

Advanced Bookkeeping (AVBK)

Question and answer book

May 2018

Questions

Question 1

Boris has just sold a van for £7,260, including VAT, that he has used in his business for the last 4 and a half years. The cost of the van in his accounts is £22,000 and the accumulated depreciation is £13,890. What is the gain or loss on disposal of the van?

- a) £850 loss
- b) £850 gain
- c) £2,060 loss
- d) £2,060 gain

Question 2

Josie's financial year end is 31 March. She purchased a machine on 1 April 20X4 for £42,200, excluding VAT. She expected the machine to have a residual value of £8,000 after 5 years and depreciated it at 20% on a straight line basis. On 31 March 20X8 she sold it for £18,960, including VAT. What is the gain on disposal of the machine?

- a) £960
- b) £4,120
- c) £7,360
- d) £10,520

Question 3

Norman's year end is 31 July. It is 15 April and he has just paid an invoice for his office rent of £1,700 that covers the period 1 May to 31 August. What adjustment will Norman need to make at the end of his financial year?

- a) Dr Rent expense £425
Cr Prepaid expenses £425
- b) Dr Prepaid expenses £425
Cr Rent expense £425
- c) Dr Rent expense £1,275
Cr Prepaid expenses £1,275
- d) Dr Prepaid expenses £1,275
Cr Rent expense £1,275

Question 4

Moeen's year end is 30 November. He pays website fees quarterly in arrears and is expecting a bill early in January that covers October - December. The fee for the last quarter, July to September, was £330, but he has been informed by the website host that this will increase by 5% from 1 October. How will website fees be accrued or prepaid in Moeen's Statement of Financial Position as at 30 November?

- a) Accrued expenses £115.50
- b) Accrued expenses £231.00
- b) Prepaid expenses £115.50
- d) Prepaid expenses £231.00

Question 5

Tilly is a personal trainer. Her clients book their sessions with her in advance, in blocks of five or ten, with five sessions costing £150 and ten sessions costing £255. At the end of her financial year, four of Tilly's clients have two sessions remaining out of a block of five, and two clients have six sessions remaining out of a block of ten. What adjustment should Tilly make at the year end to reflect the accrued/prepaid income?

- a) Dr Income £564
Cr Prepaid Income £564
- b) Dr Prepaid Income £564
Cr Income £564
- c) Dr Income £546
Cr Prepaid income £546
- d) Dr Prepaid income £546
Cr Income £546

Question 6

On 31 January, which is the end of her financial year, Julia is owed £840, including VAT, for work that she carried out in December, £1,092, including VAT, for work carried out in January and £1,842, including VAT, for work she has been booked to do in February. Which figure will she show at year end for accrued income in her Statement of Financial Position?

- a) £3,774
- b) £3,145
- c) £1,932
- d) £1,610

Question 7

Constance purchased a van for her business on 1 February 20X4 for £28,980, excluding VAT. When she bought it she believed that after four years she would be able to sell the van for £4,500, excluding VAT. She has depreciated it at 25% on a straight line balance basis with depreciation being charged for every full month the van has been held. What is the accumulated depreciation on the van as at 31 August 20X7?

- a) £18,360.00
- b) £25,961.25
- c) £21,735.00
- d) £21,930.00

Question 8

Lomas works as a taxi driver. He has just traded in his old taxi for a new one. The cost of the new one, excluding VAT, was £28,400 but he paid £21,850, the remainder being covered by the trade in value of the old car. If the old taxi originally cost £24,450 and he made a loss on disposal of £1,480, what was the accumulated depreciation at the date when he traded it in?

- a) £19,380
- b) £8,030
- c) £16,420
- d) £5,070

Question 9

Eli makes a general allowance for doubtful debts of 5% of his trade receivables figure. At the beginning of the year the allowance for doubtful debts in his Statement of Financial Position was £1,455. His trade receivables at the end of the year are £37,200. What is the year end adjustment to the allowance for doubtful debts?

- a) Dr Adjustment to allowance for doubtful debts £1,860
Cr Doubtful debt allowance £1,860
- b) Dr Adjustment to allowance for doubtful debts £405
Cr Doubtful debt allowance £405
- c) Dr Doubtful debt allowance £1,860
Cr Adjustment to allowance for doubtful debts £1,860
- d) Dr Doubtful debt allowance £405
Cr Adjustment to allowance for doubtful debts £405

Question 10

Irrecoverable debts are deducted from trade receivables and shown as an expense in the Statement of Profit or Loss.

True or False

Question 11

Simone has extracted the trial balance for the end of February. Unfortunately the debits and credits do not balance and the difference has been posted to a suspense account. Which of the following would not cause a suspense account to be created?

- a) Bank charges have been debited to the bank account and debited to the bank charges account.
- b) Sales returns from Henry James have been credited to the account of James Henry.
- c) Credit sales of £120 including VAT have been entered as:
Dr Sales ledger control £120
Dr VAT £20
Cr Sales £100.
- d) A payment to a credit supplier of £127.60 has been recorded in the bank account as £167.20.

Question 12

Bob has made two errors during the month that have created a suspense account in his month end trial balance. He has posted a receipt of £1,240 from a credit customer as £1,420 in the bank account, and he has credited both the bank account and the motor vehicles expenses account with £279 for vehicle insurance. What will be the balance on the suspense account at the end of the month?

- a) Cr £378
- b) Dr £378
- c) Cr £99
- d) Dr £99

Question 13

Derek, the sales manager, is reviewing the draft Statement of Profit or Loss and has asked you to explain what is meant by carriage costs. Which statements are correct?

- a) Carriage inwards and carriage outwards are both expenses to the business.
- b) Carriage inwards is the cost of delivering goods to customers.
- c) Carriage outwards is the cost of delivering goods to customers.
- d) Carriage inwards is added to the purchases figure in the Statement of Profit or Loss.
- e) Carriage outwards is added to the sales figure in the Statement of Profit or Loss.

Question 14

Meena has bought six laptops for her business. Each laptop cost £660, including VAT. She believes that she will be able to trade these laptops in for £75, excluding VAT, after four years. What will be Meena's annual depreciation charge per year if she uses the straight line method of depreciation?

- a) £825.00
- b) £712.50
- c) £877.50
- d) £855.00

Question 15

Deborah has purchased a state of the art food mixer for her catering business which cost £2,100, excluding VAT. After five years she expects it to have a residual value of £300. She has decided to depreciate the mixer on the diminishing balance basis at 20% per annum. What will be the depreciation charge for the third year and the accumulated depreciation at the end of that year?

- a) Depreciation charge for the year = £230.40 Accumulated depreciation = £878.40
- b) Depreciation charge for the year = £420.00 Accumulated depreciation = £1,260.00
- c) Depreciation charge for the year = £268.80 Accumulated depreciation = £1,024.80
- d) Depreciation charge for the year = £360.00 Accumulated depreciation = £1,080.00

Answers

Question 1

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