

Foundations level

Accounts Preparation (F1)

Mock Exam 1 – Questions

Time allowed: 2 hours

This exam contains 2 sections:

Section A - 45 questions each worth 2 marks,

Section B – 1 question worth 10 marks.

100 marks in total.

All questions are compulsory.

SECTION A

This section contains **45 questions each worth 2 marks, 90 marks in total.**
All questions are compulsory.

- 1 Which document would be issued by a supplier to a credit customer?**
- A** Credit note
 - B** Goods received note
 - C** Purchase order
 - D** Remittance advice
- 2 What is the business entity concept?**
- A** A business's assets are the total liability and capital
 - B** Financial statements are produced to satisfy different parties' needs
 - C** The business's transactions are kept separate from the owner's
 - D** Accountants and bookkeepers have separate responsibilities
- 3 What is a settlement discount received?**
- A** A reduction in purchases to encourage bulk purchase
 - B** A reduction in total payables to encourage prompt payment
 - C** A reduction in gross sales to encourage repeat purchase
 - D** A reduction in the cost of goods sold to encourage prompt payment
- 4** A business sells goods to a customer for a list price of \$17,000, excluding sales tax. The customer negotiates a 5% trade discount. Sales tax is 20%.
- How much does the customer owe the business?**
- A** \$19,380
 - B** \$16,150
 - C** \$19,550
 - D** \$20,400
- 5 Which statements are true?**
- (i) Bank reconciliations are necessary to prepare a trial balance
 - (ii) The individual supplier accounts are reconciled to supplier statements
- A** Neither i) nor ii)
 - B** i) only
 - C** ii) only
 - D** Both i) and ii)
- 6** A business received a statement of account from a supplier with a balance of \$7,500. In the business's ledgers, the balance outstanding to the supplier is \$6,800.
- Which could explain the difference?**
- (i) The supplier has not yet recorded a credit note for the return of the goods
 - (ii) The business has not yet received an invoice the supplier has sent.
- A** Neither i) nor ii)
 - B** i) only
 - C** ii) only
 - D** Both i) and ii)
- 7 Which is true when a customer returns goods?**
- A** The customer will issue a credit note
 - B** An entry may be made in the sales return ledger
 - C** A memorandum entry will be made in the purchase ledger
 - D** A remittance advice will be issued

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Accounts Preparation (F1)

Mock Exam 1 Answers

F1 MOCK 1

SECTION A

90 marks

Item Answer/Justification

- 1** A Credit note
- A credit note is issued to a customer to inform that their account has been credited with a sales return.
- A goods received note is an internal customer document verifying receipt of goods.
- A purchase order is sent from a customer to a supplier authorising a purchase.
- Remittance advice is sent from a customer to a supplier to inform of payment made.
- 2** C The business's transactions are kept separate from the owner's
- A business's transactions are kept separate from the owner. If the owner withdraws assets from the business, it is recorded as drawings.
- 3** B A reduction in total payables to encourage prompt payment
- Settlement discounts received are discounts provided by suppliers to reduce amounts payable in exchange for prompt payment.
- 4** A \$19,380
- The trade discount is immediately recognised, and the sales tax is then applied $\$17,000 \times 95\% = \$16,150 \times 1.2 = \$19,380$.
- 5** C ii) only
- Bank reconciliations are unnecessary to prepare a trial balance, although identifying errors may be good practice before a trial balance is drawn up. The supplier statement is reconciled to the individual supplier accounts.
- 6** D Both i) and ii)
- D. The invoice not received by the business will cause the balance to be lesser than the supplier statement. Credit notes not recorded by the supplier would cause the supplier statement balance to be larger than the business ledger balance.
- Since the supplier statement balance is larger than the ledger balance, both statements can be plausible reasons.
- 7** B An entry may be made in the sales return ledger
- Returned goods from a customer are recorded in the Sales Return ledger. The credit note is issued by the business (supplier), not the customer.
- 8** B DR \$800
- Cash receipts are $\$200 + \$700 = \$900$ (credit sales are not a cash movement) and cash payments are \$100. Therefore, the brought-down balance is \$800 debit (a positive cash balance).
- 9** B The business has failed to recognise a sales return for which the supplier has issued a credit note
- Only the second option would give the business a lower balance than its supplier.
- 10** C Sales ledger
- The double entry to record a credit sale is DR Trade receivables and CR Sales
- 11** A DR Purchases \$1,055, CR Cash \$1,055
- First, the incorrect entry is reversed by DR Purchases \$505 and CR Cash \$505.
- The correct entry is then posted by DR Purchases \$550 and CR Cash \$550.
- The net impact of these two entries is DR purchases \$1,055 and CR Cash \$1,055.