

Examiner's report

F3 Financial Accounting

June 2011

The ACCA logo is a black square with the letters 'ACCA' in white, bold, sans-serif font.

General Comments

The following three questions have been taken from the International variant of the paper and were the three questions with the lowest pass rates on the paper. The aim of reviewing these questions is to give future candidates an indication of the types of questions asked and guidance on dealing with exam questions.

Sample Questions for Discussion

Example 1

Which one of the following errors would lead to the creation of a suspense account?

- A Sales returns were credited to the purchase returns account and debited to receivables
- B The total of the sales daybook has been added incorrectly before being posted to the ledger accounts
- C Discounts allowed have been dealt with correctly in the receivables account, but debited to the purchases account
- D Purchases from the purchases daybook have been credited to sales and dealt with correctly in the payables control account

The correct answer is D. Only 33% of candidates answered this correctly, with option C being the most popular incorrect answer. The key to answering these types of questions correctly is to consider each option individually and establish if the error will cause a suspense account to be created. This will only occur if there has been a one-sided entry or both sides of a journal have been posted to the same side of the ledger.

In option A, we can see that there is a debit and a credit entry in the transaction so even though these are incorrect entries, they will not cause the trial balance to be out of balance.

In option B, the sales daybook total is posted to the sales account and the receivables account, so even though the total is incorrect, there will still be a journal that balances and this will not cause the trial balance to be out of balance.

In option C, discounts allowed should be credited to receivables, which has happened, and should be debited to discounts allowed expense. They have been incorrectly debited to purchases, but as the transaction has a debit and credit entry it will not cause the trial balance to be out of balance.

Finally, in option D, purchases from the purchase daybook should have been debited to purchases and credited to payables. The credit entry has been dealt with correctly but instead of debiting purchases the entry has been made to credit sales. This journal entry has two credits and does not balance so the trial balance will not balance leading to a suspense account being required.

Example 2

Pelle has a balance on his suspense account of \$1,820 credit.

He discovered the following errors:

- (1) Sundry income of \$1,750 has been recorded in the sundry income account as \$1,570

- (2) Sales of \$2,800 from the sales day book have been posted to the receivables control account, but no other entry has been made
- (3) The purchases daybook was undercast by \$950

What is the balance on the suspense account after Pelle has corrected the above errors?

- A \$4,800 CR
- B \$1,160 DR
- C \$210 DR
- D \$3,850 DR

The correct answer is B and is calculated as follows:

	\$
Balance b/f	1,820 CR
1. sundry income	(180) DR
2. sales ledger	(2,800) DR
	<hr/>
Balance c/f	(1,160) DR
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As with the first suspense account question in Example 1, the key to answering this question is to look at each transaction individually and determine if the transaction causes an entry to be made in the suspense account.

Transaction (1) requires an entry to the suspense account as too little sundry income has been recorded in the ledger account. The correcting journal entry is to Dr Suspense and Cr Sundry income with the difference of \$180. In Transaction (2) there has been a one-sided entry so to correct it we need to post Dr Suspense Cr Sales with \$2,800 sales that have not been posted.

Transaction (3) does not require an entry to the suspense account as the incorrect total of the daybook will be posted into the ledger accounts and will not cause the trial balance to be out of balance.

Only 30% of candidates answered this question correctly with 35% of candidates answering C which adjusted for item (3) as well as items (1) and (2).

Example 3

Abigail's receivables ledger control account does not agree with the total of the receivables ledger balances. She discovered the following errors:

- (1) The receivables column of the cash received daybook has been undercast by \$300
- (2) A contra of \$150 against the purchase ledger has only been entered in the control account
- (3) A sales invoice of \$454 has been entered into the sales daybook as \$544

Which of the above errors would cause a difference between the receivables control account and the total of the receivables ledger?

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

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

The correct answer is C. Only 30% of candidates answered this question correctly with the most popular incorrect answer being B.

This question is similar to the suspense account questions above in that each error has to be considered individually to assess whether it causes a difference between the control account, which contains a summary of transactions, and the individual customer accounts that are totalled to make the receivables ledger balances. So we are looking for items that have only been included in either the control account or ledger accounts or vice versa.

Item (1) will cause a difference as the individual items in the daybook are posted to the receivables ledger, and the daybook is totalled and posted to the control account. If the daybook has been added incorrectly then different amounts will have been posted to the ledger and control account.

Item (2) causes a difference as the contra has only been posted to the control account and has not been entered into the individual account.

Item (3) will not cause a difference as the incorrect amount has been entered in the daybook and this will be posted individually to the customer account and then posted to the control account as part of the total.

Conclusion

In this exam, the worst answered questions all dealt with errors with two questions covering suspense accounts and one covering control account reconciliations. These are key exam topics and require a focused approach as detailed above in arriving at the correct answer. Candidates need to ensure that they understand how transactions are posted from daybooks to control accounts so they can establish if a journal entry will cause a suspense account to be created or a reconciling item between a control account and the subsidiary ledgers. Questions on these topics have featured in previous examiner reports which suggests that more work is needed in this area.