50
   D) $1785

5. Ashraf started business by introducing the following:
   Cheque banked into the business account of $30,000. Put in his Motor Vehicle worth $20,000 for use in the business. In addition, he took a business loan for the business of $15,000 and a personal loan of $5,000 from his sister. What is the capital brought in by Richard?
   A) $70,000
   B) $65,000
   C) $55,000
   D) $50,000
6. Which is the correct entry for goods returned by a customer
   A) Dr Sales Return
       Cr Purchases
   B) Dr Returns Outwards Account
       Cr Purchases Return Account
   C) Dr Returns Outwards Account
       Cr Receivables Control Account
   D) Dr Sales Returns Account
       Cr Receivables Account

7. Which of the following will result in an entry in the suspense account?
   A) A sales not recorded in the sales day book
   B) A capital expenditure posted as a revenue expenditure
   C) Discount received recorded twice in the discount allowed account
   D) A transposition error made in recording a payment for electricity expenses

8. Which of the following balances appear on the opposite sides of a trial balance?
   A) purchases and receivables
   B) Motor vehicle and sales returns
   C) Payables and discount allowed
   D) Drawings and salary payment

9. Calculate the salary received by John with the help of the following information:
   - Basic salary $3,000
   - Contribution to pension fund $200
   - Commission earned $600
   - Employers contribution to benefits $300

   A) $3,400
   B) $3,300
   C) $3,100
   D) $2,500

10. Net assets will be reduced by $1,000 if
    A) non-current assets are sold at a loss of $1,000
    B) goods costing $5,000 are sold on credit for $6,000
    C) a cash purchase of $1,000 is made from a supplier of raw material
    D) an amount of $1,000 is paid to the supplier

11. A purchases day book is a record of data extracted from which of the following documents?
    A) Invoices received from suppliers
    B) Invoices issued to customers
    C) Orders received from customers
    D) Cash purchases made
12. Alex has an opening balance of $4,000 on his receivables control account. During the month, he made purchases of $6,000, sales of $8,000, cash receipts from customers of $9,000 and payments to suppliers of $5,500. What is the closing balance on his receivables control account?

A) $11,000  
B) $5,500  
C) $3,500  
D) $3,000

13. The following information is obtained:
Balance per Bank statement $3,000 (overdrawn)  
Outstanding cheques unpresented $5,000  
Dishonoured Cheques not recorded in cash book but reflected in bank statement $100.  
Bank charges of $200 not recorded in the cash books.

What is the corrected balance to be reported in the SOFP?
A) $3,300 credit  
B) $8,300 credit  
C) $7,700 credit  
D) $2,700 credit

14. Ah Lin made purchases of $22,000 (inclusive of sales tax) and sales of $15,000 (exclusive of sales tax). What is the balance on his sales tax account. Assume sales tax is 10%

A) $2,000 credit  
B) $500 credit  
C) $500 debit  
D) $1,500 debit

15. Which of following will be revealed in a bank reconciliation?
   i) Outstanding cheques not presented  
   ii) Dishonoured Cheques  
   iii) Bank Charges  
   iv) Incorrect amount posted to a customer’s account in the receivable ledger

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

16. What is the purpose of crossing a cheque?
   A) to prevent it from being paid to another account  
   B) to allow it to pay into any account authorised by the payee  
   C) to tell the bank to honour the cheque even if there is insufficient fund  
   D) to request the bank to slow down the processing
17. A debit is used to record
   A) an increase in an asset account
   B) an increase in a revenue account
   C) a decrease in the expense account
   D) an increase in the balance of the liabilities of the business

18. The cashbook must be adjusted for which entries in a bank reconciliation:
   i) cheques issued but not presented
   ii) receipts deposited but not reflected in the bank statement
   iii) direct debits and credits to the bank account
   iv) returned cheques

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

19. William’s cash book shows a debit balance of $8,000 at the end of March but the bank statement reflects a different amount. Upon investigation, William found the following:
   i) cheque deposited amounting to $1,500 has not been reflected in the bank account
   ii) there is a direct debit of $800 to the account which William is not aware of
   iii) bank charges for the month is $40

   The correct amount to be reflected in the SOFP is
   A) $7,340
   B) $8,840
   C) $9,500
   D) $7,160

20. Payment for electricity expenses was credited to Sales Revenue. Which of the following will correct this error?
   A) Dr Sales Revenue account
       Cr Electricity account
   B) Dr Electricity account
       Cr Suspense account
   C) Dr Sales Revenue account
       Cr Suspense account
   D) Dr Electricity account
       Cr Cash account

21. Calculate the net salary to be received by Peter based on the following information:
   Basic salary $1,600
   OT worked = 60 hours at $5 per hour
   Tax to be deducted is $200
   Employers’ Contribution to pension fund is 10% of basic salary

   A) $1,900
   B) $1,600
   C) $1,700
   D) $1,530
22 Which of the following statements are correct?
i) Sales tax is a tax on the value added by the company
ii) Excess sales tax is a revenue for the business
iii) Debit balance on sales tax a/c represents amount to be paid to the tax authorities
iv) sales tax paid on purchases is an expense

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

23 What is the effect on net assets at the end of the period if during the period the following transactions took place:
i) sales of $3,000 was made and the cost is $1,500. The sales money is still outstanding
ii) the owner introduced cash of $10,000
iii) rental for the period was $2,600
iv) drawings for the period was $800

A) net assets increased by $13,000
B) Net assets decreased by $2,600
C) Net assets increased by $8,100
D) Net assets decreased by $3,400

24 What is the source document used to record a purchase from the supplier?
A) The payment voucher
B) Cheque
C) Credit note
D) Supplier’s invoice

25 Bernard purchased goods worth $20,000 in February. There was a trade discount of $2,000 for the purchase he made. He paid $9,000 within 1 week of purchase and received a 10% cash discount for this settlement. Returned goods worth $2,000 was made in the month of February. His closing balance is $11,500. The opening balance on 1 February is:
A) $4,500
B) $9,500
C) $5,500
D) $7,000

26 Mary placed an order for $100,000 worth of goods from Jerry Supplies. The goods are to be delivered in 4 equal deliveries over 2 months and payable within 14 days of delivery. The first delivery was 18 Mar, second delivery was 25 Mar, third delivery was 5 April and final delivery on 12 April. As at the end of March, what is Mary’s liabilities to Jerry?
A) $100,000
B) $75,000
C) $50,000
D) $25,000
27 Based on the information provided in the above question, the correct double entries for the transactions as at 31 March are:

A) Dr Purchases Cr Cash
B) Dr Purchases Cr Purchase commitment
C) Dr Jerry Supplies Cr Cash
D) Dr Purchases Cr Jerry Supplies

28 Which of the following items should appear on the debit side of the receivables control account?

i) credit sales
ii) cash received from customers
iii) Sales return
iv) discount allowed
v) cash refund to customers

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

The following information is provided:

<table>
<thead>
<tr>
<th>Description</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid to trade payables</td>
<td>20,500</td>
</tr>
<tr>
<td>Due to trade payables as at 1/1/x1</td>
<td>2,000</td>
</tr>
<tr>
<td>Due to trade payables as at 31/12X1</td>
<td>4,000</td>
</tr>
<tr>
<td>Opening inventory</td>
<td>1,000</td>
</tr>
<tr>
<td>Closing inventory</td>
<td>800</td>
</tr>
<tr>
<td>Due from trade receivables on 1/1/x1</td>
<td>6,850</td>
</tr>
<tr>
<td>Due from trade receivables on 31/12/x1</td>
<td>4,400</td>
</tr>
<tr>
<td>Cash received from credit customers</td>
<td>25,100</td>
</tr>
<tr>
<td>Receipts from cash sales</td>
<td>3,500</td>
</tr>
</tbody>
</table>

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

29 What are the sales for the period?
A) 22,650
B) 26,150
C) 28,600
D) 25,100

30 What are the purchases for the period?
A) $22,500
B) $24,500
C) $20,000
D) $22,000
31 The gross profit is:
A) $3,950
B) $650
C) $3,100
D) $3,450

32 Lin made a sales of $8,000 on 1 October. On 10 October, customer returned goods worth $600. He offered the customer a cash discount of 10% if payment is made within 15 days of invoice. On 12 October the customer paid $1,800 and on 28 October the customer paid another $1,500. What is the amount owed by the customer as at 31 October
A) $4,100
B) $3,900
C) $5,400
D) $4,700

33 Alex purchased a car for $30,000 and paid cash of $3,000. He took out a loan for the balance and also paid for road tax of $800. What are the entries required to record the purchase of the car?
A) Dr Non-current asset $3,800 Cr Bank $3,800
   Dr Loan A/c $27,000 Cr Payables $27,000

B) Dr Non-current asset $30,800 Cr Bank $30,800

C) Dr Non-current asset $30,000 Cr Bank $3,000
   Cr Loan $27,000

E) Dr Payables $3,000 Cr Bank $3,000
   Dr Non-current asset $27,000 Cr Loan $27,000

34 Ashraf paid a cheque but this payment has not yet been presented to the bank. This cheque is:
A) missing cheque
B) a credit transfer
C) an un-presented cheque
D) a cheque to be cancelled

35 Wen Hai’s cash book at the end of June is $4,000. Unpresented cheques is $1000 and deposits not cleared amounted to $800. What is the balance on the bank statement?
A) $4,200
B) $3,800
C) $3,000
D) $3,200
36. Which is not a book of prime entry
   A) Purchase Day Book
   B) Journal
   C) Sales Return Day Book
   D) Sales Tax Day Book

37. The effects of paying a bank loan is to:
   
<table>
<thead>
<tr>
<th>Effect on Assets</th>
<th>Effect on Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>decrease bank balance</td>
<td>decrease loan</td>
</tr>
<tr>
<td>decrease bank balance</td>
<td>increase loan</td>
</tr>
<tr>
<td>increase bank balance</td>
<td>decrease loan</td>
</tr>
<tr>
<td>increase bank balance</td>
<td>increase loan</td>
</tr>
</tbody>
</table>

38. A debit entry will
   A) Increase an asset balance
   B) Increase a liability
   C) Increase the capital account
   D) Decrease the drawings amount

39. The sales ledger shows a balance of $6,000 with Ah Bee Limited but is different from a statement from the company. An investigation revealed the following errors:
   i) sales of $1,200 was omitted
   ii) cash discount of $200 was not recorded by Ah Bee Limited
   iii) The corrected balance after reconciliation should be:

   A) $7,000 debit
   B) $4,600 debit
   C) $7,000 credit
   D) $4,600 credit

40. John’s cash book shows a balance of $14,000 debit. His bank statement is different. Upon investigation, he discovered the following:
   i) a cheque for $3,000 paid by John has not yet been presented
   ii) John discovered there was a direct credit of $2,200 he was not aware of
   iii) a cheque deposit of $2,000 had not been credited by the bank
   iv) there were banking charges of $180

   There correct amount to be shown in the SOFP should be:
   A) $15,020
   B) $12,620
   C) $16,020
   D) $11,620
The following information relates to a purchase
List price of item is $10 per unit
Cash Discount is 10%
Early settlement discount 10%
Sales Tax is 15%
Total quantity purchased is 1,000 units
The balance on the sales tax account is
A) $1,215 debit
B) $1,215 credit
C) $1,350 debit
D) $1,350 credit

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>Sales Return</td>
</tr>
<tr>
<td>Discount allowed</td>
</tr>
<tr>
<td>Irrecoverable Debt</td>
</tr>
<tr>
<td>Sales</td>
</tr>
<tr>
<td>Cash received</td>
</tr>
</tbody>
</table>

What is the corrected balance c/d ?
A) $334,200 credit
B) $334,200 debit
C) $176,200 credit
D) $176,000 debit

The sales tax on purchases represents an asset but cannot be recovered unless there is a sales tax on sales available to offset the balance. Is this statement
A) True
B) False

The payables control account has an opening balance of $22,000. During the month, the following transactions occurred:
i) cash purchases of $4,000 and cash sales of $15,000
ii) credit purchases amounted to $20,000 and credit sales is $30,000
iii) purchases returns $400
iv) discount received $750, discount allowed of $2,000
v) cash payments of $31,000, including cash purchases

The closing balance on the receivables control account is
A) $9,850
B) $13,850
C) $17,850
D) $9,000
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

46. Ray made the following purchases:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery (after trade in of $200)</td>
<td>$1,000</td>
</tr>
<tr>
<td>Delivery</td>
<td>$200</td>
</tr>
<tr>
<td>Import Duties</td>
<td>$300</td>
</tr>
<tr>
<td>Maintenance contract (1 yr)</td>
<td>$150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,650</strong></td>
</tr>
<tr>
<td>Sales tax 15%</td>
<td>$247.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,897.50</strong></td>
</tr>
</tbody>
</table>

   A) $1,955.00
   B) $1,897.50
   C) $2,127.50
   D) $1,700.00

47. 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)

48. Capital injection by the owner will have which effect?
   A) Increase in profit
   B) Increase in expense
   C) Increase in liabilities
   D) Increase in amount belonging to the owner

49. Which of the following is an example of a non-current liabilities?
   A) Overdraft balance
   B) Creditors
   C) Debenture loan stock redeemable in 8 years
   D) $1,000 of a long term loan repayable in the next 6 months
The following information is available:

i) opening balance on the receivable account $45,000
ii) credit sales for the year $110,000
iii) cash sales for the year $15,000
iv) discount allowed $18,000
v) trade discount $15,000
vi) cash receipts (including cash sales) $100,000
vii) provision of irrecoverable debts $6,000

What is the closing balance on the receivable control account

A) $67,000
B) $52,000
C) $31,000
D) $16,000