

THE TRAINING PLACE OF EXCELLENCE

Accounts Preparation

Practice Assessment: Questions

Task 1: Non-Current Assets Register

The following is a purchase invoice received by NFS Ltd:

Invoice 60754		
To: NFS Ltd	Betty's	Date:
24 Roxburgh Place	42 Warwick Street	28 March 20X9
Newcastle, NE6 2HU	Newcastle, NE1 3TT	
		£
	Serial number	
HP Printer	571GS90	600.00
Delivery		10.00
Insurance		50.00
VAT @17.5%		<u>132.00</u>
Total		<u>792.00</u>
Settlement terms: strictly 30 days net		

The following information relates to the sale of a vehicle:

Registration number	PQ09 NMH
Date of sale	20 March 20X9
Selling price excluding VAT	£4,600

- NFS Limited has a policy of capitalising expenditure over £500.
- Vehicles are depreciated at 30% on a reducing balance basis.
- Computer Equipment is depreciated at 20% on a straight-line basis assuming no residual value.
- Non-current assets are depreciated in the year of acquisition but not in the year of disposal.

Record the following information in the non-current assets register below:

- (a) Any acquisitions of non-current assets during the year ended 31 March 20X9
- (b) Any disposals of non-current assets during the year ended 31 March 20X9
- (c) Depreciation for the year ended 31 March 20X9

Non-current assets register

Description	Acquisition date	Cost (£)	Depreciation (£)	Carrying amount (£)	Funding method	Disposal proceeds	Disposal date
Computer Equipment							
Server	17/07/X6	14000.00			Cash		
Year end 31/03/X7			2800.00	11200.00			
Year end 31/03/X8			2800.00	8400.00			
Year end 31/03/X9							
Year end 31/03/X9							
Motor Vehicles							
PQ09 NMH	14/09/X7	9000.00			Cash		
Year end 31/03/X7			2700.00	6300.00			
Year end 31/03/X8			1890.00	4410.00			
Year end 31/03/X9							
EA55 SAR	12/01/X8	10,000.00			Part-exchange		
Year end 31/03/X8			3000.00	7000.00			
Year end 31/03/X9							

Task 2: Ledger accounting for non-current assets

At the start of the financial year, the business had Fixtures and Fittings in the cost account of £35,000. The accumulated depreciation was £4,700 (see opening balances below).

During the year, the business disposed of Fixtures and Fittings. The original cost of the disposed asset was £1,700 and the Net Book Value was £1,200. They received a part-exchange value for this of £900 when they acquired new Fixtures and Fittings with total value of £3,000. The balance of the new purchase was paid for with a cheque.

Enter the Disposal and Acquisition into the Cost, Accumulated Depreciation, Disposals and Bank accounts below. Balance the accounts and clearly show either the profit or loss on disposal.

Fixtures and Fittings Cost			
	£		£
Bal b/d	35,000		

Fixtures and Fittings Accumulated Depreciation			
£		£	
		Bal b/d	4,700

Disposals			
£		£	

Bank			
£		£	

Task 3: Accounting for accruals and prepayments of income and expenses

You are working on the final accounts of a business for year ended 31/12/X8. You have the following information. The figures below are net of VAT.

Balance at	1/1/X8
Accrual of telephone expenses	£90
Prepayment of rent expenses	£400

(a) The bank summary for the year shows payments for rent expenses of £1,600. The £1,600 paid was for rent from 1st March to 31st October 20X8. Rent accrues evenly during the year.

Complete the T-account below clearly showing the brought down and carried down figures as well as the Rent for the year that needs to be taken to the Statement of profit or loss.

Rent Expenses

Date	Account name	£	Date	Account name	£

(b) During the year £600 was paid out of the bank towards the Telephone expense account. On 31st January, the business received a bill for £150 that related to the whole of November 20X8, December 20X8 and January 20X9.

Complete the T-account below clearly showing the brought down and carried down figures as well as the Telephone for the year that needs to be taken to the Statement of profit or loss.

Telephone Expenses

Date	Account name	£	Date	Account name	£

Task 4: Prepare a trial balance and reconciliations

Using the figures from your answers in Task 3 above as well as balances given below, complete the Trial Balance extract below as of 31st December 20X8.

Account	£	Dr	Cr
Sales	9,690		
Discounts Allowed	150		
SLCA	4,380		
Drawings	3,000		
Bank Overdraft	350		
Accruals			
Prepayments			
Rent			
Telephone			
TOTALS			

Task 5: Accounting adjustments and journals

You are working on the preparation of a series of journal entries in preparation of a set of final accounts.

A Trial Balance has been prepared and a suspense account has been opened with a credit balance of £4,485. You need to make some adjustments to eliminate the suspense account and other journals for adjustments are required:

- (a) A credit customer has gone into liquidation owing £2,500. This needs to be written off in the accounts. The management would also like an allowance for doubtful debts equal to 5% of the remaining debtors (using the information in the trial balance in Task 6 below to compute the allowance for doubtful debts).

Journal	DR	CR

- (b) Cash sales of £3,600 including VAT were correctly entered into the bank account but no other entries were made.

Journal	DR	CR

- (c) The closing inventory has been valued at £4,577. Some of this inventory has been damaged. It originally cost £1,500 and can now only be sold on for £750.

Journal	DR	CR

- (d) Purchase information was transferred from the Purchase Day Book. There was a casting error in the total that went to the PLCA. This was under cast by £885.

Journal	DR	CR

You are now going to work on extending the trial balance for the adjustments you have dealt with in the journal entries prepared in Task 5 above.

Task 6: Extending the trial balance

Record the adjustments above and extend the Trial Balance for each item dealt with in the journals.

Extend the figures to the Statement of profit or loss and Statement of financial position.

Task 7: Knowledge of accounting framework, accounting equation, records and standards

Place a tick in the correct box(es)

- (i) Which one of the following is the missing underlying objective set out by FRS 18: *Relevance; Understandability; Comparability*?

Objective	Tick
Reliability	
Accruals	
Reasonableness	
Prudence	

- (ii) Which one of these three would not require an adjustment in the cash book?

Adjustment	Tick
Bank interest appears in the bank statement but has not been accounted for by the business	
The statement does not show a cheque that was paid into the bank yesterday	
A cheque received from a debtor has been placed on the debit side of the SLCA and the credit side of the cash book	

- (iii) Which of these can be capitalised as part of the cost of a new piece of machinery? (Please note, there could be more than one correct answer.)

Adjustment	Tick
Delivery charges to get the machinery to the business' factory	
Insurance for the machinery	
Maintenance costs after machinery has been used by the business	
Essential repairs before the machinery can be used for the first time	

- (iv) Which of the following would appear on the credit side of the VAT account? (Please note, there could be more than one correct answer.)

Adjustment	Tick
VAT on sales	
VAT on purchase returns	
VAT on Van's part exchange value	
VAT on an irrecoverable debt	