

MARKING & SOLUTIONS REQUEST FORM

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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:

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Exam details (completed by BPP)

CAT PAPER 1

Recording Financial Transactions (International)

Course Examination 2

Date received:

Date returned:

RESULTS

Question	Maximum	Score
Total	100	

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>Approach</p> <div style="display: flex; justify-content: space-around; margin-bottom: 10px;"> <i>Good performance</i> <i>Improvement needed</i> </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>Technical content</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>Computation</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>Appearance/Layout</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>Written style</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 2

Question Paper	
Time allowed	2 hours
Answer all FIFTY compulsory questions	

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 Avalon gives his customers individual trade discounts from the list price and a general 5% cash discount for all invoices settled within 7 days of issue. A new customer, Nolava negotiates a 25% trade discount. His transactions during June are:

June 12 Buys goods with a \$5,000 list price

June 15 Returns goods with a \$1,000 list price as faulty

June 16 Pays half of the net balance on his account

How much does Nolava owe Avalon at the end of June?

- A \$1,425
- B \$1,500
- C \$2,000
- D \$2,850

- 2 Jasmine buys goods from Reshma on 60-day credit terms. Alternatively, a 10% cash discount is available on any payment received within 10 days. During February the following transactions took place:

Feb 2 Jasmine buys \$800 of goods

Feb 11 Jasmine pays Reshma a cheque for \$360

What is the balance of Jasmine's account in Reshma's receivables ledger at 28 February?

- A \$360
- B \$400
- C \$440
- D \$485

- 3 What document is usually sent every month from the supplier to the customer, listing all the transactions between them during that month?

- A Invoice
- B Receipt
- C Statement
- D Credit note

- 4 Manish buys goods on credit from Lisa but finds that some of them are faulty.

What document would Manish return to Lisa with the faulty goods?

- A Statement
- B Debit note
- C Sales invoice
- D Purchase invoice

- 5 What business document provides proof of payment for a business transaction?

- A Invoice
- B Receipt
- C Claim
- D Debit note

- 6 What is the purpose of crossing a cheque?
- A To stop it being paid into an account other than the payee's
 - B To speed up the time it takes to go through the clearing system
 - C To allow it to be paid into any account, not just the payee's
 - D To tell the bank to check that there is enough money in the account to pay it
- 7 Christa pays her mortgage by instructing her bank to make monthly payments of a fixed amount from her current account. When the mortgage rate changes she issues revised instructions to the bank.
- Which method of payment is Christa using?
- A Standing Order
 - B Payable Order
 - C Direct Debit
 - D Crossed cheque
- 8 Alfredo is the Managing Director of a large engineering company. He signs his name on a company cheque for \$260 in accordance with the bank mandate. The company name appears on the cheque.
- If the bank dishonours the cheque as the company has insufficient funds in the account, who is liable for the \$260?
- A The engineering company
 - B Alfredo
 - C The bank
 - D No one
- 9 Which of the following items would be likely to be paid out of petty cash?
- (i) Payment to window cleaner \$10
 - (ii) Hire purchase payment for a delivery van \$123
 - (iii) A payment for postage stamps \$11.60
 - (iv) A payment to a supplier for goods bought on credit of \$65
- A All of the above
 - B i, iii and iv
 - C i only
 - D i and iii
- 10 Boris is employed as an accounting technician in the payables ledger section of a contract cleaning company.
- Upon making a payment to a supplier, what is the sequence of events that Boris should carry out?
- A Draw up a cheque for signing, check invoice with goods received note, check invoice with purchase order, check invoice calculation
 - B Check invoice with purchase order, draw up a cheque for signing, check invoice with goods received note, check invoice calculation
 - C Check invoice with purchase order, check invoice with goods received note, check invoice calculation, draw up a cheque for signing
 - D Check invoice calculation, draw up a cheque for signing, check invoice with purchase order, check invoice with goods received note.

11 Which of the following represents the correct imprest amount in an imprest petty cash system?

- A Notes and coins in the cash box – vouchers – IOUs
- B Notes and coins in the cash box + vouchers – IOUs
- C Notes and coins in the cash box – vouchers + IOUs
- D Notes and coins in the cash box + vouchers + IOUs

12 Louise introduces her car into her business.

Which parts of the business' accounting equation will change?

- A Assets and capital
- B Capital and profit
- C Liabilities and assets
- D Capital and liabilities

13 Which of the following should be classified as current liabilities?

- (1) Trade receivables
- (2) Sales tax payable
- (3) Trade payables
- (4) Drawings

- A 1 and 2
- B 2 and 3
- C 3 and 4
- D 2 and 4

14 Which item will appear as a debit balance in the ledger accounts?

- A Capital
- B Bank overdraft
- C Trade payables
- D Inventory

15 Which of the following balance sheet summaries is correct?

	<i>Capital</i>	<i>Assets</i>	<i>Liabilities</i>
A	\$35,000	\$24,000	\$11,000
B	\$21,000	\$15,000	\$36,000
C	\$25,000	\$33,000	\$8,000
D	\$33,000	\$25,000	\$8,000

16 Joanne has just started-up a business. She introduced \$10,000 of her own savings, equipment worth \$2,500 and obtained a bank loan of \$1,000.

What is the correct balance on Joanne's capital account following these transactions?

- A \$10,000
- B \$13,500
- C \$12,500
- D \$11,000

17 Which of the following is the correct posting to record a cash purchase of \$300 from Amdale?

- A Debit Purchases \$300 Credit Amdale \$300
- B Debit Amdale \$300 Credit Purchases \$300
- C Debit Purchases \$300 Credit Bank \$300
- D Debit Bank \$300 Credit Purchases \$300

- 18 Which of the following items would appear on opposite sides of a trial balance?
- A Inventory and Drawings
 - B Sales and Returns out
 - C Carriage in and Carriage out
 - D Trade receivables and Returns out
- 19 East buys goods from South on credit. Which one of the following is the correct double entry for this transaction in East's books?
- A Dr Purchases, Cr Cash
 - B Dr Purchases, Cr South
 - C Dr Cash, Cr Purchases
 - D Dr South, Cr Purchases
- 20 Which of the following errors would be found by extracting a trial balance?
- A A transaction has been completely missed in the accounts
 - B The double entries have been made the wrong way round
 - C Different figures have been entered for the debit and credit entries
 - D An expense item has been posted to a non-current asset account.
- 21 The trade receivables control account balance is \$1,000 and the total of the individual trade receivables balances is \$850.

Which of the following errors could account for this difference?

- A A receipt from a credit customer \$150 was recorded twice in the receivables ledger and control account
 - B A receipt from a credit customer \$150 was not recorded at all in the receivables ledger
 - C A receipt from a credit customer \$150 was not recorded at all in the control account
 - D A receipt from a credit customer \$150 was recorded twice in the control account
- 22 The following are the year end balances in Sam's ledgers:

	\$
Sales	43,000
Purchases	16,000
Equipment	22,000
Overdraft	8,000
Inventory	19,000
Capital	6,000

What is the trial balance total?

- A \$43,000
 - B \$57,000
 - C \$63,000
 - D \$114,000
- 23 Janice buys a dress costing \$120, shoes costing \$60 and a jacket costing \$190. These are all gross figures, inclusive of sales tax at 17.5%.
- How much sales tax in total has Janice paid?
- A \$55.11
 - B \$64.75
 - C \$74.48
 - D \$68.51

- 24 Sarah runs her own business and is registered for sales tax. This week her purchases were \$2,350 *inclusive* of sales tax and her sales were \$1,000 *exclusive* of sales tax.
- The rate of sales tax is 17.5%.
- At the end of the week what will the sales tax account in her ledger show?
- A \$350 receivable
 - B \$350 payable
 - C \$175 receivable
 - D \$175 payable
- 25 Idris is a sales tax registered trader. On 1 October he purchases carpets for his new showroom at the list price of \$2,000. He is given a trade discount of 20% and the sales tax rate is 17.5%.
- What sum will Idris be invoiced, inclusive of sales tax?
- A \$1,980
 - B \$2,350
 - C \$1,600
 - D \$1,880
- 26 Which of the following is a record of prime entry?
- A Receivables ledger control account
 - B Journal
 - C Purchase invoice
 - D Trial balance
- 27 Which one of the following is the correct posting from the purchase day book?
- A Dr General ledger purchase account, Cr Suppliers' accounts in payables ledger
 - B Dr General ledger purchase account, Cr Cash book
 - C Dr Suppliers' accounts in payables ledger, Cr General ledger purchase account
 - D Dr Cash book, Cr General ledger purchase account
- 28 Jonathan sends a debit note to one of his suppliers.
- In which of Jonathan's books of prime entry would this be recorded?
- A Sales
 - B Purchases
 - C Sales returns
 - D Purchase returns
- 29 In which books of prime entry would the following transactions be entered?
- A credit sale for \$387 and a cash sale of \$200 less 10% discount for cash payment.
- A The cash book and sales day book
 - B The petty cash book and sales day book
 - C The purchase day book and sales day book
 - D The journal and cash book
- 30 Rivano has a balance of \$350,000 on its payables ledger control account at the end of May.
- What does this mean?
- A It has bought \$350,000 of goods in May
 - B It is owed \$350,000 by its customers
 - C It owes \$350,000 to its suppliers
 - D It has paid \$350,000 to its suppliers in May

- 31 Phillip's bank reconciliation statement shows outstanding lodgements paid in by Phillip of \$3,800 and outstanding cheques to suppliers of \$3,500. His bank account in his ledger shows a debit balance of \$25,000.

What balance does Phillip's bank statement show?

- A \$25,000
- B \$24,700
- C \$25,300
- D \$32,300

- 32 Vic's receivables ledger balances add up to \$50,000, which does not agree with his trade receivables control account.

What should the total of the balances on his receivables ledger be after correcting the following errors?

- 1 A bank credit transfer from a credit customer of \$750 was not recorded in the receivables ledger
- 2 A contra entry of \$2,000 was entered in the control account but not in the receivables and payables ledgers.

- A \$52,750
- B \$50,000
- C \$49,250
- D \$47,250

- 33 Which of the following would *normally* be entered through the journal?

- A Credit purchase returns
- B Transfers between accounts
- C Receipts from credit customers
- D Expense payments

- 34 Which journal entry correctly records the credit purchase of plant and equipment?

- A Dr the supplier's personal account, Cr Plant and Equipment
- B Dr Cash, Cr Plant and Equipment
- C Dr Plant and Equipment, Cr the supplier's personal account
- D Dr Plant and Equipment, Cr Cash

- 35 Seb packs goods on an assembly line. He is paid a different amount each week, depending on his output of assembled goods.

By what method of remuneration is Seb paid?

- A Piecework
- B Commission
- C Hourly paid
- D Salaried

- 36 For the month of May, the following figures have been extracted from a trader's records concerning wages.

- (i) Employees' pension contribution \$678
- (ii) Gross basic wages \$9,900
- (iii) Income tax \$2,000
- (iv) Employer's pension contribution \$925

What will be the total charge for wages and salaries in the final accounts?

- A \$10,825
- B \$10,578
- C \$11,503
- D \$13,503

- 37 Anish manufactures wooden pallets and employs people on a piece rate scheme of \$2.00 per pallet made. If an employee produces more than 200 pallets in a week, any extra pallets made over 200 are paid at a rate of \$3.00 per pallet. All employees have a guaranteed minimum weekly wage of \$375.

Last week an employee produced 235 pallets.

What will the employee's gross pay be for last week?

- A \$400
 - B \$375
 - C \$505
 - D \$370
- 38 Which of the following would be classed as revenue expenditure for a shop?
- 1 Assistants' wages
 - 2 Business rates paid
 - 3 Purchase of a new shop counter
 - 4 Repainting the outside of the shop
- A 1 and 2
 - B 1, 2 and 3
 - C 1, 2 and 4
 - D 3 and 4
- 39 An item of capital expenditure was incorrectly treated as revenue expenditure. What effect did this have on the accounts?
- A Expenses were understated and non-current assets understated
 - B Expenses were overstated and non-current assets understated
 - C Expenses were understated and non-current assets overstated
 - D Expenses were overstated and non-current assets overstated
- 40 Matthew is preparing a trial balance which balances despite Matthew making an error. He has misclassified capital expenditure as revenue expenditure. What is this type of error known as?
- A a posting error
 - B an error of principle
 - C an error of omission
 - D a compensating error
- 41 The total of the discounts allowed column in the cash book is \$150. How should this item be posted in the ledger?
- A Dr Discount Allowed
 - B Cr Discount Allowed
 - C Dr Discount Received
 - D Cr Discount Received

42 The following are the year end balances in a business' ledgers:

	\$
Sales	628,000
Cost of sales	458,000
General overheads	138,000
Trade Payables	54,000
Trade Receivables	?
Cash on deposit	61,000
Capital	86,000

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

- A \$61,000
 - B \$111,000
 - C \$233,000
 - D \$387,000
- 43 Which of the following is the correct posting to record a discount received from a supplier?
- A Dr Trade payables Cr Bank
 - B Dr Trade receivables Cr Bank
 - C Dr Trade payables Cr Discounts received
 - D Dr Trade receivables Cr Discounts received
- 44 Which of the following will help to reduce overdue balances in receivables ledger accounts?
- A Improved debt collection methods
 - B An increase in the bank overdraft facility
 - C Credit customers paying invoices more slowly
 - D An increase in credit facilities to customers
- 45 A bookkeeper has made the following errors:
- A cash transaction of \$100 not entered in the books at all.
- A discount received of \$30 was entered in the debit side of discounts allowed and correctly posted to the trade payables account.
- \$300 cash drawings were entered in the repairs expense account and correctly posted in the cash book.
- What would be the balance on the suspense account before these errors were corrected?
- A Cr \$30
 - B Dr \$100
 - C Cr \$300
 - D Cr \$60
- 46 Which of the following methods of payment is Tariq most likely to use to pay for his weekly food shopping?
- A Debit card
 - B Standing order
 - C Direct debit
 - D Bankers draft

- 47 Selina receives a cheque from her sister
What term describes Selina's role in this transaction?
- A Payer
 - B Drawer
 - C Payee
 - D Drawee
- 48 According to Arnold's records his business bank account is overdrawn by \$2,600, yet the balance shown on his bank statement is only \$1,200 overdrawn.
Assuming no errors have been made by Arnold or the bank, what could account for this difference?
- A Bank interest of \$1,400 charged by the bank
 - B Customers' cheques totalling \$1,400 paid into the bank by Arnold
 - C Unpresented cheques posted to suppliers totalling \$1,400
 - D A \$1,400 increase in the business overdraft facility
- 49 Marion's cash book shows a month end debit balance of \$13,100. Her bank statement, however, shows a different figure. Marion has identified four differences:
- Bank charges of \$950 have been deducted during the last quarter, but not yet entered in the cash book.
 - A cheque for \$11,600 paid to a trade payable has not yet been presented to Marion's bank
 - A customer's cheque for \$6,820 paid into the bank has not yet been cleared
 - Marion had forgotten that an annual direct debit of \$1,020 was due, and this has been taken from the account
- What is the balance on Marion's bank statement at the end of the month?
- A \$10,290
 - B \$11,130
 - C \$15,910
 - D \$17,880
- 50 Which is the correct double entry for the write-off of a bad debt?
- A Dr Trade receivables Cr Bad debts
 - B Dr Trade payables Cr Bad debts
 - C Dr Bad debts Cr Trade receivables
 - D Dr Bad debts Cr Trade payables

**CAT PAPER 1 – RECORDING FINANCIAL TRANSACTIONS (INTERNATIONAL)
COURSE EXAMINATION 2**

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 2

Solutions

MULTIPLE CHOICE ANSWERS

1 The correct answer is B

	\$
Purchase of goods \$5,000 with 25% discount	3,750
Return of goods \$1,000 with 25% discount	<u>(750)</u>
	3,000
Settle half of net balance	<u>(1,500)</u>
Balance due	<u>1,500</u>

2 The correct answer is B.

	\$
Goods purchased	800
Payment including discount ($360 \times 10/9$)	<u>(400)</u>
Balance due	<u>400</u>

3 The correct answer is C.

A is a request for payment in respect of one transaction.
 B would be issued by a supplier on receipt of payment.
 C is issued to cancel all or part of an invoice.

4 The correct answer is B.

A is a list of transactions during a period.
 C is a request for payment issued to a customer.
 D is a request for payment received from a supplier.

5 The correct answer is B.

A is a request for payment.
 C is a request for payment made in pursuance of a legal or insurance matter, not a normal business transaction.
 D is issued to a supplier in order to request a credit note.

6 The correct answer is A.

B – crossing a cheque will not affect clearing time.
 C – a cheque is crossed to *stop* it being paid into any other account.
 D – crossing a cheque does not serve this purpose.

7 The correct answer is A.

B is used for one transaction, not a regular payment
 C – a direct debit can be used in place of a standing order. In a direct debit arrangement, the payee is authorised to collect any amount specified by them and the payee revises any bank instructions.
 D – a cheque covers only one payment.

8 The correct answer is A.

The account is in the name of the company, Alfredo is a signatory acting on behalf of the company. The bank is not responsible for maintaining funds in the account.

- 9 The correct answer is D.
Hire purchase payments and credit purchases are not paid in cash.
- 10 The correct answer is C.
Boris should make all the necessary checks before drawing up the cheque.
- 11 The correct answer is D.
Cash on hand would be the imprest amount if none had been exchanged for vouchers or IOUs.
- 12 The correct answer is A.
Louise has contributed an asset, which increases the amount owed to the owner by the business (capital).
- 13 The correct answer is B.
Trade receivables are current assets and drawings are deducted from capital.
- 14 The correct answer is D.
The others all represent amounts owing, so are credit balances.
- 15 The correct answer is C.
Assets = Capital + Liabilities.
- 16 The correct answer is C.
Joan has contributed \$10,000 cash and \$2,500 equipment. The bank loan is a liability.
- 17 The correct answer is C.
As this is a cash sale, there will be no account for Amdale. Bank payments are a CR to the bank account.
- 18 The correct answer is D.
Returns out are CR to purchases. Inventory and drawings are both DR, carriage in and carriage out are both DR.
- 19 The correct answer is B.
As this is a credit purchase, the CR entry will be to South's account.
- 20 The correct answer is C.
No trial balance imbalance will be caused by a missed transaction, double entries reversed or a misposting.
- 21 The correct answer is C.
A would not cause any difference. B and D would cause the control account balance to be *lower*.
- 22 The correct answer is B.

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Sales		43,000
Purchases	16,000	
Equipment	22,000	
Overdraft		8,000
Inventory	19,000	
Capital		6,000
	<u>57,000</u>	<u>57,000</u>

23 The correct answer is A.
 Total $(120 + 60 + 190) = 370 \times 17.5/117.5 = \55.11

24 The correct answer is C.

	\$
Purchases $\$2,350 \times 17.5/117.5$	350 receivable
Sales $\$1,000 \times 17.5\%$	<u>175 payable</u>
	<u>175 receivable</u>

25 The correct answer is D.
 $\$2,000 \times 80\% \times 117.5\% = \$1,880$

26 The correct answer is B.
 A is part of the nominal ledger.
 C is a source document.
 D is a list of account balances.

27 The correct answer is A.
 The suppliers accounts will be credited with the amounts owed. The cash book is not involved as no payment is being made.

28 The correct answer is D.
 Jonathan is returning goods and requesting a credit note.

29 The correct answer is A.
 The credit sale will be entered in the sales day book and the cash sale in the cash book.

30 The correct answer is C.
 The account balance represents the cumulative amount owed to suppliers after any payments have been made.

31 The correct answer is B.

	\$
Ledger account	25,000
Outstanding lodgements	(3,800)
Unpresented cheques	<u>3,500</u>
	<u>24,700</u>

32 The correct answer is D.

	\$
Original balance	50,000
Credit transfer	(750)
Contra entry	<u>(2,000)</u>
	<u>47,250</u>

33 The correct answer is B.
 A, C and D are all normal transactions. Journal entries are used to make one-off or non-regular postings.

34 The correct answer is C.
 The supplier's account will be credited as money is owed to him. Cash is not relevant as no payment is being made.

35 The correct answer is A

Seb is paid according to the amount of work completed. This is known as piecework. Commission is payment for business brought in and is often used to pay salesmen. Salaried workers have an *annual* salary.

36 The correct answer is A.

	\$
Gross basic wages	9,900
Employer's pension contribution	<u>925</u>
	<u>10,825</u>

(Employee's pension contribution and income tax are already included in gross basic wages)

37 The correct answer is C.

	\$
235 × 2	470
\$1 extra × 35	<u>35</u>
	<u>505</u>

38 The correct answer is C.

The new counter will be capital expenditure.

39 The correct answer is B.

The capital expenditure should have been debited to non-current assets, not expenses. So non-current assets will be understated and expenses overstated.

40 The correct answer is B.

This is more than just a posting error, as it involves different classes of account.

41 The correct answer is A.

Discount allowed is a cost, so will be debited.

42 The correct answer is B.

	<i>DR</i>	<i>CR</i>
	\$	\$
Sales		628,000
Cost of sales	458,000	
General overheads	138,000	
Trade payables		54,000
Cash on deposit	61,000	
Capital		86,000
	<u>657,000</u>	
Missing debit (Trade receivables)	<u>111,000</u>	
	<u>768,000</u>	<u>768,000</u>

43 The correct answer is C.

The discount reduces the amount owed, so is a debit to the trade payables account, and a credit to discounts received.

44 The correct answer is A.

B will have no effect, C and D will make the situation worse.

45 The correct answer is D.

The only transaction which would generate a suspense account entry is the discount received of \$30 debited to discounts allowed. What is significant is not that it was posted to the wrong account, but that it was posted as a debit rather than a credit. This will need to be balanced by a \$60 credit entry in the suspense account.

46 The correct answer is A.

B and C are for regularly occurring payments and D would not be any use unless he knew in advance how much he would spend.

47 The correct answer is C.

Selina has received the payment so she is the payee.

48 The correct answer is C.

A and B would have the opposite effect and D would have no effect.

49 The correct answer is C.

	\$
Cash book balance	13,100
Bank charges	(950)
Unpresented cheque	11,600
Uncleared lodgement	(6,820)
Direct debit	<u>(1,020)</u>
Bank statement balance	<u>15,910</u>

50 The correct answer is C.

Trade receivables will be reduced, so they are credited, and the debit is to the bad debts expense account.

