

Final Accounts Preparation (FAP)

Question and answer book

May 2018

Questions

Question 1

Jeff has an opening balance on his business bank account of £3,247.84. During the week he receives a cheque from a credit customer for £473.94. He also issues an invoice for £217.91, which was paid in cash, and an invoice for £173.20 to a credit customer on 30 day terms. During the week he paid £500 rent on his office and £280.50 for electricity for the last three months. What is his business bank account balance at the end of the week?

- a) £3,612.89
- b) £3,439.69
- c) £3,332.39
- d) £3,159.19

Question 2

At the beginning of the month Jonas has an opening credit balance of £1,343.29 on his bank account in the general ledger. During the month he receives payments from customers of £4,165.25 and pays £3,429.86 to suppliers. He also incurs bank charges of £23.50. What is the balance on the bank account in the general ledger at the end of the month?

- a) £2,055.18 Debit
- b) £631.40 Credit
- c) £2,055.18 Credit
- d) £584.40 Credit

Question 3

Aimee is trying to complete her accounts for the year and has gathered together most of the figures that she needs, but she still needs to work out her purchases for the year. Sales were £44,180, Opening inventory was £8,220, Closing inventory was £6,740 and her gross profit was £17,290. What were Aimee's purchases for the year?

Answer: _____

Question 4

Mishka has recently had problems with her computer and has lost accounting records for two months of the year. It is the end of her financial year and she now needs to calculate the cost of goods sold. She knows that her opening inventory was £23,123 and that purchases during the year were £73,260, including VAT. She did not make any purchases returns during the year and her closing inventory is £21,047. What was Mishka's cost of goods sold for the year?

- a) £75,336
- b) £71,184
- c) £63,126
- d) £58,974

Question 5

Georgie, a new trainee in your department, has told you that sales returns are recorded as an expense in the Statement of Profit or Loss. Is what Georgie saying correct or incorrect?

Correct or Incorrect

Question 6

Zainab works as an accountant in a small practice. One of her clients, Tim, has brought his accounting records in for her to complete his financial statements. She has worked out that the cost of goods sold is £88,541, opening inventory was £18,440, purchases were £94,740 and closing inventory is £19,455. What is the value of purchase returns for the year for Tim's business?

- a) £1,015
- b) £5,184
- c) £6,199
- d) £4,169

Question 7

Margot runs a business selling pet supplies. She has purchased some premium dog food from her supplier for £30.10 per 15kg bag. What does the selling price per bag need to be to achieve a 30% margin? (Ignore VAT when working out your answer.)

- a) £21.07
- b) £39.13
- c) £43.00
- d) £51.17

Question 8

During October Barry made sales of £42,540. His gross margin on all sales is 25%. Opening inventory at the beginning of the month was £7,410 and his purchases during the month were £31,410. What was his cost of sales for the month and his closing inventory?

- a) £31,905
- b) £34,032
- c) £4,788
- d) £6,915

Question 9

Benedict is trying to negotiate a deal with one of his suppliers. He re-sells the goods that he wants to purchase for £17,250 and needs to make a mark-up of 25%. What price does he need to negotiate with his supplier for this to happen? (Ignore VAT when working out your answer.)

Answer: _____

Question 10

Helena runs a small business selling hats. She sells all her goods with a 40% markup on the cost to her. At the start of the month her opening inventory was £636 and closing inventory at the end of the month was £981. She made purchases in the month of £2,910. What were her sales and her gross profit for the month? (Ignore VAT when working out your answer.)

- a) Sales = £4,275.00 Gross profit = £1,710.00
- b) Sales = £3,591.00 Gross profit = £1,026.00
- c) Sales = £4,104.00 Gross profit = £1,539.00
- d) Sales = £6,412.50 Gross profit = £3,847.50

Question 11

Valerie, Shona and Vince have been in partnership for a number of years and share the profits 40:40:20. Shona wants to retire and the three partners have agreed that the goodwill in the partnership at this point is £35,100. After Shona retires, Valerie and Vince will share the profits 50:50. What are the goodwill adjustments that need to be made to Vince's capital account?

- a) Dr £17,550
Cr £11,700
- b) Dr £17,550
Cr £7,020
- c) Dr £7,020
Cr £17,550
- d) Dr £11,700
Cr £17,550

Question 12

Derek and Olivia are currently in partnership sharing the profit 60:40. They have agreed that Milo should join the partnership on 1 January when he will introduce £14,000 of capital into the business. The partners will then share the profits 50:30:20, with Milo's being the smallest share. At this point the goodwill in the partnership has been valued at £28,500. Calculate the balance on Milo's capital account once the goodwill has been eliminated from the accounts.

- a) £14,000
- b) £22,300
- c) £8,300
- d) £4,500

Question 13

Bess and Caleb are in partnership and share the profits 70:30. Caleb also receives an annual salary of £12,600. During the year the partners drawings were £20,600 and £14,000 and interest on these drawings was £1,030 and £700, respectively. The profit for distribution after appropriations is £76,200. If the opening balance on Caleb's current account was a credit of £760, what will be the closing balance on the account?

- a) £21,520 Cr
- b) £20,000 Cr
- c) £24,320 Cr
- d) £22,220 Cr

Question 14

Will and Chris are in partnership and run a chain of men's barbers. The opening balances on their current accounts are: Will £1,200 Cr and Chris £1,600 Dr. Their drawings during the year were £15,200 and £13,650 and interest on these drawings was £350 and £300, respectively. Interest on Will's capital was £2,250 and on Chris' was £1,500. The remaining profit for the year of £36,240 is to be shared equally between the two partners. What will be the balance on each partners' current accounts at the end of the year?

- a) Will = £3,620 Dr Chris = £4,070 Dr
- b) Will = £6,020 Cr Chris = £4,070 Cr
- c) Will = £6,020 Cr Chris = £7,270 Cr
- d) Will = £3,620 Cr Chris = £4,070 Cr

Question 15

Giles has a credit balance of £1,234 on his bank account in the general ledger. How will this be categorised in the Statement Financial Position?

- a) Current asset
- b) Current liability
- c) Non-current asset
- d) Non-current liability

Answers

Question 1

Jeff has an opening balance on his business bank account of £3,247.84. During the week he receives a cheque from a credit customer for £473.94. He also issues an invoice for £217.91, which was paid in cash, and an invoice for £173.20 to a credit customer on 30 day terms. During the week he paid £500 rent on his office and £280.50 for electricity for the last three months. What is his business bank account balance at the end of the week?

- a) £3,612.89
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- c) £3,332.39
- d) £3,159.19**

Question 2

At the beginning of the month Jonas has an opening credit balance of £1,343.29 on his bank account in the general ledger. During the month he receives payments from customers of £4,165.25 and pays £3,429.86 to suppliers. He also incurs bank charges of £23.50. What is the balance on the bank account in the general ledger at the end of the month?

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- b) £631.40 Credit**
- c) £2,055.18 Credit
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Question 3

Aimee is trying to complete her accounts for the year and has gathered together most of the figures that she needs, but she still needs to work out her purchases for the year. Sales were £44,180, Opening inventory was £8,220, Closing inventory was £6,740 and her gross profit was £17,290. What were Aimee's purchases for the year?

Answer: £25,410

Question 4

Mishka has recently had problems with her computer and has lost accounting records for two months of the year. It is the end of her financial year and she now needs to calculate the cost of goods sold. She knows that her opening inventory was £23,123 and that purchases during the year were £73,260, including VAT. She did not make any purchases returns during the year and her closing inventory is £21,047. What was Mishka's cost of goods sold for the year?

- a) £75,336
- b) £71,184
- c) £63,126**
- d) £58,974

Question 5

Georgie, a new trainee in your department, has told you that sales returns are recorded as an expense in the Statement of Profit or Loss. Is what Georgie saying correct or incorrect?

Incorrect

Question 6

Zainab works as an accountant in a small practice. One of her clients, Tim, has brought his accounting records in for her to complete his financial statements. She has worked out that the cost of goods sold is £88,541, opening inventory was £18,440, purchases were £94,740 and closing inventory is £19,455. What is the value of purchase returns for the year for Tim's business?

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- a) **£31,905 – Cost of sales**
- b) £34,032
- c) £4,788
- d) **£6,915 – Closing inventory**

Question 9

Benedict is trying to negotiate a deal with one of his suppliers. He re-sells the goods that he wants to purchase for £17,250 and needs to make a mark-up of 25%. What price does he need to negotiate with his supplier for this to happen? (Ignore VAT when working out your answer.)

Answer: £13,800

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