

# CIMA BA3 - Fundamentals of Financial Accounting

1. Refer to the Exhibit.

Data:	£ 000's
Sales	30000
Inventory at beginning of year:	
raw materials	1000
work-in-progress	200
finished goods	3400
Inventory at end of year:	
raw materials	1100
work-in-progress	400
finished goods	3000
Purchases of raw materials	5000
Returns inwards	500
Returns outwards	750
Carriage inwards	400
Carriage outwards	600
Direct labour	4000

The following information relates to a business at its year end:

The prime cost of goods manufactured during the year is:

A. \$5,550,000

B. \$8,150,000

C. \$8,350,000

D. \$8,800,000

Answer(s): C

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2. The balance on LMN's cash account at 31 December 20X6 is \$108,000 (debit) On performing the monthly bank reconciliation the following is discovered.

- a payment of \$2,000 made to a supplier has not yet appeared on the bank statement,
- an automated receipt from a customer for \$5,000 has not yet been recorded in the cash book, and
- a pigment to a supplier of \$1,500 was incorrectly recorded in the cash book as \$1,050

The balance showing on the bank statement at 31 December 20X6 is

A. \$111,450

B. \$101,450

C. \$114,550

D. \$104,550

**Answer(s): A**

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3. Refer to the Exhibit.

	<b>Income Statement</b>	<b>Statement of Financial Position</b>
	\$	
A	1,050	prepayment of \$750
B	1,050	accrual of \$750
C	1,800	no entry
D	750	prepayment of 1,050

On 1 May year 1 a company pays insurance of \$1,800 for the period to 30 April year 2  
What is the charge to the income statement and the entry in the statement of financial position for year 1 ended 30 November?

A. A

B. B

C. C

D. D

**Answer(s): A**

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4. Which one of the following statements best describes the usefulness of the income statement account of a company:

A. To evaluate its profitability over the past year

B. To assess its potential profitability for the coming year

C. To assess management performance over the past year

D. To evaluate the return on capital employed

**Answer(s): A**

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5. A company that is VAT-registered has sales for the period of \$245,000 (excluding VAT) and purchases for the period of \$123,375 (including VAT). The opening balance on the VAT account was \$18,000 credit. The VAT rate is 17.5%.

What will be the closing balance on the VAT account at the end of the period?

A. \$6,500 debit

B. \$42,500 credit

C. \$375 debit

D. \$36,375 credit

**Answer(s): B**

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6. 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. Extra working hours

B. Accounting codes

C. Prepare fewer reports

D. Department head produce their own reports

**Answer(s): B**

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

A. Purchases daybook

B. Cash book

C. Sales ledger

D. Journal

**Answer(s): C**

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8. At the end of the year, the non-current asset register showed assets with a net book value of \$170,300. The non-current asset accounts in the nominal ledger showed a net book value of \$150,300.

The difference could be due to a disposed asset not having been removed from the non-current asset register, which had.

A. Disposal proceeds of \$25,000 and a profit on disposal of \$5,000

B. Disposal proceeds of \$25,000 and a net book value of \$5,000

C. Disposal proceeds of \$25,000 and a loss on disposal of \$5,000

D. Disposal proceeds of \$10,000 and a net book value of \$10,000

**Answer(s): A**

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9. Which of the following represent items of income for a business?

A. Discount received, revenue & carriage outwards

B. Revenue, bank interest & bad debts

C. Discount allowed, bank interest & revenue

D. Revenue, discount received & bank interest

**Answer(s): D**

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**10. CORRECT TEXT**

The balances of the trial balance of CDE for the year ended 31 May 20X4 is as follows

	\$'000
Trade payables	215
Bank overdraft	150
Retained earnings, accumulated losses	920
Trade receivables	395
Inventory	750
Property, plant and equipment	25,500
Share capital	?

What must the balance on the share capital account be at 31 May 20X4 if the trial balance is to balance? Give your answer in \$'000

\$  000

A. See Explanation section for answer.

**Answer(s): A**

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**11. CORRECT TEXT**

GG has the following statement of profit or loss extract for the year ended 31 December 20X3

	\$000
Operating profit	800
Finance income	100
Finance costs	(200)
Profit before tax	700
Income tax	(150)
Profit for the period	550

What is the interest cover for GG for the year ended 31 December 20X3?

A. 8 times

B. 0 times.

C. 5 times

D. 5 times

**Answer(s): B**

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12. AB sold a machine for \$15,000 The machine had originally cost \$160,000 and at the date of disposal had a carrying value of \$26,000.

The journal entry to record this disposal is:

A)

Dr	Accumulated depreciation	\$135,000	
Dr	Bank	\$15,000	
Dr	Profit or loss in the year	\$10,000	
	Cr	Machine account	\$160,000

B)

Dr	Machine account	\$160,000	
	Cr	Accumulated depreciation	\$135,000
	Cr	Bank	\$15,000
	Cr	Profit of loss in the year	\$10,000

C)

Dr	Bank	\$15,000	
	Cr	Profit of loss in the year	\$15,000

D)

Dr	Accumulated depreciation	\$135,000	
Dr	Profit of loss in the year	\$25,000	
	Cr	Machine account	\$160,000

A. Option A

B. Option B

C. Option C

D. Option D

**Answer(s): A**

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13. Different users have different needs from financial information. One of which is to assess how effectively management is performing and how much profit will be available to be distributed.

Which of the following users will have this need for information?

A. Managers

B. Suppliers

C. Lenders

D. Shareholders

**Answer(s): D**

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**14. CORRECT TEXT**

A company has profit before tax and dividends of \$500000. The share capital consists of 1000000 ordinary shares of \$1 each and 100000 10% preference shares of 50p each.

A 10p dividend was declared on ordinary shares.

Assuming there was no tax liability for the period, profit retained for the period was

A. See Explanation section for answer.

**Answer(s): A**

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**15. CORRECT TEXT**

BCD has the following balances for the year ended 31 December 20X8:

	\$'000
Trade payables at 1 January 20X8	540
Cash paid to credit suppliers	1,570
Cash purchases	800
Credit purchases	1,690
Goods returned to credit suppliers	230
Discounts received from credit suppliers	50

What is the trade payables balance of BCD at 31 December 20X8? Give your answer to the nearest \$'000.

\$

A. See Explanation section for answer.

**Answer(s): A**

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**16. CORRECT TEXT**

STU has an accounting period end of 31 December 20X8 During the year STU paid \$4,800 for business insurance to cover the year to 30 June 20X9 The amount paid for business insurance for 30 June 20X8 was \$4,500.

What is the insurance expense to be recognized in the statement of profit or loss of STU for the year ended 31 December 20X8? Give your answer to the nearest \$

\$

A. See Explanation section for answer.

**Answer(s):** A

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**17. CORRECT TEXT**

Refer to the Exhibit.

Data:	
Opening balance	600 units valued at £2 each
5th	purchase of 1000 units at £2.40 each
8th	sale of 800 units
13th	purchase of 1200 units at £2.50 each
24th	sale of 500 units

Your organization uses the Weighted Average Cost method of valuing inventory.

During a particular month, the following inventory details were recorded:

The value of the inventory at the end of the month was

A. See Explanation section for answer.

**Answer(s):** A

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**18.** There are four separate but related bodies which control the setting of International accounting standards (IFRS's).

Which THREE of the following are included in the standard setting process?

A. International Accounting Standards Board (IASB)



B. Accounting Standards Board (ASB)

C. International Financial Reporting Interpretations Committee (IFRIC)

D. Chartered Institute of Management Accountants (CIMA)

E. Financial Accounting Standards Board (FASB)

F. International Accounting Standards Committee Foundation (IASCF)

**Answer(s):** A C F

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**19.** A company is preparing its accounts to 30 November. The latest gas bill received by the company was dated 30 September and included usage charges for the quarter 1 June to 31 August of \$5,700 and a service charge of \$1,200 for the quarter 1 October to 31 December. It is estimated that the gas bill for the following quarter will be a similar amount.

What will be the amount of the accrual shown in the accounts at 30 November 2006?

A. \$5,300

B. \$3,400

C. \$3,800

D. \$4,900

**Answer(s):** A

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**20.** In a manufacturing company, prime costs is the total of

A. Purchases of raw materials + opening inventories of raw materials - closing inventories of raw materials + direct wages + direct expenses + production overheads

B. Purchases of raw materials + direct wages + direct expenses + production overheads

C. Purchases of raw materials - opening inventories of raw materials + closing inventories of raw materials + direct wages + direct expenses

D. Purchases of raw materials + opening inventories of raw materials - closing inventories of raw materials + direct wages + direct expenses

**Answer(s): D**

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