Mock Examination : CAT Paper FA2
Maintaining Financial Records

Session : June 2014
Set by : Ms Edith Quek

Your Contact Number : ________________________________

I wish to have my script marked by the lecturer and

☑ collect the marked script at the SAA-GE Reception Counter
☑ email me the marked script to ____________________________

(Please submit your script latest by 9th May 2014 for marking)
1. At 31 December 2013, Lili's bank account was overdrawn. She also had a bank loan on which monthly capital repayments will commence on March 2014.

How should these balances be reported on Lili's Statement of Financial Position?

a. Bank Loan - Non Current Liabilities, Bank Overdraft - Current Liabilities
b. Bank Loan - Current Liabilities, Bank Overdraft - Current Assets
c. Bank Loan - Current Assets, Bank Overdraft - Current Liabilities
d. Bank Loan - Non Current Liabilities, Bank Overdraft - Non Current Liabilities

2. Mary and Jane are in partnership, sharing profits equally. On 1 July 2013, Tom joined the partnership and it was agreed that from that date they all share profits equally. In the financial year ended 31 December 2013, the partnership profit was $240,000, accruing evenly over the year.

What should Mary's total profit share be for the year ended 31 December 2013?

______________

3. When preparing the extended trial balance, in which column should the balance for Allowance for Receivables be included?

a. Statement of financial position debit
b. Statement of financial position credit
c. Income statement debit
d. Income statement credit

4. Linda has a suspense account with a debit balance of $1000. He then discovered that:
   - A credit purchases of $12,000 was credited to Payables Account only
   - An invoice for stationery of $300 was omitted from the books

Lynette decided to correct the above errors. What is the balance on the suspense account after the correction? Is it a debit or credit balance?

______________
5. Bon and Tony were partners sharing profit and loss equally. On 1 January 2011, they decided to admit John as a partner in their business on the following agreement:

- Goodwill of $240,000 was to be valued
- Goodwill is not to be maintained in the books of partnership
- The partners would share profits in the ratio of 3:2:1 for Bon, Tony and John
- John would introduce cash to ensure that his opening capital balance is maintained at $100,000

Calculate the amount that John must contribute for goodwill upon his admission into the partnership

6. Tata company receives rent of $481,200 for the year ended 30 June 2013. The following were the amounts of rent in advance and in arrears at 30 June 2012 and 30 June 2013:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2012</th>
<th>30 June 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent received in advance</td>
<td>$28,700</td>
<td>$31,200</td>
</tr>
<tr>
<td>Rent in arrears</td>
<td>$21,200</td>
<td>$18,400</td>
</tr>
</tbody>
</table>

What amount of rental income should appear in the company's statement of profit or loss for the year ended 30 June 2013?

a. $486,500
b. $460,900
c. $501,500
d. $475,900

7. In a partnership which of the following should be charged against profit, rather than being treated as an appropriation of profit?

I Salary payable to a partner
II Interest payable to a partner on any loan received by the partnership
III Interest allowed on partners's capital account balances

a. I and II
b. II and III
c. II only
d. I and III
8. When a trial balance was prepared, four ledger accounts were omitted:
   Discount Received $5,980
   Discount Allowed $6,780
   Carriage Inwards $2,000
   Carriage Outwards $3,500

   In order to ensure that the trial balance agrees, a suspense account was opened. What was the balance on the suspense account?

   a. $ 6,300
   b. $ 700
   c. $ 4,700
   d. $18,260

9. Pica has an opening inventory of $50,000 and purchased goods costing $600,000 during the year. Her closing inventory is $12,000 less than the opening inventory. Pica practised a mark up of 40% on cost. What is Pica's gross profit for the year?

   ______________________

10. Janny has the following list of balances from his general ledger as at 31 December 2013:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$ 260,900</td>
</tr>
<tr>
<td>Stock 1 Jan 2012</td>
<td>$ 40,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>$129,800</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>$420,000</td>
</tr>
<tr>
<td>Bank (Credit balance)</td>
<td>$ 2,789</td>
</tr>
<tr>
<td>Payables</td>
<td>$ 56,890</td>
</tr>
<tr>
<td>Receivables</td>
<td>$ 86,897</td>
</tr>
<tr>
<td>Capital</td>
<td>$678,900</td>
</tr>
</tbody>
</table>

   What is the total of the debit balances in Bennie’s trial balance as at 31 December 2013?

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

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer</td>
<td>$890,000</td>
</tr>
<tr>
<td>Additional memory</td>
<td>$95,000</td>
</tr>
<tr>
<td>Delivery</td>
<td>$10,000</td>
</tr>
<tr>
<td>Installation</td>
<td>$20,000</td>
</tr>
<tr>
<td>Maintenance</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

Sales Tax (17.5%) : $182,000

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

a. $1,193,000  
b. $1,040,000  
c. $1,222,000  
d. $1,015,000  

12. Martha and Martin are in partnership. In the year to 31 December 2012, Martha’s drawings were $20,000 and the following entries have been made in the partnership appropriation account or Martha:

<table>
<thead>
<tr>
<th>Entry</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$9,800</td>
</tr>
<tr>
<td>Interest on drawings</td>
<td>$1,000</td>
</tr>
<tr>
<td>Interest on capital</td>
<td>$500</td>
</tr>
<tr>
<td>Share of Profit</td>
<td>$25,820</td>
</tr>
</tbody>
</table>

What is increase or decrease in the balance on Martha’s current account as at 31 December 2012 after the above adjustments?

a. $15,120 decrease  
b. $15,120 increase  
c. $17,120 decrease  
d. $17,120 increase  

13. Which of the following statements is correct?

I. To record a decrease in expenses, that account must be debited  
II. To record an increase in capital, capital account must be credited  
III. To record a decrease in liability, liability account must be credited  
IV. To record an increase in revenue, revenue account must be debited

a. I  
b. II  
c. III  
d. IV  

   (   )
14. A non-current asset which has a net book value of $150,000 was sold for $200,000. At the date of disposal, the accumulated depreciation on the asset was $120,000.

What was the cost and profit or loss on disposal of this non-current asset?

a. Cost : $350,000                  Loss : $80,000
b. Cost : $350,000                  Gain : $80,000
c. Cost : $270,000                  Loss : $50,000
d. Cost : $270,000                  Gain : $50,000

15. LL Ltd used periodic weightage average method in valuing its inventory. During November 2013, the following inventory details were recorded:

1 November 2013 : balance of 20 units valued at $9 each
10 November 2013 : purchase of 40 units at $10 each
12 November 2013 : sale of 30 units at $12.50 each
15 November 2013 : purchase of 50 units at $11 each
20 November 2013 : sale of 30 units at $15 each
30 November 2013 : purchase of 20 units at $11.50 each

What is the value of closing stock as at 30 November 2013?

16. In the year to 31 December 2013, Lim charges a repair expenses of $12,300 to the motor vehicle account.

Which of the following is true if the error is not corrected?

a. Net Profit is overstated by $12,300 and Total assets is understated by $12,300
b. Net Profit is overstated by $12,300 and Total assets is overstated by $12,300
c. Net Profit is understated by $12,300 and Total assets is overstated by $12,300
d. Net Profit is understated by $12,300 and Total assets is understated by $12,300

17. Which of the following statements is/are false about control accounts?

I. Control accounts are part of a memorandum accounts
II. Control accounts provide good summarized figures on trade receivables and trade payables
III. Control accounts are prepared to prevent fraud
IV. Control accounts will help the business to be able to track their individual credit customers' payment closely
a.  I and II  
b.  I 
c.  III and IV 
d.  I and IV  

18. John has a suspense account with a credit balance of $1,400. He then found that a purchase of supplies of $700 was correctly debited purchases account but was entered on the wrong side of bank account.

When the error is corrected, what is the balance in the suspense account  

19. Bum extracted the trial balance for the year ended 31 December 2013. 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 inwards 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  

20. The net book value of a machinery of Lim's business as at 31 December 2013 was $2,400. Its accumulated depreciation is $800. Lim managed to convince Wong to purchase this machinery at $2,960. However, Lim has to deliver the machinery to the buyer, this will cost Lim a transport cost of $210.

What is the gain/loss if Lim were to sell this machinery to Wong?  

21. Fen purchased a motor van on 1 January 2013 for $90,000. She incurred $6,000 for transportation and paid $5,000 import duties. On 29 January 2013, the motor van broke down and she incurred another $2,400 for repairs. Fen charges depreciation of 20% per annum on reducing balance basis.

What is the net book value of the motor van as at 31 December 2014?

a.  $ 80,800  
b.  $ 64,640  
c.  $ 82,720  
d.  $ 66,176  

22. The following Receivables Control Account has been prepared by the new Accounts Assistance:

<table>
<thead>
<tr>
<th>Receivables Control Account</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance B/D</td>
<td>308,600</td>
<td></td>
</tr>
<tr>
<td>Credit Sales</td>
<td>154,200</td>
<td>Discounts allowed</td>
</tr>
<tr>
<td>Cash</td>
<td>147,200</td>
<td>Interest charged on overdue Accounts</td>
</tr>
<tr>
<td>Credit Sales</td>
<td>154,200</td>
<td>Irrecoverable debts</td>
</tr>
<tr>
<td>Cash Sales</td>
<td>88,100</td>
<td>Allowance for receivables</td>
</tr>
<tr>
<td>Contras</td>
<td>4,600</td>
<td>Balance C/D</td>
</tr>
</tbody>
</table>

What should the closing balance be when all the errors made in preparing the Receivables Control Account have been corrected?

a. $395,200  
b. $304,300  
c. $309,500  
d. $307,100

(   )

23. A company purchased a machine for $70,000. It was expected to have a residual value of $2,400, and its useful life was estimated at 8 years. The company charges depreciation under the straight line method. After three years, it was discovered that the original estimate of residual value was incorrect and that the actual residual value would be only $1,500.

What would be the revised depreciation?

____________________

24. Nona purchased a new motor van for her business on 1 July 2013. She paid $140,000 and traded in an old motor van. The seller allowed him $30,500 in part exchange for the old motor van. Nona depreciates machinery using the reducing balance method at a rate of 25% per annum. The old office equipment had cost her $130,000 and had been depreciated by $60,560.

What is the depreciation charge on the new office equipment for the year to 31 December 2013?

a. $42,625  
b. $23,313  
c. $52,360  
d. $50,140

(   )
25. Lolita has prepared the following reconciliation of the balances on the payable ledger control account in her general ledger to the total of the list of balances on suppliers' personal accounts:

Balance on general ledger control account $98,677
Less: Balance omitted from list of balances $ 900
$99,577
Add: Purchases day book overcast $ 8,900
$108,477

What is the correct balance of payables to be reported on the statement of financial position?


26. What accounting rule is applied when allowance for receivables is provided?
   a. Prudence
   b. Matching principle
   c. Historical Cost
   d. Going concern

27. The total of the list of balances in Viva's payables ledger was $438,900 at 30 June 2013. The balance did not agree with Viva's payables control account balance. The following errors were discovered:
   - A contra entry of $980 was recorded in the payables control account, but not in the payables ledger
   - The total of the purchase returns daybook was undercast by $1,000
   - 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 as at 30 June 2013?
   a. $436,830
   b. $438,010
   c. $439,790
   d. $437,830

28. Kitty's net assets increased by $45,000 in 2013 as compared to 2012. In 2013, her drawings is $4,800 every 3 months and she also transferred $80,650 from her personal account into the business bank account. What is her net profit or loss for 2013?


29. Tan’s business has a gross margin of 40% on his sales. His opening inventory was $60,900 and closing inventory was valued at $96,890. Included in the closing inventory is some damaged goods which cost $9,800. These damaged goods can only be sold for $7,000 if further repair work was carried out at a cost of $780. The total sales is $1,400,000. What is the value of Tan’s purchases?

_______________

30. A company’s closing inventory was overstated by $20,000, What is the effect on profit?
   a. Next year’s profits will be overstated and the current year’s profits will be overstated
   b. Next year’s profits will be understated and the current year’s profits will be understated
   c. Next year’s profits will be understated and the current year’s profits will be overstated
   d. Next year’s profits will be overstated and the current year’s profits will be understated

   ( )

31. Aaron pays a rental of $24,000 per annum. On 1 January 2013, she owed $4,200 to her landlord. A total of $29,000 was paid during the year to 31 December 2013, Is there an accrual or prepayment for year ended 31 December 2013?
   a. An accrual of $800
   b. A prepayment of $800
   c. An accrual of $5,000
   d. A prepayment of $5,000

   ( )

32. At 31 December 2013, Eaton has receivables of $8,100. At the same time, he has an allowance for doubtful debts of $500. Eric has a credit customer Mary whose debt has been outstanding for 2 years. Eric decided to write of Mary’s debt of $300 and provide 5% of total receivables as allowance for doubtful debts. At the same time, a debt of $300 written off in 2012, was collected in 2013.

What is the net effect on the Income Statement for the year ended 31 December 2013?
   a. $ 110
   b. $ 410
   c. $ 300
   d. $ 210

   ( )
33. Ali and Aina are in partnership, sharing profits in the ratio of 1:2, after charging salaries of $6,000 for each partner in each accounting year.

On 1 July 2013, they agreed to change the profit-sharing ratio to 1:1 and to increase each partner’s salary to $9,000 per year. For the year ended 31 December 2013, the partnership profit amounted to $240,000. Profits are made evenly throughout the year.

What are the partner’s total share of profit to be posted their respective current accounts for the year ended 31 December 2013?

Ali: ____________  Aina: ____________

34. Zen does not keep full accounting records, but the information displayed below is available in respect of his accounting year ended 31 December 2013:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash purchases</td>
<td>$69,000</td>
</tr>
<tr>
<td>Credit Purchases</td>
<td>$276,000</td>
</tr>
<tr>
<td>Cash paid for goods supplied on credit</td>
<td>$198,760</td>
</tr>
<tr>
<td>Discount Received</td>
<td>$8,766</td>
</tr>
<tr>
<td>Contra with receivables</td>
<td>$30,000</td>
</tr>
<tr>
<td>Credit purchases returns</td>
<td>$5,300</td>
</tr>
<tr>
<td>Payables at 1 January 2013</td>
<td>$20,899</td>
</tr>
</tbody>
</table>

What is payables balance as at 31 December 2013? __________

35. Chong and Zhong were partners sharing profit and loss equally. On 1 January 2013, they decided to admit Long as a partner in their business on the following agreement:

- Goodwill of $300,000 was to be valued
- Goodwill would not be maintained in the books of partnership
- The partners would share profits in the ratio of 3:2:1 for Chong, Zhong and Long
- Long would introduce cash of $400,000

What is Long’s capital balance after adjustment of goodwill?

a. $450,000  
b. $500,000  
c. $550,000  
d. $350,000  

( )
36. Renee is trying to reconcile her cash book to her bank statement at 31 December 2013. On investigation she finds:

- A standing order for $765 paid on 31 December 2013 for Insurance for the current year that was omitted from records of the cash book.
- Cheques totaling $8,995 have been credited to the cash book on 31 December 2013 but had not appeared on the bank statement until 1 December 2013.
- Cheques from customers totaling $15,230 on 28 June 2013 were entered in the cash book but Renee had only just managed to get these cheques to the bank on 1 January 2014.
- A cheque received for $1900 had appeared on the bank statement in error as $2900.
- Before any adjustments are made, her cash book had a debit balance of $5,678.

What is the figure in the accounts for ‘cash at bank’ to be reflected in the Statement of Financial Position as at 31 December 2013?

37. Which of the following errors will be not revealed by extracting a trial balance?
   I. Error of commission
   II. Error of omission
   III. Error of single entry
   IV. Complete reversal of entry
   a. I, II and IV
   b. I and IV
   c. III and IV
   d. I, III and IV

38. Anthony reported Sales of $899,000 and gross profit of $112,456 for the year ended 31 December 2013. It was subsequently discovered that sales was understated by $54,000 and the closing inventory understated $10,000. After correction, what are corrected sales and gross profit?

39. LOLO Ltd just revalued their land and buildings and credited the surplus to the income statement. This treatment contravenes
   a. Prudence
   b. Consistency
   c. Matching
   d. Going Concern
40. JJ business has an opening inventory of $17,150 and makes purchases during the year of $890,000. He achieves a constant mark-up of 30% on cost and records sales for the year of $1,105,000. As at 31 December 2013, while conducting a stock take, JJ noticed that some inventory were missing. He is left with $20,000 of the closing inventory? Calculate the amount of stock stolen
   a. $57,150
   b. $37,150
   c. $113,650
   d. $93,650

41. A company made the following payments in 2013 in respect of electricity expenses:

<table>
<thead>
<tr>
<th>Telephone</th>
<th>Date paid</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter ended 31 Jan 2013</td>
<td>1 Mar 2013</td>
<td>$270</td>
</tr>
<tr>
<td>Quarter ended 30 Apr 2013</td>
<td>5 Jun 2013</td>
<td>$310</td>
</tr>
<tr>
<td>Quarter ended 31 Jul 2013</td>
<td>2 Sep 2013</td>
<td>$320</td>
</tr>
<tr>
<td>Quarter ended 31 Oct 2013</td>
<td>10 Nov 2013</td>
<td>$330</td>
</tr>
<tr>
<td>Quarter ended 31 Jan 2014</td>
<td>28 Feb 2014</td>
<td>$420</td>
</tr>
</tbody>
</table>

What is the electricity expenses payable as at 1 January 2013? __________

42. What is the cost of sales figure for following balances?

   Opening inventory  $ 44,250
   Closing inventory  $ 31,350
   Carriage outwards  $ 15,550
   Purchases          $302,200
   Return inwards     $ 13,850
   Carriage inwards   $ 9,200
   Discount received  $ 9,789

___________

43. Assume that the extended trial balance has been extended but the result for the year has not been calculated.

   Income Statement
   Dr $2,980,777
   Cr $2,997,500

   Statement of financial position
   Dr $10,675,888
   Cr $10,659,165

What is the profit or loss for the above results? __________
44. What is the purpose of an extended trial balance?
   a. It is a list of all balances on accounts in the nominal ledger
   b. It is a list of all post-trial balance adjustments made in arriving at the final accounts
   c. It is the final statements of financial position and income statement
   d. It is a worksheet showing the trial balance, post trial balance adjustments and figures in the final accounts

45. Mary’s balance on his Payable Control Account is $23,090. After some investigation, he discovered the following errors:
   - The list of balances of Payables Ledger had been overcast by $350
   - A debit balance of $90 on one of the list of balances in the Payables Ledger has been listed as credit balance
   - $5,100 paid to a credit supplier was debited in the payables ledger only.
   - An invoice of $6,200 received was omitted from the books
   - Discount received of $15 was recorded as $150 in the books

   What is the correct balance on the Mary’s Payables to be reflected in the Statement of Financial Positions?

46. What is the purpose of charging depreciation?
   a. To allocate the cost of the non-current asset over the accounting periods of expected to benefit from its use
   b. To ensure net profit is not overstated
   c. To ensure funds are set aside for replacement of non-current asset
   d. To reflect the net book value of the non-current asset in the statement of financial position

47. While preparing her Trial Balance, Ben discovered that a credit sales of $1,099 was credited twice in sales account and debited once in Receivables Control Account. If this error is not corrected, what was the balance on her suspense account?

________________
48. A water treatment equipment was purchased by Winnie recently. The invoice shows the following costs:

   Equipment                  $50,000
   Delivery                   $  2,000
   Maintenance charge        $  4,500
   Sales tax                 $  8,750 (recoverable)

   What is the total value of capital expenditure on the invoice? ________________

49. Micky sold a machinery on 30 June 2013. The entries in his general journal is as shown:

   Debit  : Bank
   Credit : Asset Disposal

   What aspect of the transaction is recorded by this entry?
   a. Transfer of the original cost of the old non-current asset on disposal
   b. Cash proceeds from disposal of non-current asset
   c. Transfer of the accumulated depreciation of non-current asset
   d. Trade-in value of the old non-current asset

   ( )

50. Wilson took goods of $300 and cash of $780 for his personal use, which of the following accounting concepts should be considered?

   a. Prudence
   b. Money measurement
   c. Accounting Entity
   d. Consistency

   ( )

End of Paper