

FOUNDATIONS IN ACCOUNTANCY

Financial Accounting

Specimen Exam applicable from June 2014

Time allowed: 2 hours

This paper is divided into two sections:

Section A – ALL 35 questions are compulsory and **MUST** be attempted

Section B – BOTH 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

**FFA
FFA
Paper**

ACCA

Section A – ALL 35 questions are compulsory and MUST be attempted

Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.

Each question is worth 2 marks.

1 Which of the following calculates a sole trader's net profit for a period?

- A Closing net assets + drawings – capital introduced – opening net assets
- B Closing net assets – drawings + capital introduced – opening net assets
- C Closing net assets – drawings – capital introduced – opening net assets
- D Closing net assets + drawings + capital introduced – opening net assets

2 Which of the following explains the imprest system of operating petty cash?

- A Weekly expenditure cannot exceed a set amount
- B The exact amount of expenditure is reimbursed at intervals to maintain a fixed float
- C All expenditure out of the petty cash must be properly authorised
- D Regular equal amounts of cash are transferred into petty cash at intervals

3 Which of the following statements are TRUE of limited liability companies?

- (1) The company's exposure to debts and liability is limited
- (2) Financial statements must be produced
- (3) A company continues to exist regardless of the identity of its owners

- A 1 and 2 only
- B 1 and 3 only
- C 2 and 3 only
- D 1, 2 and 3

4 Annie is a sole trader who does not keep full accounting records. The following details relate to her transactions with credit customers and suppliers for the year ended 30 June 20X6:

| | \$ |
|---|---------|
| Trade receivables, 1 July 20X5 | 130,000 |
| Trade payables, 1 July 20X5 | 60,000 |
| Cash received from customers | 686,400 |
| Cash paid to suppliers | 302,800 |
| Discounts allowed | 1,400 |
| Discounts received | 2,960 |
| Contra between payables and receivables ledgers | 2,000 |
| Trade receivables, 30 June 20X6 | 181,000 |
| Trade payables, 30 June 20X6 | 84,000 |

What figure should appear for purchases in Annie's statement of profit or loss for the year ended 30 June 20X6?

- A \$325,840
- B \$330,200
- C \$331,760
- D \$327,760

5 Which TWO of the following errors would cause the total of the debit column and the total of the credit column of a trial balance not to agree?

- (1) A transposition error was made when entering a sales invoice into the sales day book
- (2) A cheque received from a customer was credited to cash and correctly recognised in receivables
- (3) A purchase of non-current assets was omitted from the accounting records
- (4) Rent received was included in the trial balance as a debit balance

- A** 1 and 2
- B** 1 and 3
- C** 2 and 3
- D** 2 and 4

6 At 31 December 20X5 the following require inclusion in a company's financial statements:

- (1) On 1 January 20X5 the company made a loan of \$12,000 to an employee, repayable on 1 January 20X6, charging interest at 2% per year. On the due date she repaid the loan and paid the whole of the interest due on the loan to that date.
- (2) The company paid an annual insurance premium of \$9,000 in 20X5, covering the year ending 31 August 20X6.
- (3) In January 20X6 the company received rent from a tenant of \$4,000 covering the six months to 31 December 20X5.

For these items, what total figures should be included in the company's statement of financial position as at 31 December 20X5?

- A** Current assets \$10,000 Current liabilities \$12,240
- B** Current assets \$22,240 Current liabilities \$nil
- C** Current assets \$10,240 Current liabilities \$nil
- D** Current assets \$16,240 Current liabilities \$6,000

7 A company's statement of profit or loss for the year ended 31 December 20X5 showed a net profit of \$83,600. It was later found that \$18,000 paid for the purchase of a motor van had been debited to the motor expenses account. It is the company's policy to depreciate motor vans at 25% per year on the straight line basis, with a full year's charge in the year of acquisition.

What would the net profit be after adjusting for this error?

- A** \$106,100
- B** \$70,100
- C** \$97,100
- D** \$101,600

8 Xena has the following working capital ratios:

| | 20X9 | 20X8 |
|--------------------|---------|---------|
| Current ratio | 1·2:1 | 1·5:1 |
| Receivables days | 75 days | 50 days |
| Payables days | 30 days | 45 days |
| Inventory turnover | 42 days | 35 days |

Which of the following statements is correct?

- A** Xena's liquidity and working capital has improved in 20X9
- B** Xena is receiving cash from customers more quickly in 20X9 than in 20X8
- C** Xena is suffering from a worsening liquidity position in 20X9
- D** Xena is taking longer to pay suppliers in 20X9 than in 20X8

9 Which of the following statements is/are correct?

- (1) A statement of cash flows prepared using the direct method produces a different figure to net cash from operating activities from that produced if the indirect method is used
- (2) Rights issues of shares do not feature in a statement of cash flows
- (3) A surplus on revaluation of a non-current asset will not appear as an item in a statement of cash flows
- (4) A profit on the sale of a non-current asset will appear as an item under cash flows from investing activities in the statement of cash flows

- A** 1 and 3 only
B 3 and 4 only
C 2 and 4 only
D 3 only

10 A company receives rent from a large number of properties. The total received in the year ended 30 April 20X6 was \$481,200.

The following were the amounts of rent in advance and in arrears at 30 April 20X5 and 20X6:

| | 30 April 20X5 | 30 April 20X6 |
|---|---------------|---------------|
| | \$ | \$ |
| Rent received in advance | 28,700 | 31,200 |
| Rent in arrears (all subsequently received) | 21,200 | 18,400 |

What amount of rental income should appear in the company's statement of profit or loss for the year ended 30 April 20X6?

- A** \$486,500
B \$460,900
C \$501,500
D \$475,900

11 Which of the following are differences between sole traders and limited liability companies?

- (1) A sole trader's financial statements are private and never made available to third parties; a company's financial statements are sent to shareholders and may be publicly filed
- (2) Only companies have share capital
- (3) A sole trader is fully and personally liable for any losses that the business might make
- (4) Drawings would only appear in the financial statements of a sole trader

- A** 1 and 4 only
B 2, 3 and 4
C 2 and 3 only
D 1, 3 and 4

12 Which of the following statements is true?

- A** The interpretation of an entity's financial statements using ratios is only useful for potential investors
B Ratios based on historical data can predict the future performance of an entity
C The analysis of financial statements using ratios provides useful information when compared with previous performance or industry averages
D An entity's management will not assess an entity's performance using financial ratios

13 A company's motor vehicles cost account at 30 June 20X6 is as follows:

| Motor vehicles – cost | | | |
|-----------------------|--------|-------------|--------|
| | \$ | | \$ |
| Balance b/f | 35,800 | Disposal | 12,000 |
| Additions | 12,950 | Balance c/f | 36,750 |
| | 48,750 | | 48,750 |

What opening balance should be included in the following period's trial balance for Motor vehicles – cost at 1 July 20X6?

- A \$36,750 Dr
- B \$48,750 Dr
- C \$36,750 Cr
- D \$48,750 Cr

14 Which TWO of the following items must be disclosed in the note to the financial statements for intangible assets?

- (1) The useful lives of intangible assets capitalised in the financial statements
- (2) A description of the development projects that have been undertaken during the period
- (3) A list of all intangible assets purchased or developed in the period
- (4) Impairment losses written off intangible assets during the period

- A 1 and 4
- B 2 and 3
- C 3 and 4
- D 1 and 2

15 Which of the following statements are correct?

- (1) Capitalised development expenditure must be amortised over a period not exceeding five years.
- (2) Capitalised development costs are shown in the statement of financial position under the heading of non-current assets
- (3) If certain criteria are met, research expenditure must be recognised as an intangible asset.

- A 2 only
- B 2 and 3
- C 1 only
- D 1 and 3

16 The following transactions relate to Rashid's electricity expense ledger account for the year ended 30 June 20X9:

| | \$ |
|----------------------------|-------|
| Prepayment brought forward | 550 |
| Cash paid | 5,400 |
| Accrual carried forward | 650 |

What amount should be charged to the statement of profit or loss in the year ended 30 June 20X9 for electricity?

- A \$6,600
- B \$5,400
- C \$5,500
- D \$5,300

- 17** At 30 June 20X5 a company's allowance for receivables was \$39,000. At 30 June 20X6 trade receivables totalled \$517,000. It was decided to write off debts totalling \$37,000 and to adjust the allowance for receivables to the equivalent of 5% of the trade receivables based on past events.

What figure should appear in the statement of profit or loss for the year ended 30 June 20X6 for receivables expense?

- A** \$61,000
- B** \$52,000
- C** \$22,000
- D** \$37,000

- 18** The total of the list of balances in Valley's payables ledger was \$438,900 at 30 June 20X6. This balance did not agree with Valley's payables ledger control account balance. The following errors were discovered:

- (1) A contra entry of \$980 was recorded in the payables ledger control account, but not in the payables ledger.
- (2) The total of the purchase returns daybook was undercast by \$1,000.
- (3) An invoice for \$4,344 was posted to the supplier's account as \$4,434.

What amount should Valley report in its statement of financial position for accounts payable at 30 June 20X6?

- A** \$436,830
- B** \$438,010
- C** \$439,790
- D** \$437,830

- 19** According to IAS 2 *Inventories*, which TWO of the following costs should be included in valuing the inventories of a manufacturing company?

- (1) Carriage inwards
- (2) Carriage outwards
- (3) Depreciation of factory plant
- (4) General administrative overheads

- A** 1 and 4
- B** 1 and 3
- C** 3 and 4
- D** 2 and 3

- 20** Prisha has not kept accurate accounting records during the financial year. She had opening inventory of \$6,700 and purchased goods costing \$84,000 during the year. At the year end she had \$5,400 left in inventory. All sales are made at a mark up on cost of 20%.

What is Prisha's gross profit for the year?

- A** \$13,750
- B** \$17,060
- C** \$16,540
- D** \$20,675

21 At 31 December 20X4 a company's capital structure was as follows:

| | \$ |
|--|---------|
| Ordinary share capital (500,000 shares of 25c each) | 125,000 |
| Share premium account | 100,000 |

In the year ended 31 December 20X5 the company made a rights issue of 1 share for every 2 held at \$1 per share and this was taken up in full. Later in the year the company made a bonus issue of 1 share for every 5 held, using the share premium account for the purpose.

What was the company's capital structure at 31 December 20X5?

| | Ordinary share capital | Share premium account |
|----------|------------------------|-----------------------|
| A | \$450,000 | \$25,000 |
| B | \$225,000 | \$250,000 |
| C | \$225,000 | \$325,000 |
| D | \$212,500 | \$262,500 |

22 Which of the following should appear in a company's statement of changes in equity?

- (1) Total comprehensive income for the year
- (2) Amortisation of capitalised development costs
- (3) Surplus on revaluation of non-current assets

- A** 1, 2 and 3
B 2 and 3 only
C 1 and 3 only
D 1 and 2 only

23 The plant and machinery account (at cost) of a business for the year ended 31 December 20X5 was as follows:

| Plant and machinery – cost | | | | | |
|----------------------------|------------------------|---------|--------|------------------------------|---------|
| 20X5 | | \$ | 20X5 | | \$ |
| 1 Jan | Balance b/f | 240,000 | 31 Mar | Transfer to disposal account | 60,000 |
| 30 Jun | Cash purchase of plant | 160,000 | 31 Dec | Balance c/f | 340,000 |
| | | 400,000 | | | 400,000 |

The company's policy is to charge depreciation at 20% per year on the straight line basis, with proportionate depreciation in the years of purchase and disposal.

What should be the depreciation charge for the year ended 31 December 20X5?

- A** \$68,000
B \$64,000
C \$61,000
D \$55,000

24 The following extracts are from Hassan's financial statements:

| | \$ |
|--------------------------------|---------------|
| Profit before interest and tax | 10,200 |
| Interest | (1,600) |
| Tax | (3,300) |
| Profit after tax | <u>5,300</u> |
| Share capital | 20,000 |
| Reserves | <u>15,600</u> |
| | 35,600 |
| Loan liability | <u>6,900</u> |
| | <u>42,500</u> |

What is Hassan's return on capital employed?

- A 15%
- B 29%
- C 24%
- D 12%

25 Which of the following statements about sales tax is/are true?

- (1) Sales tax is an expense to the ultimate consumer of the goods purchased
- (2) Sales tax is recorded as income in the accounts of the entity selling the goods

- A 1 only
- B 2 only
- C Both 1 and 2
- D Neither 1 nor 2

26 Q's trial balance failed to agree and a suspense account was opened for the difference. Q does not keep receivables and payables control accounts. The following errors were found in Q's accounting records:

- (1) In recording an issue of shares at par, cash received of \$333,000 was credited to the ordinary share capital account as \$330,000
- (2) Cash of \$2,800 paid for plant repairs was correctly accounted for in the cash book but was credited to the plant asset account
- (3) The petty cash book balance of \$500 had been omitted from the trial balance
- (4) A cheque for \$78,400 paid for the purchase of a motor car was debited to the motor vehicles account as \$87,400.

Which of the errors will require an entry to the suspense account to correct them?

- A 1, 2 and 4 only
- B 1, 2, 3 and 4
- C 1 and 4 only
- D 2 and 3 only

27 Prior to the financial year end of 31 July 20X9, Cannon Co has received a claim of \$100,000 from a supplier for providing poor quality goods which have damaged the supplier's plant and equipment. Cannon Co's lawyers have stated that there is a 20% chance that Cannon will successfully defend the claim.

Which of the following is the correct accounting treatment for the claim in the financial statements for the year ended 31 July 20X9?

- A** Cannon should neither provide for nor disclose the claim
- B** Cannon should disclose a contingent liability of \$100,000
- C** Cannon should provide for the expected cost of the claim of \$100,000
- D** Cannon should provide for an expected cost of \$20,000

28 Gareth, a sales tax registered trader purchased a computer for use in his business. The invoice for the computer showed the following costs related to the purchase:

| | \$ |
|----------------------|-------|
| Computer | 890 |
| Additional memory | 95 |
| Delivery | 10 |
| Installation | 20 |
| Maintenance (1 year) | 25 |
| | 1,040 |
| Sales tax (17.5%) | 182 |
| | 1,222 |
| Total | 1,222 |

How much should Gareth capitalise as a non-current asset in relation to the purchase?

- A** \$1,193
- B** \$1,040
- C** \$1,222
- D** \$1,015

29 The following bank reconciliation statement has been prepared by a trainee accountant:

| | \$ |
|------------------------------|--------|
| Overdraft per bank statement | 3,860 |
| Less: Unpresented cheques | 9,160 |
| | 5,300 |
| Add: Outstanding lodgements | 16,690 |
| | 21,990 |
| Cash at bank | 21,990 |

What should be the correct balance per the cash book?

- A** \$21,990 balance at bank as stated
- B** \$3,670 balance at bank
- C** \$11,390 balance at bank
- D** \$3,670 overdrawn

30 The IASB's *Conceptual Framework for Financial Reporting* identifies characteristics which make financial information faithfully represent what it purports to represent.

Which of the following are examples of those characteristics?

- (1) Accruals
- (2) Completeness
- (3) Going concern
- (4) Neutrality

- A** 1 and 2
- B** 2 and 4
- C** 2 and 3
- D** 1 and 4

31 The following control account has been prepared by a trainee accountant:

| Receivables ledger control account | | | |
|------------------------------------|---------|--------------------------------------|---------|
| | \$ | | \$ |
| Opening balance | 308,600 | Cash | 147,200 |
| Credit sales | 154,200 | Discounts allowed | 1,400 |
| Cash sales | 88,100 | Interest charged on overdue accounts | 2,400 |
| Contras | 4,600 | Irrecoverable debts | 4,900 |
| | | Allowance for receivables | 2,800 |
| | | Closing balance | 396,800 |
| | 555,500 | | 555,500 |

What should the closing balance be when all the errors made in preparing the receivables ledger control account have been corrected?

- A** \$395,200
- B** \$304,300
- C** \$309,500
- D** \$307,100

32 **Which of the following material events after the reporting date and before the financial statements are approved are adjusting events?**

- (1) A valuation of property providing evidence of impairment in value at the reporting date.
- (2) Sale of inventory held at the reporting date for less than cost.
- (3) Discovery of fraud or error affecting the financial statements.
- (4) The insolvency of a customer with a debt owing at the reporting date which is still outstanding.

- A** 1, 2 and 4 only
- B** 1, 2, 3 and 4
- C** 1 and 4 only
- D** 2 and 3 only

33 A company values its inventory using the FIFO method. At 1 May 20X5 the company had 700 engines in inventory, valued at \$190 each. During the year ended 30 April 20X6 the following transactions took place:

20X5

1 July Purchased 500 engines at \$220 each
1 November Sold 400 engines for \$160,000

20X6

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

What is the value of the company's closing inventory of engines at 30 April 20X6?

- A** \$188,500
- B** \$195,500
- C** \$166,000
- D** \$106,000

34 Amy is a sole trader and had assets of \$569,400 and liabilities of \$412,840 on 1 January 20X8. During the year ended 31 December 20X8 she paid \$65,000 capital into the business and she paid herself wages of \$800 per month.

At 31 December 20X8, Amy had assets of \$614,130 and liabilities of \$369,770.

What is Amy's profit for the year ended 31 December 20X8?

- A** \$32,400
- B** \$23,600
- C** \$22,800
- D** \$87,800

35 Bumbly Co extracted the trial balance for the year ended 31 December 20X7. The total of the debits exceeded the credits by \$300.

Which of the following could explain the imbalance?

- A** Sales of \$300 were omitted from the sales day book
- B** Returns inward of \$150 were extracted to the debit column of the trial balance
- C** Discounts received of \$150 were extracted to the debit column of the trial balance
- D** The bank ledger account did not agree with the bank statement by a debit of \$300

(70 marks)

Section B – BOTH questions are compulsory and MUST be attempted

Please write your answer within the answer booklet in accordance with the detailed instructions provided within each of the questions in this section of the exam paper.

- 1 Keswick Co acquired 80% of the share capital of Derwent Co on 1 June 20X5. The summarised draft statements of profit or loss for Keswick Co and Derwent Co for the year ended 31 May 20X6 are shown below:

| | Keswick Co \$000 | Derwent Co \$000 |
|---------------------|---------------------|---------------------|
| Revenue | 8,400 | 3,200 |
| Cost of sales | (4,600) | (1,700) |
| Gross profit | 3,800 | 1,500 |
| Operating expenses | (2,200) | (960) |
| Profit before tax | 1,600 | 540 |
| Tax | (600) | (140) |
| Profit for the year | 1,000 | 400 |

During the year Keswick Co sold goods costing \$1,000,000 to Derwent Co for \$1,500,000. At 31 May 20X6, 30% of these goods remained in Derwent Co's inventory.

Required:

- (a) Prepare the Keswick group consolidated statement of profit or loss for the year ended 31 May 20X6.

Note: The statement should stop once the consolidated profit for the year has been determined. The amounts attributable to the non-controlling interest and equity owners of Keswick are not required. Show all workings as credit will be awarded to these as appropriate. (7 marks)

- (b) Which of the following formulas describes the amount to be entered in the consolidated statement of profit or loss as '*Profit attributable to: Equity owners of Keswick Co*'?

- A Group profit after tax – non-controlling interest
- B Group profit after tax + non-controlling interest
- C Keswick Co's profit after tax
- D Group profit after tax

(2 marks)

- (c) What amount should be shown in the consolidated statement of profit or loss for the non-controlling interest?

(2 marks)

(d) The following table shows factors to be considered when determining whether a parent–subsidiary relationship exists.

| Factor | Description |
|---------------|--|
| A | Significant influence |
| B | Control |
| C | Non-controlling interest |
| D | Greater than 50% of the equity shares being held by an investor |
| E | 100% of the equity shares being held by an investor |
| F | Greater than 50% of the preference shares being held by an investor |
| G | 50% of all shares and all debt being held by an investor |
| H | Greater than 50% of preference shares and debt being held by an investor |

Required:

Which of the above factors A to H illustrate the existence of a parent–subsidiary relationship? (4 marks)

(15 marks)

- 2 Malright, a limited liability company, has an accounting year end of 31 October. The accountant is preparing the financial statements as at 31 October 20X7 and requires your assistance. The following trial balance has been extracted from the general ledger

| Account | Dr \$000 | Cr \$000 |
|---|-------------|-------------|
| Buildings at cost | 740 | |
| Buildings accumulated depreciation, 1 November 20X6 | | 60 |
| Plant at cost | 220 | |
| Plant accumulated depreciation, 1 November 20X6 | | 110 |
| Bank balance | | 70 |
| Revenue | | 1,800 |
| Net purchases | 1,140 | |
| Inventory at 1 November 20X6 | 160 | |
| Cash | 20 | |
| Trade payables | | 250 |
| Trade receivables | 320 | |
| Administrative expenses | 325 | |
| Allowance for receivables at 1 November 20X6 | | 10 |
| Retained earnings at 1 November 20X6 | | 130 |
| Equity shares, \$1 | | 415 |
| Share premium account | | 80 |
| | 2,925 | 2,925 |

The following additional information is also available:

- The allowance for receivables is to be increased to 5% of trade receivables. The allowance for receivables is treated as an administrative expense.
- Plant is depreciated at 20% per annum using the reducing balance method and buildings are depreciated at 5% per annum on their original cost. Depreciation is treated as a cost of sales expense.
- Closing inventory has been counted and is valued at \$75,000.
- An invoice of \$15,000 for energy costs relating to the quarter ended 30 November 20X7 was received on 2 December 20X7. Energy costs are included in administrative expenses.

Required:

Prepare the statement of profit or loss and the statement of financial position of Malright Co as at 31 October 20X7.

(15 marks)

End of Question Paper

Answers

Section A

1 A

2 B

3 C

4 C

| | |
|------------------------|-----------------|
| Payables: | \$ |
| Balance b/f | 60,000 |
| Cash paid to suppliers | (302,800) |
| Discounts received | (2,960) |
| Contra | (2,000) |
| Balance c/f | <u>(84,000)</u> |
| Purchases | <u>331,760</u> |

5 D

6 B

| | |
|---------------------------|---------------|
| Current assets | \$ |
| Loan asset | 12,000 |
| Interest (12,000 x 12%) | 240 |
| Prepayment (8/12 x 9,000) | 6,000 |
| Accrued rent | 4,000 |
| | <u>22,240</u> |

7 C

| | |
|---------------------------|---------------|
| | \$ |
| Profit | 83,600 |
| Purchase of van | 18,000 |
| Depreciation 18,000 x 25% | (4,500) |
| | <u>97,100</u> |

8 C

9 D

10 D

| | |
|-----------------------|----------------|
| | \$ |
| Balance b/f (advance) | 28,700 |
| Balance b/f (arrears) | (21,200) |
| Cash received | 481,200 |
| Balance c/f (advance) | (31,200) |
| Balance c/f (arrears) | 18,400 |
| | <u>475,900</u> |

11 B

12 C

13 A

14 A

15 A

16 A

| | |
|-------------------------|--------------|
| | \$ |
| Balance b/f | 550 |
| Expense incurred (cash) | 5,400 |
| Accrual c/f | 650 |
| | <u>6,600</u> |

17 C

| | | |
|---|--------|-----------------|
| | \$ | \$ |
| Debts written off | | 37,000 |
| Movement in allowance: (517 – 37) x 5% | 24,000 | |
| Less opening allowance | 39,000 | |
| | | <u>(15,000)</u> |
| Receivables expense | | <u>22,000</u> |

18 D

| | |
|--------------------|----------------|
| | \$ |
| Balance per ledger | 438,900 |
| Less contra | (980) |
| Posting error | (90) |
| Corrected balance | <u>437,830</u> |

19 B

20 B

$$(6,700 + 84,000 - 5,400) \times 20\% = \$17,060$$

21 B

| | Share capital | Share premium |
|--------------|----------------|----------------|
| | \$ | \$ |
| Balance b/f | 125,000 | 100,000 |
| Rights issue | 62,500 | 187,500 |
| Bonus issue | 37,500 | (37,500) |
| Balance c/f | <u>225,000</u> | <u>250,000</u> |

22 C

23 D

| | |
|--|---------------|
| | \$ |
| Depreciation: | |
| Jan-Mar 240,000 x 20% x 3/12 | 12,000 |
| Apr-Jun (240,000 - 60,000) x 20% x 3/12 | 9,000 |
| Jul-Dec (180,000 + 160,000) x 20% x 6/12 | 34,000 |
| | <u>55,000</u> |

24 C

10,200/42,500

25 A

26 B

27 C

28 D

1,040 - 25 = \$1,015

29 B

| | |
|------------------------------|---------------|
| | \$ |
| Overdraft per bank statement | (3,860) |
| Less: Unpresented cheques | (9,160) |
| Add: Outstanding lodgements | <u>16,690</u> |
| Cash at bank | <u>3,670</u> |

30 B

31 D

Receivables ledger control account

| | \$ | | \$ |
|--------------------------------------|----------------|---------------------|----------------|
| Opening balance | 308,600 | Cash | 147,200 |
| Credit sales | 154,200 | Discounts allowed | 1,400 |
| Interest charged on overdue accounts | 2,400 | Contras | 4,600 |
| | | Irrecoverable debts | 4,900 |
| | | Closing balance | <u>307,100</u> |
| | <u>465,200</u> | | <u>465,200</u> |

32 B

33 A

Closing inventory:

| | |
|-------------|----------------|
| | \$ |
| 50 x \$190 | 9,500 |
| 500 x \$220 | 110,000 |
| 300 x \$230 | 69,000 |
| | <u>188,500</u> |

34 A

| | |
|--|----------------|
| | \$ |
| Opening assets | 569,400 |
| Opening liabilities | (412,840) |
| Capital introduced | 65,000 |
| Drawings (800 x 12) | (9,600) |
| | <u>211,960</u> |
| Profit (bal fig) | 32,400 |
| Closing net assets (614,130 – 369,770) | <u>244,360</u> |

35 C**Section B****1 (a) Consolidated statement of profit or loss for the year ended 31 May 20X6**

| | |
|-------------------------|--------------|
| | \$000 |
| Revenue (W1) | 10,100 |
| Cost of sales (W1) | (4,950) |
| Gross profit | <u>5,150</u> |
| Operating expenses (W1) | (3,160) |
| Profit before tax | 1,990 |
| Tax (W1) | (740) |
| Profit for the year | <u>1,250</u> |

(b) A

(c) Non-controlling interest = \$80,000 (\$400,000 (W1) x 20%)

(d) The following factors illustrate the existence of a parent–subsidiary relationship: B, C, D, E.

Workings**Working 1**

| | Keswick Co | Derwent Co | Adjustments | Consolidated |
|--------------------|------------|------------|-------------|--------------|
| | \$000 | \$000 | \$000 | \$000 |
| Revenue | 8,400 | 3,200 | (1,500) | 10,100 |
| Cost of sales | (4,600) | (1,700) | 1,500 | (4,950) |
| Unrealised profit | (150) | | | |
| Operating expenses | (2,200) | (960) | | (3,160) |
| Tax | (600) | (140) | | (740) |
| | <u>850</u> | <u>400</u> | | |

2 Statement of profit or loss for the year ended 31 October 20X7

| | |
|--|------------|
| | \$000 |
| Revenue | 1,800 |
| Cost of sales (W1) | (1,284) |
| Gross profit | <u>516</u> |
| Administrative expenses (325 + 10 (W4) + (16 (W3) – 10)) | (341) |
| Profit for the year | <u>175</u> |

Statement of financial position as at 31 October 20X7

| | \$000 | \$000 |
|--|-------|--------------|
| Assets | | |
| Non-current assets (W2) | | 731 |
| Current assets | | |
| Inventories | 75 | |
| Trade receivables (W3) | 304 | |
| Cash | 20 | |
| | | <u>399</u> |
| Total assets | | <u>1,130</u> |
| Equity and liabilities | | |
| Equity | | |
| Share capital | 415 | |
| Retained earnings (130 + 175) | 305 | |
| Share premium | 80 | |
| | | <u>800</u> |
| Current liabilities | | |
| Trade and other payables (250 + 10 (W4)) | 260 | |
| Bank overdraft | 70 | |
| | | <u>330</u> |
| Total equity and liabilities | | <u>1,130</u> |

Workings

Working 1

| | \$000 |
|-------------------|--------------|
| Cost of sales | |
| Opening inventory | 160 |
| Purchases | 1,140 |
| Closing inventory | (75) |
| | <u>1,225</u> |
| Depreciation (W2) | 59 |
| | <u>1,284</u> |

Working 2

| | Property \$000 | Plant \$000 | Total \$000 |
|--------------------------------|-------------------|----------------|----------------|
| Cost | 740 | 220 | 960 |
| Depreciation b/f | (60) | (110) | (170) |
| Depreciation for year | | | |
| 740 x 5% | (37) | | |
| (220 – 110) x 20% | | (22) | (59) |
| Net book value 31 October 20X7 | <u>643</u> | <u>88</u> | <u>731</u> |

Working 3

Trade receivables
 Allowance = 320,000 x 5% = \$16,000
 320,000 – 16,000 = \$304,000

Working 4

Energy cost accrual
 15,000 x 2/3 = \$10,000

FOUNDATIONS IN ACCOUNTANCY – Paper FFA
Financial Accounting

Specimen Exam Marking Scheme

| | | <i>Marks</i> |
|----------|---|---|
| 1 | (a) Format of consolidated statement of profit or loss | 1 |
| | Revenue | 2 |
| | Cost of sales | 2 |
| | Operating expenses | 1 |
| | Tax expense | 1 |
| | | <hr style="width: 100%; border: 0.5px solid black;"/> |
| | | 7 |
| | (b) | 2 |
| | (c) | 2 |
| | (d) | 4 |
| | | <hr style="width: 100%; border: 0.5px solid black;"/> |
| | | 15 |
| 2 | Formats | 1 |
| | Statement of profit or loss | |
| | Revenue | 0.5 |
| | Cost of sales | 3.5 |
| | Administrative expenses | 2.5 |
| | Statement of financial position | |
| | Non-current assets | 1 |
| | Inventory | 0.5 |
| | Receivables | 1.5 |
| | Cash | 0.5 |
| | Share capital | 0.5 |
| | Retained earnings | 1.5 |
| | Share premium | 0.5 |
| | Payables | 1 |
| | Overdraft | 0.5 |
| | | <hr style="width: 100%; border: 0.5px solid black;"/> |
| | | 15 |