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# ACCA – Paper F3 and FFA Financial Accounting September 2015 to June 2016 Interim Assessment

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- Please complete your personal details above.
- All scripts should ideally be submitted to your Kaplan centre for marking via email to help speed up the marking process.  
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## Marking Report

### Notice to Markers

- 1 When commenting about the script performance, please ensure on individual questions and on overall assessment your comments cover areas of examination technique including:

<ul style="list-style-type: none"><li>• Time management</li></ul>	<ul style="list-style-type: none"><li>• Handwriting</li></ul>	<ul style="list-style-type: none"><li>• Presentation and layout</li></ul>	<ul style="list-style-type: none"><li>• Use of English</li></ul>
<ul style="list-style-type: none"><li>• Points clearly and concisely made</li></ul>	<ul style="list-style-type: none"><li>• Relevance of answers to question</li></ul>	<ul style="list-style-type: none"><li>• Coverage and depth of answer</li></ul>	<ul style="list-style-type: none"><li>• Accuracy of calculations</li></ul>
<ul style="list-style-type: none"><li>• Calculations cross-referenced to workings</li></ul>	<ul style="list-style-type: none"><li>• All parts of the requirement attempted</li></ul>	<ul style="list-style-type: none"><li>• Length of answers equates to marks available</li></ul>	<ul style="list-style-type: none"><li>• Read the question carefully</li></ul>

- 2 For each question, please provide suitable constructive comments

Question Number	General Comments	Exam Technique Comments

ACCA INTERIM ASSESSMENT

# Financial Accounting

September 2015 to June 2016

**Time allowed** 2 hours

Reading and planning: 15 minutes

Writing: 2 hours

This paper is divided into two sections:

Section A – ALL 35 questions are compulsory and MUST be attempted.

Section B – BOTH questions are compulsory and MUST be attempted.

**Do NOT open this paper until instructed by the supervisor.**

**During the reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.**

**This question paper must not be removed from the examination hall.**

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Paper F3 and FFA

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**SECTION A****ALL 35 QUESTIONS ARE COMPULSORY AND MUST BE ANSWERED**

Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.

Each question is worth 2 marks

**1 Which of the following is the accounting equation?**

- A Assets + Liabilities = Capital + Profit – Drawings
- B Assets – Liabilities = Capital + Profit + Drawings
- C Assets – Liabilities = Capital + Profit – Drawings
- D Assets + Liabilities = Capital – Profit + Drawings

**2 Which of the following is correct?**

- A A debit entry increases assets  
A debit entry increases drawings  
A credit entry increases profit
- B A debit entry decreases liabilities  
A credit entry decreases capital  
A credit entry increases profit
- C A credit entry decreases assets  
A debit entry increases drawings  
A debit entry increases profit
- D A credit entry increases liabilities  
A debit entry increases capital  
A debit entry decreases profit

- 3** A business part-exchanged an old motor vehicle for a new vehicle. The old vehicle originally cost \$12,000 and had a carrying amount of \$7,000 when it was disposed. A part-exchange allowance of \$6,000 was given against the cost of the new vehicle of \$18,000.

**What is the profit or loss made on the disposal of the old motor vehicle?**

\$ \_\_\_\_\_

**4 Which one of the following statements best describes the imprest system of operating and controlling petty cash receipts and payments?**

- A The exact amount of expenditure is reimbursed to maintain a fixed float
- B A petty cash book is periodically updated
- C Petty cash vouchers agree to the reconciliation
- D A random amount of cash is transferred into petty cash

**5** Whilst carrying out the year-end inventory count, a business discovered that some of its inventory was damaged. This inventory had originally cost \$1,000 and it would normally sell for \$1,500. However, it is now thought that the inventory will sell for \$1,200 after some repair work has been carried out which will cost \$300.

**At what value should this inventory be recorded in the financial statements?**

\$ \_\_\_\_\_

**6 Which of the following are not recorded in the cash book?**

- A Cash sales
- B Cash purchases
- C Prompt payment discounts
- D Accrued electricity expenses

**7 Which of the following statements is true?**

- A Reducing an allowance for receivables will reduce profit
- B Increasing a provision will increase profit
- C Accumulated depreciation is an expense in the statement of profit or loss
- D Prepaid income is a liability on the statement of financial position

**8** At 30 April 20X7, Judith had three items of closing inventory that had been valued as follows:

	<i>Cost</i>	<i>NRV</i>
Product X	\$5,600	\$5,500
Product Y	\$1,350	\$1,600
Product Z	\$3,275	\$2,960

**What is the correct value of closing inventory to be included in Judith's financial statements at 30 April 20X7?**

\$ \_\_\_\_\_

**9 Which of the following should not appear in the statement of financial position of a sole proprietor?**

- (1) Capital introduced
- (2) Share capital
- A (1)
- B (2)
- C (1) and (2)
- D Neither of the above

**10** At 31 January 20X7, Joe had a receivables' balance of \$156,785 and an allowance for receivables of \$2,000. At 31 December 20X7, following a review of receivables, Joe wrote off irrecoverable debts of \$3,455 and increased the allowance for receivables to \$2,500.

**What was the total expense for irrecoverable debts and allowance for receivables included in Joe's statement of profit or loss for the year ended 31 December 20X7?**

\$ \_\_\_\_\_

**11** At 1 April 20X5, Iman had accrued \$450 for light and heat. During the year ended 31 March 20X6 she paid light and heat bills that amounted to \$1,900, and at 31 March 20X6 she estimated that she owed \$500 in respect of light and heat.

**What is the charge to profit or loss in respect of light and heat for the year ended 31 March 20X6?**

\$ \_\_\_\_\_

**12** From the following information is presented relating to the preparation of a bank reconciliation:

	\$
Unpresented/outstanding cheques	5,000
Deposits not credited (lodgements)	4,850
Closing bank balance in the records of the business (debit balance) <b>before</b> adjustments shown below	50,000
Bank charges	250
Dishonoured cheques	400

**What was the closing balance on the bank statement at the date of the reconciliation?**

- A \$49,350
- B \$49,200
- C \$50,300
- D \$49,500

- 13** At 1 January 20X7, Haley had a receivables' balance of \$15,000. During the year ended 31 December 20X7, the following transactions took place:

Credit sales	\$96,700
Cash sales	\$10,250
Receipts from credit customers	\$85,900
Discounts allowed	\$5,450
Refunds to credit customers	\$575

**What was Haley's receivables' balance as at 31 December 20X7?**

\$ \_\_\_\_\_

- 14** What is the double entry required when a prompt payment discount is received?

- A Dr Discounts received Cr Payables
- B Dr Payables Cr Discounts received
- C Dr Discounts allowed Cr Payables
- D Dr Discounts allowed Cr Receivables

- 15** At 31 January 20X7, George's bank statement shows a credit balance of \$1,500. In comparing this with his cashbook, George has found the following:

- cheque payments amounting to \$450 have not yet been presented at the bank for payment.
- bank charges of \$20 have not been recorded in his cashbook.
- cheque receipts amounting to \$200 are not shown on the bank statement.

**What amount should appear in George's statement of financial position at 31 January 20X7 for cash at bank?**

- A \$1,500
- B \$1,250
- C \$1,750
- D \$1,230

- 16** Which one of the following statements best describes an accrued expense?

- A An expense that will be incurred in the next accounting period but that has been paid for in this accounting period.
- B An expense that has been incurred in this accounting period but that was paid for in the last accounting period.
- C An expense that has been incurred in this accounting period but will be paid for in the next accounting period.
- D An expense that will be incurred and paid for in the next accounting period.



- 17** A business sold goods to a customer that had a list price of \$1,500. The customer was given a trade discount of 10%, and was also offered a cash discount of 5% for prompt payment. The customer took advantage of the prompt payment discount.

**How much did the customer pay the business for the goods?**

\$\_\_\_\_\_.

- 18** A business has incorrectly recorded discounts allowed of \$230 by crediting the discounts allowed account with \$320. The entry in the receivables account was made correctly.

**What double entry is required to correct this error?**

- |   |                            |                            |
|---|----------------------------|----------------------------|
| A | Dr Discounts allowed \$90  | Cr Suspense \$90           |
| B | Dr Suspense \$90           | Cr Discounts allowed \$90  |
| C | Dr Discounts allowed \$550 | Cr Suspense \$550          |
| D | Dr Suspense \$550          | Cr Discounts allowed \$550 |

- 19** Whilst carrying out a reconciliation of the receivables' ledger control account with the receivables' ledger, Charlie found that the sales returns day book had been undercast by \$20.

<i>Receivables' ledger control account</i>	<i>List of balances</i>
--------------------------------------------	-------------------------

- |   |                        |                        |
|---|------------------------|------------------------|
| A | Credit \$20            | Subtract \$20          |
| B | Debit \$20             | Subtract \$20          |
| C | No correction required | Subtract \$20          |
| D | Credit \$20            | No correction required |

**How should this error be corrected in the receivables' ledger control account and the list of balances per the receivables' ledger?**

- 20** Whilst carrying out a reconciliation of the payables' ledger control account with the payables' ledger, Betty found that a purchase of goods for \$575 had been recorded in the purchase day book as \$557.

**How should this error be corrected in the payables' ledger control account and the list of balances per the payables' ledger?**

<i>Payables' ledger control account</i>	<i>List of balances</i>
-----------------------------------------	-------------------------

- |   |             |                        |
|---|-------------|------------------------|
| A | Debit \$18  | Add \$18               |
| B | Credit \$18 | Add \$18               |
| C | Debit \$18  | Subtract \$18          |
| D | Credit \$18 | No correction required |

- 21** A business purchased a new machine for \$17,000 on 31 May 20X6. The machine was delivered and installed at an additional cost of \$1,000. The business's policy is to depreciate machinery at 10% on the straight-line basis, with proportionate monthly charges made in the year of acquisition and disposal.

**What was the depreciation charge relating to this machine for the year ended 31 December 20X6?**

\$ \_\_\_\_\_.

- 22** At 1 April 20X5, Eleanor had accrued income of \$1,000 in respect of rent receivable. She charges her tenants \$6,000 per annum for rent, and at 31 March 20X6 her tenants had prepaid rent of \$800.

**How much cash did Eleanor receive from her tenants in the year ended 31 March 20X6?**

\$ \_\_\_\_\_

- 23** Which of following statements is true?

- A The trial balance is a book a prime entry
- B Drawings appear on the credit side of the trial balance
- C A suspense account must always be a debt balance on the trial balance
- D Sales tax can be a debit balance on the trial balance

- 24** At 1 January 20X7, a business owed \$6,500 in respect of sales tax. During the quarter ending 31 March 20X7, a business made sales of \$45,000 (excluding sales tax) and made purchases amounting to \$35,250 (including sales tax).

**Assuming that sales tax is charged at the standard rate of 17.5%, what is the balance on the sales tax account at 31 March 20X7?**

\$ \_\_\_\_\_

- 25** The following information relates to a business for the year ended 31 March 20X7:

Sales revenue	\$175,000
Purchases	\$145,000
Opening inventory	\$15,000
Closing inventory	\$12,000
Sales returns	\$3,000
Purchase returns	\$2,500
Carriage inwards	\$500
Carriage outwards	\$250

**What is the cost of sales for the business for the year ended 31 March 20X7?**

\$ \_\_\_\_\_

**26 Which ONE of the following statements is true?**

- A Discount received is debited to the statement of profit or loss.
- B Discount allowed is credited to the statement of profit or loss.
- C Accounting for a discount allowed reduces the balance outstanding on the trade receivables ledger control account.
- D Accounting for a discount received increases the balance outstanding on the trade payables ledger control account.

**27** An employee of Olga Co fell down the stairs during the year due to a slippery floor. He suffered a broken leg and is seeking compensation. Olga Co was advised by solicitors that there is an 80% chance that it will have to pay \$50,000 to settle the claim.**Which of the following is the correct accounting treatment for the claim in Olga Co's financial statements?**

- A Olga Co does not need to make a provision or make any disclosure in respect of this claim
- B Olga Co should disclose a contingent liability of \$50,000
- C Olga Co should provide for an expected cost of \$50,000
- D Olga Co should provide for an expected cost of \$40,000

**28** At 1 January 20X6, the accounts of a sole trader had accrued rent payable of \$250. During the year ended 31 December 20X6, he paid rent bills totalling \$1,275, including one bill for \$375 in respect of the quarter ending 31 January 2007.**What is the profit or loss charge for rent payable for the year ended 31 December 2006?**

\$ \_\_\_\_\_

**29 Which two of the following statements are required to be disclosed as a note to the financial statements for intangible assets?**

- 1 The useful lives of intangible assets capitalised in the financial statements.
  - 2 A description of the development projects that have been undertaken during the period.
  - 3 A list of all intangible assets purchased or developed in the period.
  - 4 Impairment losses written off intangible assets during the period.
- A 1 and 4
  - B 2 and 3
  - C 3 and 4
  - D 1 and 2

- 30** A business bought a machine on 31 August 20X2 for \$44,000. It had an expected useful life of seven years and an estimated residual value of \$2,000. On 30 June 20X6 the machine was disposed of for \$18,000. The business's year end is 31 December. Its accounting policy is to charge depreciation using the straight-line method, with a proportionate charge in the years of acquisition and disposal.

**What is the profit or loss on the disposal of the machine?**

\$ \_\_\_\_\_

- 31** A Co has a year-end of 31 December. During the year ended 31 December 20X1, it took out a \$1m 6% bank loan on 1 April 20X1 and also a \$2.5m 8% loan on 1 October 20X1. A Co pays interest on 1 October 20X1 of \$30,000.

**What finance cost should appear in the statement of profit or loss for the year ended 31 December 20X1?**

\$ \_\_\_\_\_

- 32** **What is the purpose of charging depreciation in the accounts?**

- A To allocate the cost of a non-current asset over the accounting periods expected to benefit from its use
- B To ensure that funds are available for the eventual replacement of the asset
- C To reduce the cost of the asset in the statement of financial position to its estimated market value
- D To comply with the prudence concept

- 33** IAS 1 (revised) *Presentation of financial statements* requires some of the items to be disclosed on the face of the financial statements and others to be disclosed in the notes:

- (i) Depreciation.
- (ii) Revenue.
- (iii) Closing inventory.
- (iv) Finance cost.

**Which two of the above items must be shown on the face of the statement of profit or loss, rather than in the notes to the financial statements?**

- A (i) and (ii)
- B (iii) and (iv)
- C (ii) and (iii)
- D (ii) and (iv)

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**34 What double entry should be made with the total of the purchases returns day book?**

- A    Dr     Payables  
      Cr     Purchases returns
- B    Dr     Purchases returns  
      Cr     Payables
- C    Dr     Purchases  
      Cr     Payables
- D    Dr     Payables  
      Cr     Bank

**35** Zebedee purchased a machine for \$14,000 on 1 July 20X5. After incurring transportation costs of \$1,100 and spending \$1,500 on installing the machine, he is disappointed when it breaks down during the first month of operation. It cost \$1,000 to repair. Zebedee depreciates his machines at the rate of 10% per annum on cost.

**What is the machine's carrying amount as at 30 June 20X6?**

**\$ \_\_\_\_\_**

## SECTION B

## BOTH QUESTIONS ARE COMPULSORY AND MUST BE ANSWERED

Please write your answer within the answer booklet in accordance with the detailed instructions provided within each of the questions in this section of the exam paper.

- 1 An entity, Tankard Co, prepared a trial balance at 30 June 20X5 as follows:

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Equity shares @ \$1 each		40,000
Share premium		12,500
Trade and other payables		25,342
Land and buildings – cost	281,450	
Land and buildings accumulated depreciation		65,332
Plant and machinery – cost	94,400	
Plant and machinery – accumulated depreciation		24,500
Trade receivables	13,731	
Accruals		1,217
7% bank loan 20X9		26,000
Cash and equivalents		848
Retained earnings – 1 July 20X4		11,467
Sales revenue		480,742
Purchases	153,444	
Administrative expenses	37,666	
Distribution expenses	23,587	
Allowance for receivables – 1 July 20X4		550
Inventory – 1 July 20X4	84,220	
	688,498	688,498
	688,498	688,498

The following information is relevant to the preparation of the financial statements for the year ended 30 June 20X5:

- (i) Inventory at 30 June 20X5 was valued at a cost of \$94,302. Included within this were several items of inventory which cost \$5,000 but it was estimated they could now only be sold for \$4,000.
- (ii) Included within land and buildings is non-depreciable land as a cost of \$80,000.
- (iii) During the year, an item of plant and machinery was disposed of for \$5,500. This plant and equipment had cost \$12,500 and had a carrying value of \$6,250 at the disposal date. The cash receipt had been wrongly included within sales revenue.
- (iv) Depreciation is to be charged to cost of sales for the year ended 31 March 20X0 as follows:
  - (a) Buildings – 2% per annum on a straight-line basis
  - (b) Plant and machinery – 25% per annum on a straight-line basis

- (v) Trade receivables include an amount of \$631 which is regarded as irrecoverable and is to be written off. In addition, the allowance for receivables is to be adjusted to \$393 at 30 June 20X5. Any amounts taken to profit or loss should be included within administrative expenses.
- (vi) The bank loan was taken out on 1 April 20X5 and is repayable in 20X9. Interest is paid annually in arrears.
- (vii) Included within administrative expenses is an amount of \$3,000 for insurances. This payment covers the fifteen month period to 30 September 20X5.
- (viii) An accrual should be made for unpaid distribution costs of \$3,245.
- (ix) The income tax charge for the year has been estimated at \$31,830.

**Required:**

**Prepare the statement of profit or loss and other comprehensive income of Tankard Co for the year ended 30 June 20X2 and a statement of financial position at 30 June 20X2.**

**(Total: 15 marks)**

- 2 You have been asked to help prepare the financial statements of Boston for the year ended 30 June 20X1. Boston's trial balance as at 30 June 20X1 is presented below.

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Capital account at 1 July 20X0		106,792
Land – cost	20,000	
Buildings - cost	77,300	
accumulated depreciation at 1 July 20X0		20,250
Plant and equipment – cost	30,200	
accumulated depreciation at 1 July 20X0		10,800
Trade and other receivables	20,028	
Trade and other payables		1,872
5% bank loan repayable 20X5		22,000
Cash and cash equivalents	1,221	
Sales revenue		110,092
Purchases	76,723	
Distribution costs	2,832	
Administrative expenses	2,774	
Inventory at 1 July 20X0	17,728	
Drawings	23,000	
	271,806	271,806

The following information is relevant to the preparation of the financial statements:

- The inventory at the close of business on 30 June 20X1 cost \$17,842.
- Depreciation is to be provided for the year to 30 June 20X1 as follows:
 

Buildings	2% per annum	Straight line basis
Plant and equipment	20% per annum	Reducing balance basis

Depreciation should be charged to cost of sales.
- It has been decided to write off a receivable of \$550. This should be charged to administrative expenses.
- The loan was taken out on 1 July 20X0. Loan interest for the year has not yet been paid.

**Required:**

**Prepare Boston's statement of profit or loss for the year ended 30 June 20X1 and the statement of financial position as at 30 June 20X1.**

**(Total: 15 marks)**