

# MARKING & SOLUTIONS REQUEST FORM

## Your details (MUST be completed by student)

**Return address:**

Student name: .....

Address: .....

.....

Postcode: .....

\* Failure to provide may result in a delay to the marking of this paper

Company: .....

Date of birth: ..... 19.....

Date of sitting: .....

Date sent: .....

**Printed solutions will be sent to you with your marked script**

Tick here if you **do not** want us to mark your exam and fill in your name and address in the space provided above. You'll receive the solutions and a mark of 0%.

**London & Home Study Students return to:**

The Marking Dept, BPP Professional Education, Aldine House, 142-144 Uxbridge Road, London W12 8AW

**Other Students return to:**

Your local Study Centre (addresses can be found at [www.bpp.com](http://www.bpp.com))

**Sending your exam to the wrong centre WILL result in a delay to marking your script.**

## Exam details (completed by BPP)

**CAT PAPER 1**

**Recording Financial Transactions (International)**

**Course Examination 1**

Date received: .....

Date returned: .....

**RESULTS**

Question	Maximum	Score
<b>Total</b>	<b>100</b>	

## Marker's comments (completed by BPP)

.....

.....

.....

.....

.....

Marked by: \_\_\_\_\_

# Marker's assessment

Ticks in the left hand boxes indicate a good aspect of your performance.  
 Tick in the right hand boxes highlight areas you need to work on.  
 (Note: Boxes may be left empty if the comments are not applicable to your script)

**Relevant to Question**

<p><b>Approach</b></p> <div style="display: flex; justify-content: space-around; margin-bottom: 10px;"> <span><i>Good performance</i></span> <span><i>Improvement needed</i></span> </div> <p>Questions correctly interpreted</p> <table border="1" style="width: 100%; height: 25px; margin-bottom: 10px;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table> <p>Logical coherent answers</p> <table border="1" style="width: 100%; height: 25px;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table>									<p><i>How to improve</i></p> <p>Careful reading</p> <p>Review the definitions of question words</p> <p>Practise planning and full written answers</p>
<p><b>Technical content</b></p> <p>Understanding of principles</p> <table border="1" style="width: 100%; height: 25px; margin-bottom: 10px;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table> <p>Principles applied well to specific problems</p> <table border="1" style="width: 100%; height: 25px;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table>									<p>Reading your Study Texts</p> <p>More question practice required</p>
<p><b>Computation</b></p> <p>High standard of accuracy</p> <table border="1" style="width: 100%; height: 25px; margin-bottom: 10px;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table> <p>Workings are easy to follow</p> <table border="1" style="width: 100%; height: 25px;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table>									<p>Check your workings</p> <p>Layout your workings clearly</p> <p>Label and cross reference</p>
<p><b>Appearance/Layout</b></p> <p>Text layout is clear and easy to follow</p> <table border="1" style="width: 100%; height: 25px; margin-bottom: 10px;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table> <p>Calculations are easy to follow</p> <table border="1" style="width: 100%; height: 25px;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table>									<p>Neat handwriting</p> <p>Use plenty of space</p> <p>Use headings and subheadings</p> <p>Use short paragraphs</p> <p>Neat diagrams and tables</p> <p>Workings labelled</p>
<p><b>Written style</b></p> <p>Concise business style</p> <table border="1" style="width: 100%; height: 25px; margin-bottom: 10px;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table> <p>Answering the question set</p> <table border="1" style="width: 100%; height: 25px;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> </table>									<p>Short concise sentences</p> <p>Think before you write</p>

# CAT

## Paper 1

# Recording Financial Transactions (International)

## Course Examination 1

<b>Question Paper</b>	
<b>Time allowed</b>	<b>2 hours</b>
<b>Answer all FIFTY compulsory questions</b>	

### **Instructions:**

Please attempt this exam under test conditions and attach the frontsheet complete with your name and address to your script. The completed package should be sent to BPP Professional Education.

Take a few moments to review the notes on the inside of this page titled, 'Get into good exam habits now!' before attempting this exam.

**DO NOT OPEN THIS PAPER UNTIL YOU ARE READY TO START UNDER EXAMINATION CONDITIONS**

# Get into good exam habits now!

Take a moment to focus on the right approach for this exam.

## Effective time management

- Watch the clock, leave space and move on if you get behind.
- Take a few moments to think what the requirements are asking for and how you are going to answer them.

## Effective planning

- Be selective: focus on the difficult requirements
- Read the requirements carefully: focus on mark allocation, question words (see below) and potential overlap between requirements.
- Identify and make sure you pick up the easy marks available in each question.

## Effective layout

- Present your numerical solutions using the standard layouts you have seen. Show and reference your workings clearly.
- With written elements try and make a number of distinct points using headings and short paragraphs. You should aim to make a separate point for each mark.
- Ensure that you explain the points you are making ie why is the point a strength, criticism or opportunity?
- Give yourself plenty of space to add extra lines as necessary, it will also make it easier for the examiner to mark.

## Common terminology

Advise	To counsel, inform or notify
Calculate/compute	To ascertain or reckon mathematically
Compare and contrast	Show the similarities and/or differences
Define	Give the exact meaning of
Describe	Communicate the key features of
Discuss	To examine in detail by argument
Distinguish	Highlight the differences between
Evaluate	To appraise or assess the value of
Explain	Make clear or intelligible/state the meaning of
Identify	Recognise, establish or select after consideration
Illustrate	Use an example to explain something
Interpret	Process information to explain its meaning
Justify	To produce reasons in support of
List	State short pieces of information on separate lines
Recommend	To advise on a course of action
Summarise/outline	To express the most important facts of

# ALL FIFTY QUESTIONS ARE COMPULSORY AND MUST BE ATTEMPTED

## Each question carries 2 marks

- 1 If goods are to be paid for in advance, the seller may issue which document?
  - A A debit note
  - B A statement
  - C A pro-forma invoice
  - D A goods received note
  
- 2 Which of the following would be considered a contract?
  - (i) A customer buying goods in a supermarket
  - (ii) A band signing on with a record company
  - (iii) A hire-purchase agreement
  - (iv) Your relationship with your employer
  - A ii only
  - B ii and iii
  - C i and ii
  - D all of them
  
- 3 Under sale of goods legislation, goods offered for sale to consumers must be:
  - A Reasonably priced
  - B Not obtainable elsewhere more cheaply
  - C Of good quality
  - D Fit for the purpose for which they are being purchased
  
- 4 Which department is most likely to keep records which are regulated under data protection law?
  - A Sales and marketing
  - B Personnel
  - C Management
  - D Credit control
  
- 5 Which transactions could be most usefully made by online transfer?
  - A The monthly mobile phone bill
  - B Purchase of office sundries
  - C Monthly employee salaries
  - D Refunds to customers
  
- 6 Which of the following would not be classified as capital expenditure?
  - A The purchase of a new van
  - B The delivery charges for the van
  - C The sign writing on the van
  - D The road fund licence

- 7 Bill sets up his own computer consultancy from home. He buys a laptop for \$2,000 and puts \$1,000 into a business bank account. During the first month he invoices a client for \$1,500 and pays \$600 to a freelance programmer. The client has not yet paid.

What is Bill's capital balance at the end of the month?

- A \$1,900
  - B \$2,400
  - C \$3,900
  - D \$4,500
- 8 Which payment are you most likely to make by EFTPOS?
- A Your monthly council tax payment
  - B Your monthly payment to your credit card company
  - C Your mortgage payment
  - D The bill for your weekly supermarket shop
- 9 In A's payables ledger, B has a debit balance. How could this have arisen?
- A A has bought goods from B
  - B B has bought goods from A
  - C A has overpaid B for goods received
  - D B has sent a refund to A
- 10 A receivables ledger control account shows a balance of \$35,100, while the list of balances totals \$36,500. The following discrepancies are discovered:
- (i) A credit balance of \$350 has been included in the list of balances as a debit
  - (ii) A refund of \$125 has not been posted to the receivables ledger control account
  - (iii) One page of the sales day book has been undercast by \$575
- What is the reconciled balance?
- A \$36,500
  - B \$35,800
  - C \$35,225
  - D \$37,200
- 11 Joe buys goods worth \$3,500 from Eddie. On \$2,000 worth he gets trade discount of 20%, no trade discount is available on the rest. However Joe always makes sure that he pays within 10 days in order to obtain Eddie's settlement discount of 5%.
- How much will Joe pay Eddie?
- A \$2,495
  - B \$2,945
  - C \$2,800
  - D \$3,025
- 12 Which document will the warehouse issue when deliveries are received?
- A A receipt
  - B A purchase order
  - C A goods received note
  - D A remittance advice

- 13 Which one of the following statements concerning direct debits is correct?
- A Each payment under a direct debit must be for a fixed amount
  - B The person making the payment sends the direct debit form directly to his bank
  - C The company taking the direct debit must send the person paying a regular statement showing amounts taken and dates
  - D The direct debit can only be cancelled by the debiting company
- 14 A petty cash imprest system is in operation with a float of \$150 being maintained. There are vouchers in the box totalling \$76 and IOUs totalling \$35. There is \$29 in the box and \$10 travel advance has just been given to one of the directors.
- How much should be drawn from the bank to restore the imprest?
- A \$110
  - B \$120
  - C \$76
  - D \$121
- 15 Nancy's business has net assets of \$13,200 at the beginning of the year. During the following month she purchases new equipment for \$1,200, makes sales on credit of \$7,500, receives payments from customers of \$3,750 and receives bills from suppliers of \$2,250. These are not payable until next month.
- What are the net assets at the end of the month?
- A \$15,750
  - B \$18,450
  - C \$18,150
  - D \$20,700
- 16 You have bought stationery with a company cheque from the stationery shop next door.
- How should this transaction be recorded?
- A DR Stationery CR Payable
  - B DR Cash CR Payable
  - C DR Stationery CR Cash
  - D DR Payable CR Cash
- 17 You have discovered the following errors at the end of the month: a purchase invoice for \$25.50 has been completely overlooked; a rent payment of \$736 has been posted to the rent account as \$763; a refund paid to a customer for \$27 has been omitted from the receivables ledger control account.
- How will these errors have affected the trial balance?
- A \$54 short debit
  - B \$54 short credit
  - C The trial balance will balance
  - D \$52.50 short debit
- 18 You receive a cheque from one of your credit customers. How is this posted to the nominal ledger?
- A DR Cash CR Sales
  - B DR Receivables ledger control account CR Sales
  - C DR Cash CR Receivables ledger control account
  - D DR Sales CR Receivables ledger control account

- 19 Which one of the following would not cause a trial balance imbalance?
- A An error of single entry
  - B A transposition error
  - C An error of principle
  - D An omitted account
- 20 The balance on the receivables ledger control account is \$52 more than the list of customer balances. This could be caused by which one of the following?
- A An invoice for \$52 omitted from the sales day book
  - B A credit note for \$52 omitted from the sales returns day book
  - C A customer refund of \$52 posted twice to the nominal ledger
  - D A credit note for \$26 entered twice into the receivables ledger
- 21 These are the year end balances for Josie's business.

	\$
Sales	54,000
Purchases	21,000
Inventory	9,500
Cash	27,250
Receivables	
Motor vehicle	7,500
Payables	5,500
Capital	18,500

If the trial balance balances, what is the missing figure for receivables?

- A \$15,500
  - B \$13,250
  - C \$9,250
  - D \$12,750
- 22 Anwar makes sales in the quarter of \$34,075 including sales tax at 17.5%. His total purchases net of sales tax are \$11,010, of which \$2,500 is for zero rated goods. How much should he pay to the government?
- A \$4,473.88
  - B \$3,435.21
  - C \$3,585.75
  - D \$3,807.55
- 23 All of Jimmy's sales are subject to sales tax at 17.5%. He invoices a customer for \$1,700 plus sales tax and receives a cheque in full payment the following month. How is the cheque posted to the nominal ledger?
- A DR Cash 1,997.50; CR Sales 1,700; CR sales tax 297.50
  - B DR Receivables ledger control account 1,700; DR sales tax 297.50; CR Cash 1,997.50
  - C DR Cash 1,700; DR sales tax 297.50; CR Sales 1,997.50
  - D DR Cash 1,997.50; CR Receivables ledger control account 1,997.50



- 24 Janet has not registered for sales tax as her turnover is below the limit. Her sales for the quarter are \$3,500 on which no sales tax is charged. Her total outgoings are \$2,250, of which \$1,100 is for items not subject to sales tax.
- If Janet had been registered for sales tax, how much would she owe to the government for the quarter?
- A \$393.75
  - B \$350.00
  - C \$319.75
  - D \$441.22
- 25 A multinational company has just sent off the quarterly sales tax cheque.
- In which book of prime entry (manual or computerised) will this be entered?
- A The cash book
  - B The purchase day book
  - C The journal
  - D The sales day book
- 26 Which of the following is the correct posting from the sales day book to the nominal ledger?
- A DR Sales; CR Receivables control account
  - B DR Cash; CR Receivables control account
  - C DR Receivables control account; CR Sales
  - D DR Receivables control account; CR Cash
- 27 One of Tara's customers has returned goods and Tara is issuing a credit note.
- In which record of prime entry will this be recorded?
- A The cash book
  - B The sales returns day book
  - C The purchase returns day book
  - D The sales day book
- 28 The year end balance on Fatima's payables control account stands at \$3,525.
- What does this mean?
- A Suppliers owe Fatima \$3,525.
  - B Fatima owes \$3,525 to suppliers
  - C Fatima has received goods valued at \$3,525 on credit
  - D Fatima has supplied \$3,525 worth of goods on credit
- 29 When doing a bank reconciliation, adjustments have to be made for timing differences.
- Which one of these constitutes a timing difference?
- A Unpresented cheques
  - B Unposted direct debits
  - C Bank charges
  - D Dishonoured cheques

- 30 Gemma is reconciling her cash book to the bank statement. Her cash balance is \$2,357 and the balance on her statement is \$25 overdrawn. She finds the following differences: bank charges of \$23 and direct debits totalling \$100 have not been posted to the cash book; there are unpresented cheques of \$324; she paid in a batch of cheques two days ago totalling \$2,503 and these have not yet been credited to her account; a cheque she paid in last week for \$80 has been dishonoured.

What will the reconciled balance be?

- A \$2,154
  - B \$2,204
  - C \$2,357
  - D \$2,277
- 31 In reconciling the payables control account to the payables ledger, the following discrepancies are noticed: a credit note for \$105 has been posted to the wrong side of the control account; the payables ledger has not been adjusted for a receivables ledger offset of \$2055; an account with a credit balance of \$348 has been omitted from the list of payables ledger balances. The balance on the payables control account is \$3,627. The balance on the payables ledger is \$5,124.

What is the reconciled balance?

- A \$3,627
  - B \$3,069
  - C \$3,417
  - D \$3,765
- 32 For which of the following would a journal be used?
- A Posting adjustments to correct an error
  - B Posting invoices to the receivables ledger
  - C Posting a credit note from a supplier
  - D Posting cash receipts
- 33 What is the most likely result of a company's credit control not being properly carried out?
- A Customers will decide to go elsewhere and sales will fall
  - B Suppliers will refuse to supply goods on credit
  - C The company will run out of cash
  - D It will be overtaken by competitors
- 34 Which of the following is *not* a feature of a bankers draft?
- A It is used to pay for large items such as vehicles and plant
  - B It guarantees payment to the recipient.
  - C It can be stopped if the transaction does not go ahead
  - D The bank will charge a fee to prepare a draft
- 35 Sara's gross annual salary is \$25,000. In March she pays \$348 tax and \$217 employees national insurance. \$17 is deducted towards her season ticket loan and employers national insurance is \$247.
- How much does Sara take home in March?
- A \$1,471.33
  - B \$1,254.33
  - C \$1,535.33
  - D \$1,501.33

- 36 John receives an annual salary of \$20,000 and commission of 5% on all sales above a monthly threshold of \$35,000. In September sales invoiced amount to \$43,000.
- What was John's gross salary?
- A \$2,066.66
  - B \$1,666.66
  - C \$2,150
  - D \$1,750
- 37 A company's payroll for the month is as follows: Gross pay \$127,500; Tax \$ 24,500; Employers national insurance \$12,750; Employees national insurance \$11,350.
- What will the total net pay paid to employees be?
- A \$91,650
  - B \$90,250
  - C \$78,900
  - D \$104,400
- 38 Which one of the following is *not* deducted from salaries?
- A Income tax
  - B Employers national insurance
  - C Employees national insurance
  - D Employee contributions to the pension scheme
- 39 The cost of repairs to a machine has been posted to the non-current asset account.
- The result of this is:
- A Profits are understated and assets are overstated
  - B Profits are overstated and assets are understated
  - C Profits are overstated and assets are overstated
  - D Profits are understated and assets are understated
- 40 Mabel's supplier has allowed her 5% discount for prompt payment of her account.
- How should this be posted?
- A DR Payables ledger control account; CR Discounts allowed
  - B DR Discounts allowed; CR Payables ledger control account
  - C DR Payables ledger control account; CR Discounts received
  - D DR Discounts received; CR Payables ledger control account
- 41 Andrew buys goods with a list price of \$7,200 on which he receives 20% trade discount. His supplier offers 5% discount for payment within 10 days. Andrew pays half of the invoiced amount within 10 days and the balance 3 weeks later.
- What is the total amount of money that he will pay for this order?
- A \$5,616
  - B \$5,580
  - C \$5,400
  - D \$6,300

- 42 Discounts received of \$150 have been debited to discounts allowed.  
How will this affect the trial balance?
- A Debits will be \$300 more than credits
  - B Credits will be \$300 more than debits
  - C Debits will be \$150 more than credits
  - D The trial balance will not be affected
- 43 Which of the following would *not* help a business to reduce its bad debts?
- A Improved credit control
  - B Better credit checks on customers
  - C Higher settlement discounts
  - D Bigger trade discounts
- 44 At the end of the month there is a difference of \$546.27 on the trial balance which is debited to suspense. The following discrepancies are discovered: a sundry receipt of \$229.32 has been posted to income but not to the cash account; a sales invoice for \$91 has been posted to the receivables control account as a credit note.  
What is the remaining balance on the suspense account after adjusting for these errors?
- A CR \$134.95
  - B DR \$134.95
  - C DR \$407.91
  - D DR \$225.95
- 45 Which one of these errors will give rise to a suspense account entry?
- A A transposition error
  - B An error of principle
  - C An error of omission
  - D A compensating error
- 46 Anna receives her bank statement and sees that a cheque from one of her customers has been dishonoured.  
What entry should she make to reflect this?
- A CR Cash; DR Sales
  - B DR Cash; CR Sales
  - C CR Cash; DR Receivables ledger
  - D DR Cash; CR Receivables ledger
- 47 Angus has a month-end balance on his cash book of \$325 overdrawn. Checking this with the bank statement, he notes that there are unrepresented cheques of \$1,503 and bank charges of \$27. However he is pleased to discover that a customer has made a direct transfer of \$750 into his account.  
What is the balance on his bank statement?
- A \$398 in credit
  - B \$398 overdrawn
  - C \$1,901 in credit
  - D \$1,148 in credit

- 48 Which of the following should be classified as current assets?
- A Payables
  - B Motor vehicles
  - C Discounts received
  - D Tax refunds due
- 49 Which of these will appear as a credit balance in the accounts?
- A Purchases
  - B Receivables
  - C Capital
  - D Discounts allowed
- 50 Which of the following would be classified as a non-current liability?
- A A trade payable
  - B Sales tax due to the government
  - C A loan due to be repaid in 18 months.
  - D A bank overdraft

**CAT PAPER 1 – RECORDING FINANCIAL TRANSACTIONS (INTERNATIONAL)  
COURSE EXAMINATION 1**

**ANSWER SHEET TO MULTIPLE CHOICE QUESTIONS**

**NAME:** .....

**DATE:** .....

1	A	B	C	D	26	A	B	C	D
2	A	B	C	D	27	A	B	C	D
3	A	B	C	D	28	A	B	C	D
4	A	B	C	D	29	A	B	C	D
5	A	B	C	D	30	A	B	C	D
6	A	B	C	D	31	A	B	C	D
7	A	B	C	D	32	A	B	C	D
8	A	B	C	D	33	A	B	C	D
9	A	B	C	D	34	A	B	C	D
10	A	B	C	D	35	A	B	C	D
11	A	B	C	D	36	A	B	C	D
12	A	B	C	D	37	A	B	C	D
13	A	B	C	D	38	A	B	C	D
14	A	B	C	D	39	A	B	C	D
15	A	B	C	D	40	A	B	C	D
16	A	B	C	D	41	A	B	C	D
17	A	B	C	D	42	A	B	C	D
18	A	B	C	D	43	A	B	C	D
19	A	B	C	D	44	A	B	C	D
20	A	B	C	D	45	A	B	C	D
21	A	B	C	D	46	A	B	C	D
22	A	B	C	D	47	A	B	C	D
23	A	B	C	D	48	A	B	C	D
24	A	B	C	D	49	A	B	C	D
25	A	B	C	D	50	A	B	C	D

## Student self-assessment

Having completed this paper take a few minutes to consider what you did well and what you found difficult. Use this as a basis to focus your future study on effectively improving your performance.

### Common problems

### Future emphasis if you answer Yes

#### Timing and planning

Did you finish too early?	Y/N	Focus your planning time on generating more ideas. Use models to help develop breadth to your thinking.
Did you overrun?	Y/N	Focus on allocating your time better. Practise questions under strict timed conditions. If you get behind leave space and move on.
Did you waffle?	Y/N	Focus your planning time on developing a logical structure to your answer.

#### Layout

Was your answer difficult to follow?	Y/N	Use headings and subheadings. Use numbering sequences when identifying points. Leave space between each point.
Did you fail to explain each point clearly?	Y/N	Show why the point identified answers the question set.
Did you fail to show any workings or were your workings unclear?	Y/N	Give yourself time and space to make the marker's job easy.

#### Content

Did you struggle with:		
Interpreting the questions?	Y/N	Learn the meaning of common terminology (good exam habits). Learn subject jargon (key terms in study text). Read questions carefully noting all the parts. Practise as many questions as possible.
Understanding the subject?	Y/N	Review your notes/text. Work through easier examples first. Please contact CAT queries for further help (catqueries@bpp.com).
Remembering the notes/text?	Y/N	Quiz yourself constantly as you study. You need to develop your memory as well as your understanding of a subject.





**CAT**

**Paper 1**

**Recording Financial Transactions  
(International)**

**Course Examination 1**

**Solutions**



## MULTIPLE CHOICE ANSWERS

- 1 The correct answer is C.  
A is issued by the buyer to request a credit note.  
B is a summary of the buyer's account.  
D is an internal document issued when goods are received.
- 2 The correct answer is D.  
(ii) and (iii) are written contracts, (iv) may also be in writing and (i) is an *implied* contract for the sale of goods.
- 3 The correct answer is D.
- 4 The correct answer is B.  
Remember, data protection law is concerned with information kept about *individuals*, not organisations. While the other departments may have some information about individuals, the department most likely is Personnel.
- 5 The correct answer is C.  
Companies which used to pay their employees using BACS can now do the transfers themselves using the internet, and save the BACS charges.  
A, B and D could all be done online, but other methods of payment are more likely to be used, probably direct debit for A, petty cash for B and cheque for D.
- 6 The correct answer is D.  
A, B and C are all part of the capital cost of the van.
- 7 The correct answer is C.
- 8 The correct answer is D.  
Most supermarkets now operate the EFTPOS system.
- 9 The correct answer is C.  
A and D would give rise to credit balances, B would be in A's receivables ledger.
- 10 The correct answer is B.

Receivables ledger control account			
Opening balance	35,100	Balance c/f	35,800
Refund	125		
Undercast	<u>575</u>		
	35,800		
Receivables ledger balances	36,500		
Correct misposting	<u>(700)</u>		
	<u>35,800</u>		

11 The correct answer is B.

	\$
Original price	3,500
Trade discount (2,000 × 20%)	<u>(400)</u>
	3,100
Settlement discount (3,100 × 5%)	<u>(155)</u>
	<u>2,945</u>

- 12 The correct answer is C.  
 A acknowledges payment.  
 D is sent with a payment.  
 B is issued to place the order for the goods.

- 13 The correct answer is C.  
 A – the amount of the direct debit can be varied.  
 B – the direct debit mandate is returned to the debiting company  
 D – the person making the payments can cancel the direct debit at any time.

- 14 The correct answer is C.  
 The IOUs and advance will be repaid in cash.

15 The correct answer is B.

	\$
Opening net assets	13,200
Receivables and cash received	7,500
Payables	<u>(2,250)</u>
	<u>18,450</u>

*Note.* The purchase of equipment replaces cash by equipment, so has no effect on net assets.

- 16 The correct answer is C.  
 This is a cash payment, so the stationery shop is not a supplier with whom you have an account.

17 The correct answer is C.

	\$
Excess debit to rent account	27
Missing debit to receivables ledger control account	<u>(27)</u>
	<u>—</u>

Note that the purchase invoice which has been completely overlooked will not have caused an imbalance.

- 18 The correct answer is C.  
 A would record a cash sale.  
 B would record an invoice.  
 D would record a credit note.

- 19 The correct answer is C.  
 An error of principle involves a posting to the wrong class of account, which will not cause an imbalance.  
 The others will all cause a DR or CR imbalance.

- 20 The correct answer is C.  
A and B would affect both the receivables ledger and the receivables ledger control account.  
D would only make a difference of \$26.

- 21 The correct answer is D.

	Dr	Cr
	\$	\$
Sales		54,000
Purchases	21,000	
Inventory	9,500	
Cash	27,250	
Motor vehicle	7,500	
Receivables	12,750	
Payables		5,500
Capital		18,500
	<u>78,000</u>	<u>78,000</u>

- 22 The correct answer is C.

	\$
Output tax ( $34,075 \times 17.5/117.5$ )	5,075.00
Input tax ( $((11,010 - 2,500) \times 17.5\%)$ )	<u>(1,489.25)</u>
Due to government	<u>3,585.75</u>

- 23 The correct answer is D.

The sales tax element will have been accounted for in posting the invoice.

- 24 The correct answer is D.

	\$
Output tax ( $3,500 \times 17.5\%$ )	612.50
Input tax ( $((2,250 - 1,100) \times 17.5/117.5)$ )	<u>(171.28)</u>
Due to government	<u>441.22</u>

*Note.* Her outgoings will include any applicable sales tax.

- 25 The correct answer is A.

This is the book of prime entry in which cheque payments are recorded.

- 26 The correct answer is C.

The sales day book records invoices. No cash is involved as in B and D. C represents the posting of a credit note.

- 27 The correct answer is B.

A records receipts and payments  
C records credit notes received  
D records sales invoices

- 28 The correct answer is B.

A would mean the account had a debit balance, which would be unusual.  
C would mean that none of her payables had been paid.  
D would be recorded in the receivables ledger control account.

29 The correct answer is A.  
All of the others will require an entry in the cash book.

30 The correct answer is A.

	Cash book	Bank stmt
	\$	\$
	2,357	(25)
Bank charges	(23)	
Direct debits	(100)	
Dishonoured cheque	(80)	
	2,154	
Unpresented cheques		(324)
Uncleared banking		<u>2,503</u>
		<u>2,154</u>

31 The correct answer is C.

PAYABLES CONTROL ACCOUNT			
Adjustment re. credit note	210	Balance	3,627
Balance c/f	<u>3,417</u>		
	3,627		
<i>Payables ledger</i>			
Balance			5,124
Receivables ledger offset			(2,055)
Omitted account			<u>348</u>
			<u>3,417</u>

32 The correct answer is A.  
B is done from the sales day book.  
C is entered in the purchase returns book.  
D is posted in the cash book.

33 The correct answer is C.  
Credit control would not affect A and D.  
B involves purchases, not sales.

34 The correct answer is C.  
A banker's draft cannot be stopped like a cheque. The drawer's account is debited at the time the draft is prepared.

35 The correct answer is D.

	\$
Monthly gross (25,000/12)	2,083.33
Tax	(348.00)
Employee NI	(217.00)
Season ticket loan	<u>(17.00)</u>
Net pay	<u>1,501.33</u>

36 The correct answer is A.

	\$
Monthly gross (20,000/12)	1,666.66
Commission ((43,000-35,000 × 5%)	<u>400.00</u>
	<u>2,066.66</u>

37 The correct answer is A.

	\$
Gross pay	127,500
Tax	(24,500)
Employees' NI	<u>(11,350)</u>
Net pay to employees	<u>91,650</u>

38 The correct answer is B.

Employers' NI is an additional tax levied on employers. It is not deducted from salaries, it is paid in addition to gross salaries. For the employer it is part of the cost of employing somebody.

39 The correct answer is C.

The repair cost should have been debited to the income statement, so profit has been overstated. Debiting it to the non-current asset account overstates non-current assets.

40 The correct answer is C.

The discount reduces the amount owing to payables, so it is debited to the payables ledger control account, and it is credited to 'discounts received' in the income statement. 'Discounts allowed' is used to post discounts granted to customers.

41 The correct answer is A.

	\$
Purchase price (7,200 × 80%)	5,760
Discount ((5,760/2) × 5%)	<u>(144)</u>
	<u>5,616</u>

42 The correct answer is A.

Posting to the wrong account will not affect the trial balance. However, the posting to discounts received should be a credit, not a debit, so the difference is \$150 x 2.

43 The correct answer is D.

A and C will encourage customers to pay.  
 B will reduce the number of sales to companies which are not good credit risks.  
 D will probably bring in more sales, but will do nothing to speed up payment.

44 The correct answer is B.

SUSPENSE ACCOUNT			
Balance b/f	<u>546.27</u>	Sundry receipt	229.32
		Sales invoice adj. (91 × 2)	182.00
	<u>546.27</u>	Balance c/f	<u>134.95</u>
Balance b/f	<u>134.95</u>		<u>546.27</u>

45 The correct answer is A.  
The other options will not give rise to a trial balance imbalance.

46 The correct answer is C.  
When Anna received the cheque her posting would have been DR Cash/CR Receivables ledger. Now she must reverse that posting.

47 The correct answer is C.

	\$
Original cash book balance	(325)
Bank charges	(27)
Transfer in	<u>750</u>
Corrected cash book balance	398
Unpresented cheques	<u>1,503</u>
Balance per bank statement	<u>1,901</u>

48 The correct answer is D.  
A is a liability.  
B is a non-current asset.  
C is income.

49 The correct answer is C.  
The others are all debits.

50 The correct answer is C.  
A loan not due for payment within the next 12 months can be classified as a non-current liability. Trade payables and sales tax are due for payment within 1-3 months and an overdraft is, in theory, repayable on demand.