

Cat 1.pdf – college essay



Introductory Paper 1 RECORDING FINANCIAL TRANSACTIONS

(INTERNATIONAL STREAM) In this January 2008 new edition • Updated for IAS

1 (revised) • Do you know? Checklists to test your knowledge and

understanding of topics • A question and answer bank • The ACCA’s pilot

paper as a mock exam P R A C T I C E & R E V I S I O N BPP’s i-Pass product

also supports this paper. K I T F O R E X A M S I N 2008 First edition 2004 Fifth

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Objective test questions Control accounts and the trial balance Objective test questions Part D: Payroll Recording payroll transactions Objective test questions Practice questions and answers Mixed bank 116–165 Mock exam Pilot paper 166–215 v QUESTION INDEX Using your BPP Practice and Revision Kit Aim of this Practice & Revision Kit To provide the practice to help you succeed in both the paper based and computer based examinations for Paper 1 Recording Financial Transactions (International). To pass the examination you need a thorough understanding in all areas covered by the syllabus and teaching guide.

Recommended approach • Make sure you are able to answer questions on everything specified by the syllabus and teaching guide. You cannot make any assumptions about what questions may come up on your paper. The examiners aim to discourage ‘question spotting’. In a paper that has objective test questions or a number of shorter questions, the examiner has the opportunity to test a wide area of the syllabus. Where there are long questions, a number of different issues can be brought in. And an area that has been tested in one sitting can still be tested again in the next sitting. Learning is an active process. Use the DO YOU KNOW? Checklists to test your knowledge and understanding of the topics covered in Paper 1 Recording Financial Transactions (International) by filling in the blank spaces. Then check your answers against the DID YOU KNOW? Checklists. Do not attempt any questions if you are unable to fill in any of the blanks – go back to your BPP Interactive Text and revise first. • When you are revising a topic, think about the mistakes that you know that you should avoid by writing down POSSIBLE PITFALLS at the end of each DO YOU KNOW?

Checklist. • Once you have completed the checklists successfully, you should attempt the questions on that topic. Each section has a selection of OBJECTIVE TEST QUESTIONS and COMPULSORY WRITTEN QUESTIONS. Make good use of the HELPING HANDS provided to help you answer the questions. On questions that have been in past exam papers, we report ' what the examiner said'. This shows you how students who sat the exam coped with the question and tells you what the pitfalls were and what the examiner was looking for. • There is a mark allocation for each compulsory written question.

Each mark carries with it a time allocation of 1. 2 minutes (including time for selecting and reading questions). A 15 mark question therefore should be completed in 18 minutes. For papers 6-10 each mark carries a time allocation of 1. 8 minutes. • Once you have completed all of the questions in the body of this Practice & Revision Kit, you should attempt the MOCK EXAMS under examination conditions. These are the latest actual exams. Check your answers against our answers and apply the ACCA's Official marking scheme to find out how well you did.

Please see the next section for important information concerning the 2008 exams. vi Important information vii viii IMPORTANT INFORMATION Important information for students sitting this exam in 2008 IAS 1 was revised in September 2007. This mainly affects terminology used in financial statements. This does not really affect CAT Paper 1 International apart from the ' balance sheet' may be called the ' statement of financial position'. In this kit, we have shown both terms. Your examiner may use either. ix

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How to revise Plan your revision

At the start of your revision period, you should draw up a timetable to plan how long you will spend on each subject and how you will revise each area. You need to consider the total time you have available and also the time that will be required to revise for other exams you're taking. Practise Practise Practise The more questions you do, the more likely you are to pass the exam. Practising questions will mean that you'll get used to the time pressure of the exam. When the time is up, you should note where you've got to and see how many questions you have completed. Revise enough

Make sure that your revision covers the breadth of the syllabus, as any topic can come up. However it is true that some topics are key - they are an important part of the syllabus or are a particular interest of the examiner - and you need to spend sufficient time revising these. Deal with your difficulties Difficult areas are topics you find dull and pointless, or subjects that you found problematic when you were studying them. You mustn't become negative about these topics; instead you should build up your knowledge by reading the Passcards and using the Quick quiz questions in the Study Text to test yourself.

When practising questions in the Kit, go back to the Text if you're struggling. Learn from your mistakes Having completed a question you must try to look at your answer critically. As you go through the Kit, it's worth noting any traps you've fallen into and referring to these notes in the days before the exam. Aim to learn at least one new point from each question you attempt.

Complete the mock exam You should attempt the Mock exam at the end of the Kit under strict exam conditions, to gain experience of managing your time and producing answers. xiii PASSING CAT EXAMS

How NOT to revise Revise selectively Examiners are well aware that some students try to forecast the contents of exams, and only revise those areas that they think will be examined. In CBA questions come up in a random fashion and you cannot predict what will come up. Spend all the revision period reading You cannot pass the exam just by learning the contents of Passcards, Course Notes or Study Texts. You have to develop your application skills by practising questions. Audit the answers This means reading the answers and guidance without having attempted the questions.

Auditing the answers gives you false reassurance that you would have tackled the questions in the best way and made the points that our answers do. The feedback we give in our answers will mean more to you if you've attempted the questions and thought through the issues. Get bogged down Don't spend a lot of time worrying about all the minute detail of certain topic areas, and leave yourself insufficient time to cover the rest of the syllabus. Remember that a key skill in the exam is the ability to concentrate on what's important and this applies to your revision as well.

Overdo studying Studying for too long without interruption will mean your studying becomes less effective. A five minute break each hour will help. You should also make sure that you are leading a healthy lifestyle (proper meals, good sleep and some times when you're not studying). xiv PASSING CAT EXAMS How to PASS your exam Prepare for the day Make sure you set at

least one alarm (or get an alarm call), and allow plenty of time to get to the exam hall. You should have your route planned in advance and should listen on the radio for potential travel problems.

You should check the night before to see that you have pens, pencils, erasers, watch, calculator with spare batteries, also exam documentation and evidence of identity. Plan your time You need to make sure that you will be answering the correct number of questions, and that you spend the right length of time on each question - this will be determined by the number of marks available. Papers 1-5 are 2 hour papers, so each mark carries a time allocation of 1.2 minutes. This means that a 2-mark question should be completed in 2.4 minutes. Read the questions carefully

To score well, you must follow the requirements of the question, understanding what aspects of the subject area are being covered, and the tasks you will have to carry out. Stay until the end of the exam Use any spare time to check and recheck your script. This includes checking you have filled out the candidate details correctly, you have labelled question parts and workings clearly, you have used headers and underlining effectively and spelling, grammar and arithmetic are correct. xv PASSING CAT EXAMS How NOT to Pass your exam Don't do enough questions If you don't attempt sufficient questions on the paper, you are making it arder for yourself to pass the exam on the questions that you do attempt. Failing to attempt all of the paper is symptomatic of poor time management. Rush through the questions without thinking about them properly If you don't understand a question, read it again before you start guessing. Get bogged down Each question is only worth 2 marks. If you really can't do it, move on. xvi PASSING CAT

EXAMS Syllabus xvii PASSING CAT EXAMS xviii PASSING CAT EXAMS xix
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PASSING CAT EXAMS xxiii PASSING CAT EXAMS Approach to examining the
Syllabus

Paper 1 is a two-hour paper. It can be taken as a written paper or a computer based examination. The questions are objective test questions - multiple choice, number entry and multiple response. (See page xxv for frequently asked questions about computer based examinations.) The exam is structured as follows: 50 multiple choice questions = 100 marks xxiv
PASSING CAT EXAMS The Computer Based Examination The ACCA has introduced a computer based examination (CBE) for CAT Papers 1-4 (in addition to the conventional paper based examination). Computer based examinations must be taken at an ACCA CBE Licensed Centre.

How does CBE work? • Questions are displayed on a monitor • Candidates enter their answer directly onto the computer • Candidates have two hours to complete the examination • When the candidate has completed their examination, the computer automatically marks the file containing the candidate's answers • Candidates are provided with a certificate showing their results before leaving the examination room • The CBE Licensed Centre uploads the results to the ACCA (as proof of the candidate's performance) within 48 hours Benefits • Flexibility as a CBE can be sat at any time •

Resits can also be taken at any time and there is no restriction on the number of times a candidate can sit a CBE • Instant feedback as the computer displays the results at the end of the CBE • Results are notified to

ACCA within 48 hours • Extended closing date periods (see ACCA website for further information) CBE question types • Multiple choice – choose one answer from four options • Multiple response 1 – select more than one response by clicking the appropriate tick boxes • Multiple response 2 – select a response to a number of related part questions by choosing one option from a number of drop down menus Number entry – key in a numerical response to a question CAT CBE You will have two hours in which to answer a number of questions, which are worth a total of 100 marks. See the ACCA website for a demonstration and up to date information (www.acca.org.uk/colleges/cbe_demo). xxv PASSING CAT EXAMS Tackling Multiple Choice Questions MCQs feature in both the paper and computer-based papers. The MCQs in your exam contain four possible answers. You have to choose the option that best answers the question. The three incorrect options are called distracters. There is a skill in answering MCQs quickly and correctly.

By practising MCQs you can develop this skill, giving you a better chance of passing the exam. You may wish to follow the approach outlined below, or you may prefer to adapt it. Step 1 Skim read all the MCQs and identify what appear to be the easier questions. Step 2 Attempt each question – starting with the easier questions identified in Step 1. Read the question thoroughly. You may prefer to work out the answer before looking at the options, or you may prefer to look at the options at the beginning. Adopt the method that works best for you. Step 3 Read the four options and see if one matches your own answer.

Be careful with numerical questions as the distracters are designed to match answers that incorporate common errors. Check that your calculation is

correct. Have you followed the requirement exactly? Have you included every stage of the calculation? Step 4 You may find that none of the options matches your answer. • • • Re-read the question to ensure that you understand it and are answering the requirement Eliminate any obviously wrong answers Consider which of the remaining answers is the most likely to be correct and select the option Step 5 If you are still unsure make a note and continue to the next question

Step 6 Revisit unanswered questions. When you come back to a question after a break you often find you are able to answer it correctly straight away. If you are still unsure have a guess. You are not penalised for incorrect answers, so never leave a question unanswered! After extensive practice and revision of MCQs, you may find that you recognise a question when you sit the exam. Be aware that the detail and/or requirement may be different. If the question seems familiar read the requirement and options carefully – do not assume that it is identical. xxvi PASSING CAT EXAMS Using your BPP products

This Kit gives you the question practice and guidance you need in the exam. Our other products can also help you pass: • Learning to Learn Accountancy gives further valuable advice on revision • Passcards provide you with clear topic summaries and exam tips • Success CDs help you revise on the move • i-Pass CDs offer tests of knowledge against the clock • Learn Online is an e-learning resource delivered via the Internet, offering comprehensive tutor support and featuring areas such as study, practice, email service, revision and useful resources You can purchase these products by visiting [www. bpp. com/mybpp](http://www.bpp.com/mybpp). Visit our website www. bpp. com/acca/learnonline to sample <https://assignbuster.com/cat-1pdf-college-essay/>

aspects of Learn Online free of charge. xxvii PASSING CAT EXAMS xxviii
 Question bank 1 2 QUESTION BANK DO YOU KNOW? - INTRODUCTION TO
 TRANSACTION ACCOUNTING Check that you can fill in the blanks in the
 statements below before you attempt any questions. If in doubt, you should
 go back to your BPP Interactive Text and revise first. • • • Whenever
 property changes hands there has been a Business
 transactions are subject tolaw. A cash transaction is one
 where the
 •

A credit transaction is

 • • Transactions with consumers are subject to
 legislation. • The purpose of the accounting system
 is to , and the information contained in the
 documentation generated by transactions. A discount is a reduction in the
 price of goods below the amount at which those goods would normally be
 sold to other customers of the supplier. - - • A is a reduction in
 the amount of money demanded from a customer. A is an
 optional reduction in the amount of money payable by a customer. Many
 business transactions involve sales tax. - is sales tax charged on
 goods and services sold by a business. is sales tax paid on goods
 and services bought in by a business. TRY QUESTIONS 1 TO 8 • is the
 excess of income over expenditure. When expenditure exceeds income, the
 business is running at a • • A business must always be treated as a
 separate entity from its owners when preparing accounts. The accounting

equation is that the assets and liabilities of a business must always be

- • $Assets = (Capital\ introduced + retained\ profits - drawings) + liabilities$

Double entry bookkeeping reflects the fact that for every debit, there is an equal Therefore the total value of debit entries will always be equal to the total value of credit entries. TRY QUESTIONS 9 TO 15 • A

..... is a statement of the assets, liabilities and capital of a business at a given point in time. - - - •are for use within a business. are used to generate cash. are payables of the business, payable within a year. An income statement is a statement which matches with the TRY QUESTIONS 16 TO 23 • Books of are used to keep records of Examples include the sales day book, the day book and the cash book. • • • Entries are rom the day books to the ledger. Accounting packages can update ledgers simultaneously if the ledgers are..... . Customer and supplier information which is stored may be subject to legislation. TRY QUESTIONS 24 TO 39 • Possible pitfalls Write down the mistakes you know you should avoid. 3 QUESTION BANK DID YOU KNOW? - INTRODUCTION TO TRANSACTION ACCOUNTING Could you fill in the blanks? The answers are in bold. Use this page for revision purposes as you approach the exam. • • • Whenever property changes hands there has been a business transaction. Business transactions are subject to contract law.

A cash transaction is one where the buyer pays cash to the seller at the time the goods or services are transferred. • • • A credit transaction is a sale or purchase which occurs some time earlier than cash is received or paid. • A

discount is a reduction in the price of goods below the amount at which those goods would normally be sold to other customers of the supplier. Transactions with consumers are subject to sale of goods legislation. The purpose of the accounting system is to record, summarise and present the information contained in the documentation generated by transactions. - - •

A trade discount is a reduction in the amount of money demanded from a customer. A cash discount is an optional reduction in the amount of money payable by a customer. Many business transactions involve sales tax. - -

Output tax is sales tax charged on goods and services sold by a business.

Input tax is sales tax paid on goods and services bought in by a business.

TRY QUESTIONS 1 TO 8 • Profit is the excess of income over expenditure.

When expenditure exceeds income, the business is running at a loss. • • A business must always be treated as a separate entity from its owners when preparing accounts.

The accounting equation is that the assets and liabilities of a business must always be equal. - • $Assets = (Capital\ introduced + retained\ profits -$

$drawings) + liabilities$ Double entry bookkeeping reflects the fact that for every debit, there is an equal credit. Therefore the total value of debit entries will always be equal to the total value of credit entries. TRY

QUESTIONS 9 TO 15 • A statement of financial position (balance sheet) is a statement of the assets, liabilities and capital of a business at a given point in time. - - - • Non-current assets are for use within a business.

Current assets are used to generate cash. Current liabilities are payables of the business, payable within a year. An income statement is a statement

which matches revenue with the costs of earning it. TRY QUESTIONS 16 TO 23 • Books of prime entry are used to keep records of source documents. Examples include the sales day book, the purchase day book and the cash book. • • • Entries are posted from the day books to the nominal ledger. Accounting packages can update ledgers simultaneously if the ledgers are integrated. Customer and supplier information which is stored may be subject to data protection legislation.

TRY QUESTIONS 24 TO 39 • Possible pitfalls - - - - 4 Confusing cash and credit transactions Confusing trade and cash (or settlement) discounts Ignoring sales tax in double entry bookkeeping Not being able to distinguish between non-current and current assets QUESTION BANK 1 Which of the following correctly describes the function of a credit sales invoice which a customer has received from a supplier? A B C D It is a receipt for money paid. It is a demand for immediate payment by the supplier. It is a record of goods purchased by the customer. It is a demand for payment within an agreed time from the supplier.

Approaching the answer Use this answer plan to construct your answer if you are stuck. Step 1 If you have never done a Multiple Choice Question (MCQ) before, do not panic! The chances are that you will have done something similar in a magazine quiz or seen a television quiz programme in the same format (eg Who wants to be a millionaire). The principal is the same for these MCQs. You are given four possible answers, one is correct and the other three are wrong (distracters). Step 2 Step 3 Step 4 Step 5 Read the question and work out what is required. Try not to read the possible answers at this stage.

Re-read the question and decide on your own answer. Read the four options and see if one matches your own answer. If yes, then select that option. If none of the options matches (or is close to) your answer, adopt the following method. – Exclude the obvious wrong answers – Step 6 Re-read the question to ensure that you understand it and are answering the correct requirement Consider which of the remaining answers is the most likely to be correct If you are still in doubt, remember that you will not be penalised for a wrong answer in the exam. You just will not get any marks for a wrong answer.

Therefore, if you really do not know, a guess is better than leaving out a question. However, if you are guessing, do not think that as the last few answers have been (a), (b) and (c) that the answer must be (d)! The examiner may well have decided that the correct answer to every question is (a). Notes (a) In this kit, if you find that you are guessing the answers to most of the questions, then you need to go back to your Interactive Text and revise. (b) In the exam, you could leave any questions that you are having trouble with and do all the questions that you can answer fairly easily.

You should then have time at the end to go back and deal with the problem questions. Remember that you have 2. 4 minutes per question. If you spend 2 minutes on each question, this will leave you 20 minutes at the end to go back over troublesome questions. 2 Which of the following correctly describes the function of a credit note issued by a supplier to one of its customers? A B C D A demand for payment. An agreed allowance which can be deducted from the next invoice payment. A loan available to the

customer. A document used by the supplier to cancel part or all of a previously issued invoice. 5 QUESTION BANK 3

Which of the following correctly describes the term 'debit note'? A B C D 4 It is issued by a supplier to a customer to demand payment in full for goods supplied. It is issued by a customer to a supplier to request a credit note. It is issued by a customer when goods are delivered. It is issued by a customer to a supplier to cancel an invoice received. Which of the following correctly explains the term 'trade discount'? A B A price reduction which a supplier agrees with all customers in a particular trade. C A price reduction which a supplier agrees with an individual customer after an invoice has been sent at full price.

D 5 A reduction in the amount of an invoice which a customer will pay. A reduction in the invoice price by a supplier because of the nature of the business with an individual customer. Which of the following best explains sales tax? A B A tax levied on the sale of goods and services which is administered and collected by the government. C A tax levied on the sale of goods and services which is administered by the government. D 6 A tax on business profits. A tax levied on the sale of goods and services which all businesses must pay. The term 'tax point' in connection with sales tax signifies?

A B C D 7 The date on which a transaction took place for sales tax purposes. The location of a sales tax registered business. Entering into a sale transaction which is subject to sales tax with a customer. The suppliers address quoted on a tax invoice. What is the main purpose of an accounting

system in a business? A B To calculate the tax payable by a business. C To record, summarise and present information from documentation generated by business transactions. D 8 To generate the business accounts. To enable the owner to know if the business is trading profitably.

X Co purchases goods with a list price of \$100, 000 subject to a 5% trade discount. X Co is allowed 2% cash discount for payment within 30 days from invoice date. Assuming the discount is taken, how much will X pay? (Ignore sales tax). A B C D 6 \$92, 625 \$102, 375 \$97, 500 \$95, 000

QUESTION BANK 9 Which of the following best explains the term 'current asset'? A B C D 10 X starts a business with \$50, 000 cash, buying inventory \$10, 000 from cash and paying business expenses of \$1, 000. Inventory is purchased on credit for \$5, 000. Following these transactions, what is the capital of X's business?

A B C D 11 Credit entries record increases in capital or liabilities. Credit entries record decreases in assets. Credit entries record increases in profits. Credit entries record increase in expenses. Which of the following correctly records the repayment of a loan of \$10, 000 plus outstanding interest \$500? A B C D 15 It records an increase in assets. It records a business expense. It records an increase in the liabilities of a business. It records a decrease in the liabilities of a business. Which of the following statements concerning a credit entry is incorrect? A B C D 14

Assets decrease, liabilities increase. Capital decreases, liabilities increase. Capital increases, liabilities decrease. Assets decrease, capital decreases. Which of the following statements concerning a debit entry is incorrect? A B

C D 13 \$39, 000 \$49, 000 \$50, 000 \$54, 000 A business receives an accountant's bill for \$500. Which of the following statements correctly shows the effect upon the accounting equation of the business, assuming the bill is unpaid? A B C D 12 An asset currently in use by a business. Something a business has or uses, which is likely to be held only for a short time.

An amount owed to somebody else which is due for repayment soon. Money which the business currently has in its bank account. Assets - \$10, 500, capital - \$10, 500 Assets + \$10, 500, Liabilities + \$10, 500 Assets - \$10, 500, Liabilities - \$10, 000, Expenses + \$500 Assets - \$10, 500, Liabilities - \$10, 500 A trade receivable is? A A person owing money to the business in return for goods supplied. B A person to whom the business owes money in return for goods supplied. C A person to whom the business owes money which was lent to finance the trading operations of the business. D

A person who has purchased goods from the business. 7 QUESTION BANK 16 Which of the following is an example of an item of revenue expenditure? A B C D 17 A business makes cash sales of \$5, 000 and credit sales of \$3, 000 in a month. All the inventory purchased at a cost of \$4, 000 was sold, business expenses amounting to \$500 were paid and the proprietor took out \$300 for living expenses. \$600 was owing in respect of the inventory purchased and sold. What was the net profit in the month? A B C D 18 Sales less expenses. Net profit less expenses. Sales less purchase cost (or production cost) of goods sold.

Sales less overheads. Which of the following is not an example of an administration overhead? A B C D 22 A bank overdraft. Capital. Goodwill. A

loan from a director of the company repayable in two years' time. The gross profit of a retail/manufacturing business is? A B C D 21 Debit machinery \$550, credit cash \$550. Debit cash \$550, credit machinery \$550. Debit machinery \$500, credit cash \$550, debit insurance \$50. Debit cash \$550, credit machinery \$500, credit insurance \$50. Which of the following is a current liability? A B C D 20 \$4, 100 \$3, 500 \$3, 200 \$500

A business buys a machine for \$500 (cash) and pays machinery insurance \$50 (cash). Which of the following shows the correct double entry for this transaction? A B C D 19 Insurance of goods in transit to customers. Import duties charged on a new non-current asset for the business. Wages of employees installing a new non-current asset into the business premises. A new delivery van. Carriage inwards on purchases. Postage. Depreciation of the office computers. The accountant's salary. Where do drawings appear in the income statement and statement of financial position (balance sheet)?

A B They do not appear in the income statement, they are deducted from owner's capital on the statement of financial position (balance sheet). C They do not appear in the statement of financial position (balance sheet) or income statement as they do not represent a business related item. D 8 They do not appear in the statement of financial position (balance sheet), they are an expense in the income statement. They do not appear in the income statement and are added to owner's capital on the statement of financial position (balance sheet). QUESTION BANK 23

Why is it important that a business distinguishes between current and non-current liabilities in its statement of financial position (balance sheet)? A B So

that users of the financial statements can assess the ability of the business to continue as a going concern. C So that users of the financial statements can assess the level of business debt due for repayment within a fairly short time. D 24 So the owners know how much is owed by the business at all times. So that users of the financial statements can assess the solvency of the business. Which of the following statements is correct? A B

Purchase invoices are recorded in the purchase daybook and are summarised and posted to the payables ledger. C Cash received is recorded in the cash book and posted to the journal. D 25 Sales invoices are recorded in the sales returns daybook and are summarised and posted to the receivables ledger. Adjustments to the financial accounts are recorded in the cash book and summarised and posted to the nominal ledger. Which of the following is an example of a prime record not prepared by the business? A B C D 26 The cash book. The bank statement. The sales day book. The purchase returns day book.

Y Co keeps a receivables ledger control account as part of its accounting system. Invoices totalling \$5, 000 are raised in March and customers pay cash \$3, 000 for invoices having face values of \$3, 100 (discount \$100). Which of the following entries correctly record these transactions? A B Debit receivables ledger control \$5, 000, credit sales \$5, 000, debit cash \$3, 000, credit receivables ledger control \$3, 100, debit discount allowed \$100. C Debit sales \$5, 000, credit receivables ledger control \$5, 000, debit cash \$3, 000, debit discount allowed \$100, credit receivables ledger control \$3, 100. D 7 Debit receivables ledger control \$5, 000, credit sales \$5, 000, debit cash \$3, 000, credit discount allowed \$100, credit receivables ledger control \$3,

000. Debit receivables ledger control \$5, 000, credit sales \$5, 000, debit cash \$3, 000, credit receivables ledger control \$3, 000. In the receivables ledger of X Co, the account of Y Co has a credit balance of \$5, 000. Which of the following is a plausible explanation for this? A B C D Y Co has been sent an invoice for \$5, 000. Y Co has supplied goods to X Co and these have been correctly recorded by X Co. Y Co has paid X Co \$5, 000 twice in error.

Y Co has an overdue balance of \$5, 000 owing to X Co. 9 QUESTION BANK 28

Which of the following statements concerning the receivables ledger control account is incorrect? A B It makes the detection of errors easier. C It helps to reduce the chance of a fraud in relation to transactions between the business and its customers. D 29 It helps to ensure that all transactions with customers have been correctly recorded. It ensures that errors cannot occur in relation to transactions between the business and its customers. A sales tax registered business sells goods \$1, 200 plus \$210 sales tax and purchases goods costing \$200 plus sales tax \$35.

Assuming these are the only transactions in the sales tax period and that input tax is fully recoverable, how much sales tax is due/payable to/from the government? A B C D 30 Payable \$175. Recoverable \$175. Payable \$210.

Payable \$245. Which of the following statements is correct? A B A machine is purchased for \$200 plus sales tax \$35. The machinery account is debited with \$200 and the sales tax account debited with \$35. The sales tax is irrecoverable. C If the sales tax account has a debit balance at the end of the sales tax quarter, the balance is recoverable from the government. D 31

Output tax charged to a customer is debited to the sales tax account. The sales figure in the income statement of a sales tax registered business includes sales tax. Accounts are classified according to the nature of the transactions which are recorded in them. Which of the following classifications is incorrect? A B C D 32 Which of the following statements best explains the term ' memorandum account'? A B C D 33 One used for the correction of errors. One use to record transactions between the business and its proprietor(s). An account used to record information, which does not form part of the double entry system.

An account used to summarise transactions before they are posted to the ledgers. A machine (cost \$5, 000) is bought on credit from X. Subsequently, \$1, 000 of the debt to X is paid by cheque. Which of the following correctly records the transactions? A B C D 10 Insurance is recorded in a nominal ledger account. Rents received are recorded in a nominal ledger account. Sales transactions with individual customers are recorded in a personal ledger. Control accounts are kept in the personal ledgers. Debit X \$5, 000, credit machine \$5, 000. Debit bank \$1, 000, credit X \$1, 000. Debit X \$5, 000, credit machine \$5, 000.

Debit X \$1, 000, credit bank \$1, 000. Debit machine \$5, 000, credit X \$5, 000. Debit bank \$1, 000, credit X \$1, 000. Debit machine \$5, 000, credit X \$5, 000. Debit X \$1, 000, credit bank \$1, 000. QUESTION BANK 34 The total of a discounts allowed column in a cash book is? (assume a control account is kept) A B C D 35 A firm keeps an analysed cash book containing discount received and allowed columns. At the end of an accounting period discounts received totalled \$525 and discounts allowed \$326. Which of the following

correctly shows the treatment of these totals? A B C D 36 Sales returns day book.

Nominal ledger. Sales day book. Purchase returns day book. Which of the following should appear on the credit side of a suppliers account in the payables ledger? A B C D 39 Sales returns day book. The journal. The cash book. The purchase returns day book. Credit notes sent out are recorded in which prime entry record? A B C D 38 Debit discount received \$525, credit discount allowed \$326. Debit discount allowed \$525, credit discount received \$326. Credit discount received \$199. Debit discount allowed \$326, credit discount received \$525. Returns outwards are recorded in which prime entry record?

A B C D 37 Credited to discounts allowed and debited to sales. Debited to sales and credited to cash. Debited to discount allowed and credited to receivables ledger control account. Debited to cash and credited to sales. Payments made. Discounts allowed. Discounts received. Purchase invoices received. The following entries appear in a cash account in March; payments by customers \$15, 000, rents received \$250, insurance paid \$150, drawings \$700, capital paid in \$2, 000. The balance at 1st March was \$2, 000 (in hand) what was the closing balance at 31st March? A B C D \$14, 400 \$18, 400 \$15, 800 \$10, 400