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**Exam** : **BA3**

**Title** : **Fundamentals of Financial Accounting**

**Vendor** : **CIMA**

**Version** : **DEMO**

**QUESTION NO: 1**

Which THREE of the following would be shown in the statement of changes in equity?

- A. Share issues
- B. Taxation for the year
- C. Dividends paid
- D. Profit for the year
- E. Loan stock(debenture) issues
- F. Dividends received

**Answer:** A,C,D

**QUESTION NO: 2**

Which of the following would require an adjustment to be made to the cash book?

- (a) Unpresented cheques
  - (b) Receipts not yet credited by the bank
  - (c) A dishonoured cheque
  - (d) Bank charges
- A. (d) only
  - B. (c) and (d) only
  - C. (b) and (c) only
  - D. (a) and (b) only

**Answer:** B

**QUESTION NO: 3**

Which of the following is not a book of prime entry?

- A. Journal
- B. Cash book
- C. Purchases daybook
- D. Sales ledger

**Answer:** D

**QUESTION NO: 4**

CC is preparing its bank reconciliation, and has the following information:

	\$
Debit balance per cash book	1,300
Overdraft balance per bank statement	2,025
Bank charges not in cash book	75
Insurance payment not in cash book	1,200
Unpresented cheques	150
Receipts not yet credited by bank	2,200

What will the bank balance be, as presented in the statement of financial position, once the necessary adjustments have been made"

\$

**Answer:**

\$2025

**QUESTION NO: 5**

Which ONE of the following does not apply to the preparation of management accounts?

- A. Prepared frequently throughout the year
- B. Prepared annually, summarizing financial performance
- C. Prepared to show the detailed costs of manufacturing and trading
- D. Prepared mainly for internal users of accounting information

**Answer:** B

**QUESTION NO: 6**

Which of the following transactions affects profit but does not affect cash?

- A. Purchase of non-current assets
- B. Sales of goods on credit
- C. Issue of share capital
- D. Payments to trade payables

**Answer:** B

**QUESTION NO: 7**

Which one of the following is an example of where the accrual or matching convention should be applied?

- A. A customer who is in financial difficulty and owes the company \$8,000.
- B. Gas consumed last quarter and paid for this quarter.
- C. Non-current assets originally costing \$40,000, which if purchased today would cost \$45,000.
- D. A company's machinery which is very specialized and would only have a small resale value if the company goes into liquidation.

**Answer:** B

**QUESTION NO: 8**

Refer to the exhibit.

Data:	Debit (£ millions)	Credit (£ millions)
Ordinary share capital, 20m shares of 50p each		10
Share premium		2
General reserves		8
Retained profit b/fwd		42
Dividends paid	4	

The following is an extract from the trial balance of a business for its most recent year: Net profit before tax has already been calculated as being £27m. Income tax of £5m is to be provided, and a final dividend of 30p per share is declared.

Using some or all of the figures above, the correct figure of retained profit for the year is

**Answer:**

£12 million

#### QUESTION NO: 9

Accountant P debited wages with £1,000 instead of £1,500, but credited sales with £1,500 instead of £2,000.

Which of the following kind of bookkeeping mistakes is this?

- A. Error of principle
- B. Compensation of errors
- C. Reversal of entries
- D. Error of original entry

**Answer:** B

#### QUESTION NO: 10

A business has expanded rapidly during the current year. As a result the accounting records have been building up and the management accountant is having problems producing reports for each department head.

Which of the following would be the best solution if introduced?

- A. Accounting codes
- B. Prepare fewer reports
- C. Department head produce their own reports
- D. Extra working hours

**Answer:** A

#### QUESTION NO: 11

W and Partners has an opening capital balance at 1 January of £14,640 credit.

During the period there was an increase in assets of £6,820 and an increase in liabilities of £5,400.

The balance on the capital account at the end of the period is:

- A. £1,420 debit
- B. £13,220 credit
- C. £1,420 credit
- D. £16,060 credit

**Answer:** D

**QUESTION NO: 12**

Refer to the exhibit.

A	Ordinary shares
B	Retained earnings
C	Share premium account
D	General reserve
E	Non-current asset replacement reserve
F	Revaluation reserve

Which three of the following would be classified as a revenue reserve?

- A. D, E and F
- B. A, C and F
- C. B, D and E
- D. A, B and C

**Answer:** C

**QUESTION NO: 13**

A business has come to you for advice. They are about to start trading and want to ensure that they keep appropriate accounting records that will grow with their business, save time and produce useful information.

They have already established books of prime entry.

Which of the following would you also suggest they use?

- A. Same staff for all books of prime entry
- B. Cash transactions only
- C. Accounting codes
- D. Letterhead stationary

**Answer:** C

**QUESTION NO: 14**

Which of the following financial documents contains the manufacturing account?

- A. Statement of changes in equity

- B. Statement of profit and loss
- C. Income statement
- D. Statement of financial position

**Answer:** C

**QUESTION NO: 15**

Which of the following statements concerning the statements of cashflows are INCORRECT?

- A. Statements of cash flow allow users to identify cash flow issues
- B. Companies with a negative cash flow shown in cash flow statements cannot be profitable
- C. They are primary financial statements
- D. They only deal with payment and receipt of money
- E. They are the same as statements of comprehensive income

**Answer:** B,E

**QUESTION NO: 16**

Refer to the Exhibit.

Opening inventory of raw materials	\$6,000
Closing inventory of raw materials	\$7,000
Purchases of raw materials	\$117,000
Direct production costs	\$84,000
Production overheads	\$29,000
Opening work in progress	\$13,000
Closing work in progress	\$10,000

The following information is available for the period for AC Limited, a manufacturing company:

The factory cost of goods completed for the period was

- A. \$229,000
- B. \$228,000
- C. \$232,000
- D. \$230,000

**Answer:** C

**QUESTION NO: 17**

An accountant is taking on financial accounting responsibilities for company PQ. Which TWO of the following are NOT true of financial accounting?

- A. Performed in accordance with legal requirements
- B. Performed without adherence to standard accounting rules
- C. It's purpose is to provide financial information to an external source

D. It's purpose is to provide information for internal use

**Answer:** B,D

**QUESTION NO: 18**

The phrase 'net book value', when applied to the statement of financial position figure for non-current assets, indicates that the figure represents:

- A. The current market value of the assets, less accumulated depreciation
- B. The original cost or valuation of the assets, less accumulated depreciation
- C. The current market value of the assets
- D. The replacement cost of the assets

**Answer:** B

**QUESTION NO: 19**

In relation to accounting coding systems in the computerized records of an entity, which of the following is true?

- A. Codes are used in the nominal ledger but not in payroll
- B. Codes are used to cross-reference transactions
- C. Codes in coding systems are not unique
- D. Coding systems are not expandable

**Answer:** B

**QUESTION NO: 20**

Your company provides a number of staff with lap-top computers, as well as pocket calculators. It capitalizes the cost of the computers and depreciates them over several years, but writes off the cost of the pocket calculators in full, against profits, in the period in which they are purchased.

The main justification for this difference in treatment is:

- A. Computers last longer than pocket calculators
- B. The company has always adopted this treatment, and therefore must be consistent with the treatment of previous periods
- C. Pocket calculators do not decrease in value
- D. The cost of pocket calculators is not material

**Answer:** D