

Financial Accounting (FA1) September 2024- August 2025 Examiner's report

The examining team share their observations from the marking process to highlight strengths and weaknesses in candidates' performance, and to offer constructive advice for those sitting the exam in the future.

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General Comments

The intention of this report is that, when considered alongside previous reports, candidates at future sittings will have a valuable resource to maximise their chances of success. The most effective way to use these reports is to review both the technical content of each question and the approach to answering it, bearing in mind that different questions may require slightly different strategies.

This computer-based examination consists of 50 compulsory multiple-choice questions, each worth two marks.

This report discusses six questions that some candidates found challenging.

Example 1

Dhru's bank general ledger account at 31 March 20X9 has a debit balance of \$16,500. A cheque issued for \$200 and an electronic payment of \$450 are not yet showing on the bank statement.

What is the correct, reconciled bank balance?

- A. \$16,500
- B. \$16,750
- C. \$16,250
- D. \$17,150

The correct answer is **A**.

The question states that both the cheque and the electronic payment have not yet appeared on the bank statement. Therefore, these are reconciling items and do not require any adjustment to the bank general ledger account.

Options B, C and D are incorrect. Neither the issued cheque nor the electronic payment requires an adjustment in the bank general ledger. Furthermore, the adjustments proposed also reflect incorrect signage in each of the option choices.

Each of the other three options have been calculated incorrectly as follows:

- B. \$16,750 ($\$16,500 - 200 + 450$)
- C. \$16,250 ($\$16,500 + 200 - 450$)
- D. \$17,150 ($\$16,500 + 200 + 450$)

Both the cheque and the electronic payment would reduce the bank balance. Had an adjustment to the bank general ledger been required these should have been deducted from the debit balance.

Example 2

Anastasia uses a basic computerised accounting package which automatically creates a temporary suspense account for imbalanced manual journal entries.

The balance in the suspense account is \$500 (credit).

One of the errors discovered was \$300 of cash expenses credited to the bank general ledger account without a corresponding debit entry.

After correction of this error, what is the remaining balance on the suspense account?

- A. \$200 Dr
- B. \$200 Cr
- C. \$800 Dr
- D. \$800 Cr

The correct answer is **D**.

This is an example of an error of omission to one side of the double entry. When recording financial transactions, every debit entry must be matched with a corresponding credit entry.

The cash expenses were incorrectly recorded as Dr Suspense, Cr Bank, instead of Dr Expense, Cr Bank. To correct this error, Anastasia would need to record the following journal entry:

Dr	Expense	\$300
Cr	Suspense	\$300

The balance on the suspense account can therefore be calculated as follows:

	\$		\$
		Balance b/fwd	500
		Error of omission	300
Balance c/fwd	800		
	800		800
		Balance b/fwd	800

Options A and B are both incorrect as the adjustment to the suspense has incorrectly been deducted.

Option C is also incorrect as the adjustment would result in a credit balance remaining on the suspense account.

Example 3

Ozlem has calculated her payroll figures for July as follows:

	\$
Net pay	21,450
Employer's state benefit contributions	4,230
Employee's state benefit contributions	3,880
Income taxes deducted	5,360
Employee's pension contributions	5,200

What is Ozlem's wages expense for the month of July?

- A. \$21,450
- B. \$26,810
- C. \$35,890
- D. \$40,120

The correct answer is **D**.

The wages expense is the gross cost to the employer which includes net pay, employer's contributions and deductions made from the employee's salary (because they are part of gross wages before deductions).

Ozlem's wages can therefore be calculated as follows:

	\$
Net pay	21,450
Employer's state benefit contributions	4,230
Employee's state benefit contributions	3,880
Income taxes deducted	5,360
Employee's pension contributions	5,200
	<u>40,120</u>

Option A is incorrect as this simply includes the net pay that the employee receives (gross salary – employees state benefit contributions - income taxes - employee pension contributions).

Option B has been calculated incorrectly as \$21,450 + \$5,360, so state benefit and pension contributions have been ignored.

Option C is incorrect as the employers state benefit contributions have been ignored.

Example 4

Which of the following is true regarding the trade receivables general ledger account?

- A. It shows the total of all customer balances
- B. The allowance for irrecoverable debt is credited to it
- C. It presents a detailed listing, then summarised for each individual customer
- D. It is a credit balance

The correct answer is **A**.

The trade receivables general ledger account represents the total amount owed to the entity by all credit customers.

Option B is incorrect – an allowance for receivable is recorded in a separate ledger account.

Option C is incorrect - the trade receivables general ledger is a summary of the total balances owed by all credit customers. A detailed listing would be presented in an aged receivable analysis.

Option D is incorrect – the balance on the trade receivables general ledger account represents amounts owed to the entity and therefore, would be recognised as an asset (debit balance).

Example 5

Tarek has an amount of \$24,680 showing on the sales general ledger account. Sales returns are not recognised in a separate general ledger account. The following transactions were accounted for incorrectly:

- (1) A credit sales invoice totalling \$2,260 was found to have been entered in the accounting software as \$2,620
- (2) A credit note totalling \$210 issued to a customer was accounted for as a credit sale
- (3) An electronic bank transfer from a credit customer totalling \$320 was not recognised
- (4) Cash sales totalling \$160 were omitted as the proceeds were used for the cash purchase of office stationery

What is the balance on Tarek's sales general ledger account after correcting the errors?

- A. \$24,680
- B. \$24,270
- C. \$24,060
- D. \$24,380

The correct answer is **C**.

To answer this question, candidates should review each of the four transactions and determine whether correcting each one would increase, decrease, or have no impact on the balance of the sales general ledger account.

Transaction (1) – This is a transposition error; the sale has been overstated by \$360 (\$2,620 minus \$2,260). Rectifying this error would reduce the balance of the sales general ledger account.

Transaction (2) – The credit note has been incorrectly recorded as a sale. A credit note would ordinarily reduce the balance of the sales general ledger account. As it has been mistakenly treated as a sale, the sales general ledger account should be reduced by \$420 – to reverse the original error of \$210 and then to correctly record the credit note.

Transaction (3) – An electronic bank transfer from a credit customer would not impact the sales ledger. The receipt from the customer would be recorded as a debit to the bank account and a credit to the trade receivables general ledger account.

Transaction (4) – The omission of the cash sale is an error that results in an understatement of sales. The sale should be recorded, regardless of the fact that the cash proceeds were later used to purchase office stationery. Correcting this error will lead to an increase in the balance of the sales general ledger account.

The corrected balance on the sales general ledger account can now be calculated as:

	\$
Balance per the sales general ledger account	24,680
Adjustments:	
Transaction (1)	(360)
Transaction (2)	(420)
Transaction (3)	-
Transaction (4)	160
	<u>24,060</u>

Option A is incorrect as the adjustment for the cash sale in transaction (4) has not been adjusted.

Option B is incorrect, as the adjustment for the credit note in transaction (2) has only accounted for the \$210. This merely reverses the original error and results in the credit note remaining unrecorded.

Option D incorrectly includes the bank transfer from the credit customer.

Example 6

James had net assets at 1 January 20X7 of \$34,000. At 31 December 20X7 the net assets were \$37,000. During the year ended 31 December 20X7, \$5,000 new capital was introduced.

What was the profit or loss of James for the year ended 31 December 20X7?

- A. \$2,000 Profit
- B. \$2,000 Loss
- C. \$8,000 Profit
- D. \$8,000 Loss

The correct answer is **B**.

To answer this question, candidates are advised to use the change in net assets adjusted for the capital introduced. The profit or loss for James will be the balancing amount and can be calculated as follows:

	\$
Net assets b/fwd	34,000
+ capital introduced	5,000
	39,000
Loss for the year (balancing amount)	(2,000)
Net assets c/fwd	37,000

Option A is incorrect as the \$2,000 represents a loss not a profit.

Options C and D are miscalculated – they incorrectly use the formula \$37,000 + \$5,000 - \$34,000.

Conclusion

Candidates must ensure that they study and prepare thoroughly for all areas of the syllabus. As examination questions may be drawn from any part of the syllabus, a broad and well-rounded understanding is essential. Comprehensive preparation will enable candidates to approach the exam with confidence and respond effectively to questions across all syllabus areas.

It is equally important that candidates read each question carefully. Often, marks are lost not from a lack of knowledge, but from misreading or misunderstanding the question. Taking the time to understand exactly what is being asked can significantly improve exam performance.