

FA1 – Specimen Exam Answers

Question	Correct answer	Marks										
1.	<p>Paying for refurbishment as part of upgrading a building</p> <p>Refurbishment will, generally, enhance the economic benefits which may be generated by the related asset. Therefore, costs may be capitalised to non-current assets.</p> <p>The distractors all relate to expenses:</p> <ul style="list-style-type: none"> • Carriage outwards on selling goods is a distribution cost. • Legal fees to recover customer debts are a bad and doubtful debt expense (administrative expenses). • Bonuses are a staff cost (administrative expenses/ distribution costs/ cost of sales). 	2										
2.	<p>\$15,100</p> <table border="1"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Draft</td> <td style="text-align: right;">15,000</td> </tr> <tr> <td>Transposition error – understatement (\$2,100 - \$1,200)</td> <td style="text-align: right;">900</td> </tr> <tr> <td>Reversal of entries error – overstatement (2 x \$400)</td> <td style="text-align: right;">(800)</td> </tr> <tr> <td>Adjusted balance</td> <td style="text-align: right;">15,100</td> </tr> </table>		\$	Draft	15,000	Transposition error – understatement (\$2,100 - \$1,200)	900	Reversal of entries error – overstatement (2 x \$400)	(800)	Adjusted balance	15,100	2
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3.	<p>Standing order</p> <p>A standing order is an instruction to your bank to pay a fixed amount of money to someone at regular times.</p> <p>The distractors relate to other payment methods:</p> <ul style="list-style-type: none"> • A credit card is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder's credit limit. • A Direct Debit is an instruction from a user to their bank or building society, authorising the organisation to collect varying amounts from the user's bank account. • A cheque is an instrument with an unconditional order, addressed to the banker and signed by the user, instructing the bank to make a single, non-recurring payment. 	2										
4.	<p>\$400,000</p> <p>Sales (net) = \$480,000 x (100% ÷ 120%) = \$400,000</p>	2										

5.	<p>1, 2 and 3 only</p> <p>Dr Bank Cr Trade receivables <i>being cash received from customers (1)</i></p> <p>Dr Administrative expenses Cr Trade receivables <i>being irrecoverable debt written off (2)</i></p> <p>Dr Revenue Cr Trade receivables <i>being credit note issued (3)</i></p> <p>Credit sales are recognised as:</p> <p>Dr Trade receivables Cr Revenue <i>being credit sale (4)</i></p>	2																		
6.	<p>\$340</p> <table border="1" data-bbox="395 869 1123 1155"> <thead> <tr> <th></th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Opening balance</td> <td style="text-align: right;">500</td> </tr> <tr> <td>Sale of stamps</td> <td style="text-align: right;">10</td> </tr> <tr> <td>Sale of paper</td> <td style="text-align: right;">50</td> </tr> <tr> <td>Travelling expenses</td> <td style="text-align: right;">(150)</td> </tr> <tr> <td>Subsistence expenses</td> <td style="text-align: right;">(250)</td> </tr> <tr> <td>Closing balance</td> <td style="text-align: right;">160</td> </tr> <tr> <td>Imprest amount (i.e., equal to the opening balance)</td> <td style="text-align: right;">500</td> </tr> <tr> <td>Sum to be reclaimed by cashier</td> <td style="text-align: right;">340</td> </tr> </tbody> </table>		\$	Opening balance	500	Sale of stamps	10	Sale of paper	50	Travelling expenses	(150)	Subsistence expenses	(250)	Closing balance	160	Imprest amount (i.e., equal to the opening balance)	500	Sum to be reclaimed by cashier	340	2
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7.	<p>The total of the balances on the individual supplier accounts</p> <p>The distractors are incorrect because:</p> <ul style="list-style-type: none"> • The total of the balances on the individual customer accounts should equal the trade receivables general ledger account. • The balance on the trade receivables general ledger account has no direct relationship with the trade payables general ledger account. • The balance on the purchases general ledger account includes all purchases for the period to date – including cash purchases and credit purchases for which payment has already been made. 	2																		
8.	<p>Assets and capital</p> <p>Dr Motor vehicles – cost (Assets) Cr Capital introduced (Capital) <i>being motor vehicle introduced to the business</i></p>	2																		

9.	<p>\$16,600</p> <table border="1" data-bbox="395 253 1098 416"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Revenue at 1 September</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Cash sales</td> <td style="text-align: right;">6,400</td> </tr> <tr> <td>Credit sales</td> <td style="text-align: right;">10,200</td> </tr> <tr> <td>Revenue for the month ended 30 September</td> <td style="text-align: right;">16,600</td> </tr> </table> <p>Receipts from credit customers have no impact on revenue:</p> <p>Dr Bank Cr Trade receivables <i>being cash received from customers</i></p>		\$	Revenue at 1 September	-	Cash sales	6,400	Credit sales	10,200	Revenue for the month ended 30 September	16,600	2										
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10.	<p>Dr Plant and equipment Cr Trade payables <i>being credit purchase of plant and equipment (1)</i></p>	2																				
11.	<p>\$280 debit</p> <table border="1" data-bbox="395 815 1018 976"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Bank overdraft</td> <td style="text-align: right;">(150)</td> </tr> <tr> <td>Correction of bank error</td> <td style="text-align: right;">50</td> </tr> <tr> <td>Outstanding lodgements</td> <td style="text-align: right;">380</td> </tr> <tr> <td>Bank balance per general ledger (debit)</td> <td style="text-align: right;">280</td> </tr> </table>		\$	Bank overdraft	(150)	Correction of bank error	50	Outstanding lodgements	380	Bank balance per general ledger (debit)	280	2										
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12.	<p>\$540</p> <table border="1" data-bbox="395 1039 1299 1234"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>List price (40 units x \$15)</td> <td style="text-align: right;">600</td> </tr> <tr> <td>Trade discount (10% x \$600)</td> <td style="text-align: right;">(60)</td> </tr> <tr> <td>Discounted price</td> <td style="text-align: right;">540</td> </tr> <tr> <td>Settlement discount (most likely not to take advantage of this)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Invoice amount</td> <td style="text-align: right;">540</td> </tr> </table>		\$	List price (40 units x \$15)	600	Trade discount (10% x \$600)	(60)	Discounted price	540	Settlement discount (most likely not to take advantage of this)	-	Invoice amount	540	2								
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13.	<p>\$400 debit</p> <table border="1" data-bbox="395 1296 954 1458"> <tr> <th colspan="4">Trade receivables general ledger account</th> </tr> <tr> <td></td> <td style="text-align: right;">\$</td> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">500</td> <td>Cash</td> <td style="text-align: right;">1,250</td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">1,150</td> <td>Balance c/d</td> <td style="text-align: right;">400</td> </tr> <tr> <td></td> <td style="text-align: right;">1,650</td> <td></td> <td style="text-align: right;">1,650</td> </tr> </table>	Trade receivables general ledger account					\$		\$	Balance b/d	500	Cash	1,250	Sales	1,150	Balance c/d	400		1,650		1,650	2
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Balance b/d	500	Cash	1,250																			
Sales	1,150	Balance c/d	400																			
	1,650		1,650																			
14.	<p>Dishonoured cheques from customers should be debited in the bank ledger account</p> <p>The distractors are all correct:</p> <ul style="list-style-type: none"> • Bank charges are expenses which appear on the bank statement and are common reconciling items – these should be credited to the bank general ledger account (1) • Unpresented cheques are a timing difference and so no adjustment is required to the general ledger – these should be deducted from the bank statement balance in the bank reconciliation (2) • Direct debit and standing order payments are payments which appear on the bank statement and are common reconciling items – these should be credited in the bank ledger account (3) 	2																				

15.	2, 3 and 4 only Documents should not , generally, be stored forever as most legal authorities (and most companies themselves) have requirements to dispose of data after a set period.	2										
16.	\$85.00 <table border="1"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>List price</td> <td style="text-align: right;">100</td> </tr> <tr> <td>Trade discount (15% x \$100)</td> <td style="text-align: right;">(15)</td> </tr> <tr> <td>Purchase</td> <td style="text-align: right;">85</td> </tr> </table>		\$	List price	100	Trade discount (15% x \$100)	(15)	Purchase	85	2		
	\$											
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17.	\$9,600 <table border="1"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Anneke's list price</td> <td style="text-align: right;">4,000</td> </tr> <tr> <td>Anneke's trade discount (10% x \$4,000)</td> <td style="text-align: right;">(400)</td> </tr> <tr> <td>Basil's list price</td> <td style="text-align: right;">6,000</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">9,600</td> </tr> </table>		\$	Anneke's list price	4,000	Anneke's trade discount (10% x \$4,000)	(400)	Basil's list price	6,000	Purchases	9,600	2
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18.	Transposition error A transposition error is a specific type error of original entry – an incorrect figure is entered in the accounting records but is posted to the correct accounts. Specifically, transposing amounts is shown here, with \$51 transposed to \$15. The other error types in the question are: <ul style="list-style-type: none"> • Compensating error – two equal and opposite errors cancel each other out • Error of omission – a transaction is not recorded at all • Error of principle – an item is posted to the correct side of the wrong type of account and consequently is in breach of an accounting principle 	2										
19.	Notes and coins in the cash box + vouchers for payments + IOU	2										
20.	1, 2, 3 and 4 All statements are true.	2										
21.	Supplier code: 3452 General: 200500 Supplier code 3452 relates to "Smythe, A." and, in the general ledger, "200" is an Expense and "500" is for Rent ("200500").	2										
22.	\$2,215 <table border="1"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Bank general ledger account (overdraft)</td> <td style="text-align: right;">(2,030)</td> </tr> <tr> <td>Standing order payment recognised twice – understated</td> <td style="text-align: right;">365</td> </tr> <tr> <td>Reversal of entries – overstated (2 x \$275)</td> <td style="text-align: right;">(550)</td> </tr> <tr> <td>Reconciled balance (overdraft)</td> <td style="text-align: right;">(2,215)</td> </tr> </table>		\$	Bank general ledger account (overdraft)	(2,030)	Standing order payment recognised twice – understated	365	Reversal of entries – overstated (2 x \$275)	(550)	Reconciled balance (overdraft)	(2,215)	2
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Reconciled balance (overdraft)	(2,215)											

23.	<p>Credit note</p> <p>Narvinda is a customer of Jamal's. Any goods returned to Jamal will require a credit note to be issued by Jamal.</p>	2										
24.	<p>Direct Debit</p> <p>A Direct Debit is an instruction from a user to their bank or building society, authorising the organisation to collect varying amounts from the user's bank account.</p>	2										
25.	<p>1, 2 and 4 only</p> <p>The remaining statement, "If two customers have the same name, they will also have the same code in the trade receivables general ledger", is incorrect as there should be no duplication when coding.</p>	2										
26.	<p>Increase in income</p> <p>The remaining statements are all debit entries:</p> <ul style="list-style-type: none"> • An expense is debit in nature and so an increase in an expense is a debit. • An asset is debit in nature and so an increase in an asset is a debit. • Drawings is debit in nature as it is essentially a reduction in capital and so an increase in drawings is a debit. 	2										
27.	<p>\$4,300</p> <table border="1" data-bbox="395 1099 933 1261"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Opening balance</td> <td style="text-align: right;">2,300</td> </tr> <tr> <td>Credit purchases (\$3,900 - \$900)</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td>Payments to suppliers</td> <td style="text-align: right;">(1,000)</td> </tr> <tr> <td>Closing balance</td> <td style="text-align: right;">4,300</td> </tr> </table>		\$	Opening balance	2,300	Credit purchases (\$3,900 - \$900)	3,000	Payments to suppliers	(1,000)	Closing balance	4,300	2
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28.	<p>A manual journal entry should only be used to make corrections to the general ledger due to errors</p> <p>This is incorrect as both automated and manual journal entries are used for a variety of purposes – corrections are made using only manual journal entries but manual journal entries are also used for bank, expenses (excluding purchase of goods and services) and non-current assets in ACCA qualifications</p>	2										
29.	<p>Statement of account</p> <p>On receipt, a customer will refer to this statement of account as a "supplier statement" as they receive it from their supplier.</p>	2										
30.	<p>\$312,136</p> <table border="1" data-bbox="395 1756 948 1883"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Gross salaries and wages</td> <td style="text-align: right;">285,350</td> </tr> <tr> <td>Employer's pension contributions</td> <td style="text-align: right;">26,786</td> </tr> <tr> <td>Payroll costs</td> <td style="text-align: right;">312,136</td> </tr> </table> <p>Employees' deductions are not an additional payroll cost – they are, effectively, part of gross salaries and wages.</p>		\$	Gross salaries and wages	285,350	Employer's pension contributions	26,786	Payroll costs	312,136	2		
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31.	<p>\$4,128</p>	2										

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32.	<p>Output tax is a credit balance and input tax is a debit balance</p> <p>Output tax is on sales going out of the business and so, like sales, it is credit in nature.</p> <p>Input tax is on purchases coming in to the business and so, like purchases, it is debit in nature.</p>	2																				
33.	<p>2 and 3</p> <p>The remaining items are debit in nature:</p> <ul style="list-style-type: none"> • Trade receivables are a current asset and so are debit in nature (1). • Drawings are part of capital and, as a reduction to capital, are debit in nature (4). 	2																				
34.	<p>\$135</p> <table border="1"> <tbody> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Bank balance per general ledger</td> <td style="text-align: right;">160</td> </tr> <tr> <td>Omission – cash withdrawal</td> <td style="text-align: right;">(30)</td> </tr> <tr> <td>Omission – bank charges</td> <td style="text-align: right;">(15)</td> </tr> <tr> <td>Reconciled bank balance</td> <td style="text-align: right;">115</td> </tr> </tbody> </table> <table border="1"> <tbody> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Bank balance per bank statement (balancing figure)</td> <td style="text-align: right;">135</td> </tr> <tr> <td>Outstanding lodgements</td> <td style="text-align: right;">40</td> </tr> <tr> <td>Unpresented cheques</td> <td style="text-align: right;">(60)</td> </tr> <tr> <td>Reconciled bank balance (calculated above)</td> <td style="text-align: right;">115</td> </tr> </tbody> </table>		\$	Bank balance per general ledger	160	Omission – cash withdrawal	(30)	Omission – bank charges	(15)	Reconciled bank balance	115		\$	Bank balance per bank statement (balancing figure)	135	Outstanding lodgements	40	Unpresented cheques	(60)	Reconciled bank balance (calculated above)	115	2
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36.	<p>He owes \$350,000 to his suppliers</p> <p>Trade payables represents amounts payable to suppliers and not receivable from customers.</p>	2																				
37.	<p>1 and 3</p> <p>Manual journal entries are required for corrections of errors and, on ACCA qualifications, bank, non-current asset and expenses transactions (those not included in the purchases of goods and services).</p>	2																				
38.	<p>Piecework</p> <p>For the distractors:</p>	2																				

	<ul style="list-style-type: none"> • Commission is an amount paid based on items sold and is, usually, a percentage in addition to a wage/ salary (2). • An hourly rate is a wage that is paid regardless of output or sales (3). • A salary is paid regardless of output or sales (4). 																															
39.	<p>\$104,700</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">Dr</th> <th style="text-align: right;">Cr</th> </tr> <tr> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td></td> <td style="text-align: right;">76,700</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">26,800</td> <td></td> </tr> <tr> <td>Non-current assets</td> <td style="text-align: right;">31,400</td> <td></td> </tr> <tr> <td>Trade payables</td> <td></td> <td style="text-align: right;">18,200</td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">32,300</td> <td></td> </tr> <tr> <td>Cash at bank</td> <td style="text-align: right;">14,200</td> <td></td> </tr> <tr> <td>Capital</td> <td></td> <td style="text-align: right;">9,800</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">104,700</td> <td style="text-align: right;">104,700</td> </tr> </tbody> </table>		Dr	Cr		\$	\$	Sales		76,700	Purchases	26,800		Non-current assets	31,400		Trade payables		18,200	Trade receivables	32,300		Cash at bank	14,200		Capital		9,800	Total	104,700	104,700	2
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	4,250		4,250																													
		Balance b/d	1,350																													
42.	<p>Purchase returns</p> <p>The remaining items are debit in nature:</p> <ul style="list-style-type: none"> • A sales tax refund is an element of “Other current assets” and so is a current asset (1). • Petty cash is an element of “Cash and cash equivalents” and so is, also, a current asset (2). • Sales returns are a reduction to sales, which is credit in nature. Therefore, to reduce sales, sales returns must be debit in nature (4). 	2																														
43.	<p>Assets = Opening capital + Profit – Drawings + Liabilities</p> <p>Assets - Liabilities = Opening capital + (Profit - Drawings) ∴ Assets = Opening capital + (Profit - Drawings) + Liabilities</p>	2																														
44.	<p>Dr Bank Dr Discounts allowed Cr Trade receivables <i>being cash receipt from customer taking advantage of a settlement discount</i></p>	2																														

45.	<p>\$306.75</p> <table border="1" data-bbox="395 253 1299 416"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Basic rate (35 hours x \$4.50)</td> <td style="text-align: right;">157.50</td> </tr> <tr> <td>Overtime rate ([46 - 35 hours] x 1.5 x \$4.50)</td> <td style="text-align: right;">74.25</td> </tr> <tr> <td>Piecework rate (3 units x \$25)</td> <td style="text-align: right;">75.00</td> </tr> <tr> <td>Gross pay</td> <td style="text-align: right;">306.75</td> </tr> </table>		\$	Basic rate (35 hours x \$4.50)	157.50	Overtime rate ([46 - 35 hours] x 1.5 x \$4.50)	74.25	Piecework rate (3 units x \$25)	75.00	Gross pay	306.75	2
	\$											
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Gross pay	306.75											
46.	<p>\$855</p> <p>Sales tax = (95% x \$4,500) x 20% = \$855</p>	2										
47.	<p>Dr Cash \$1,799 Cr Sales \$1,531 Cr Sales tax \$268 <i>being cash sales</i></p> <p>Cash = (\$386 + \$68) + (\$715 + \$125) + (\$430 + \$75) = \$1,799</p> <p>Sales = \$386 + \$715 + \$430 = \$1,531</p> <p>Sales tax = \$68 + \$125 + \$75 = \$268</p>	2										
48.	<p>Dr Motor vehicles Dr Bank Cr Capital <i>being personal motor vehicle and cash invested in the business</i></p>	2										
49.	<p>Remittance advice</p> <p>The other documents are:</p> <ul style="list-style-type: none"> • A debit note – this is credit note issued by the supplier, received by the entity and debited to trade payables (1). • A credit note – this is issued by the entity to the customer and is credited to trade receivables (2). • A delivery note provides proof of delivery (4). 	2										
50.	<p>Neither 1 nor 2</p> <p>A trade discount immediately reduces the sale and, therefore, the trade receivable as it is an unconditional offer (1).</p> <p>An allowance for irrecoverable debts is a separate balance in the general ledger account, which is only netted against trade receivables for presentation on the statement of financial position (2).</p>	2										