

Question Bank

06/2016

Task 1.3 (d)

The second statement has been clarified to show "Is it **always** acceptable for accountants to pay a referral fee to obtain a new client"

Task 3.1

The question has been revised to make it clearer: Ignore the phrase "and the inventory of materials cost £2,300". The **bank statement** extract has been revised to:

	£		£
Capital	8,000	Equipment	3,800
Cash banked from sales	32,000	Purchases of materials	20,750
		General expenses	400
		Drawings	14,370
		Balance c/d	680
	40,000		40,000

Part (iv) should now read as follows: " All of the sales are on a cash basis. Some of the cash is paid into the bank account while the rest is used for cash expenses. She has no idea what the total value of her sales is for the year, but she knows that she has spent **an additional £3,200 in cash** on materials and an **additional £490 in cash** on general expenses. She took the rest of the cash not banked for her private drawings. She also keeps a cash float of £100"

Part (vii) should now read as follows: "*At the year end, Liz started using a new supplier who granted her credit. The purchases she made from them amounted to £1,600. She had not made any payments to this supplier as at 30 September 20X8.*"

Task 3.3

The profit shares for Andrew, Brown and Carter, should read £36,872, £27,654 and £27,654 respectively.

Task 5.2

There is a revised downloadable activity spreadsheet available for the file **FinanceTeam.xls**". This should be used in the activity.

Question Bank

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Answer Task 1.2 (b)

The correct answer is 'yes' to breach of contract and negligence, and 'no' to fraud. He may be liable to be charged with fraud if it can be proved that he acted with **intent** to defraud the client, however, the question states that he is **surprised** by the number of errors, so we can assume that it was unintentional in this case, hence 'no' for fraud.

Answer Task 1.3 (d)

The second statement has been clarified to show "Is it **always** acceptable for accountants to pay a referral fee to obtain a new client". The answer is 'no'. To clarify the point regarding referral fees, these are only acceptable if the client is aware of the third party being paid for the referral. The third party should be similarly bound by professional ethical standards and should be relied upon to maintain their integrity and professional standards.

Answer Task 2.7 (a)

VAT return for the quarter		£
VAT due in this period on sales and other outputs (16,400 + 2,000)/6 + 288 = 3,354.66	Box 1	3,354. 66
VAT due in this period on acquisitions from other EC Member States	Box 2	0.00
Total VAT due (the sum of boxes 1 and 2)	Box 3	3,354. 66
VAT reclaimed in the period on purchases and other inputs, including acquisitions from the EC Working: Sweets 2,800/6 = 466.66 Travel 0 Catering 0 Total	Box 4	466.66
Net VAT to be paid to HM Revenue & Customs or reclaimed by you (Difference between boxes 3 and 4)	Box 5	2,888. 00

Task 2.8

There is **no** requirement for the invoice to show the VAT number for Sate Ltd.

Task 3.1

Revised answers as follows:

(a)	Payments per bank statement	20,750
	Cash (per question)	3,200
	Purchases made on credit at y/e	1,600
	Total purchases	25,550

(b)	Purchases (from a)	25,550
	Closing inventory (from question)	(1,200)
	Cost of sales	24,350
(c)	Cost of sales	24,350
	Revenue (gp margin 50%)	48,700
(d)		

Cash account

Account	£	Account	£
Sales (from c)	48,700	Cash banked from sales	32,000
		Materials	3,200
		General expenses (per part iv)	490
		Drawings	12,910
		Bal c/d (float) per part iv	100
	48,700		48,700

(e) Bank account	14,370
Cash account	12,910
Total drawings	27,280

(f) Sales (from c)	48,700
COS (from b)	(24,350)
Gross profit	24,350
General expenses (400+490)	(890)
Depreciation (3,800/5)	(760)
Profit for the year	22,700

Task 3.3 (a)

The totals at the bottom of Andrew's credit column should be £55,892 (not £58,892)

Task 3.4 (d)

Account	Debit £	Credit £	Adjustments £	Debit £	Credit £
Bank	22,450		(17,000)	5,450	
Capital		13,200			13,200
PLCA		4,095			4,095
SLCA	6,725		900	7,625	
Sales		45,200	(1,700)		46,900
Purchases	32,570			32,570	
Administration costs	750			750	
Drawings			1,600	1,600	
Vehicles – Cost			16,200	16,200	
Vehicles Accum deprn			(2,480)		(2,480)

Depreciation expense			2,480	2,480	
Totals	62,495	62,495	0	66,675	66,675

Task 3.9 (c)

Depreciation expense should be £1,500, with accumulated depreciation in the credit column of £1,500.
The totals at the bottom of the revised trial balance should be £285,550

Task 5.2

Please refer to the revised answer spreadsheet "Task 5.2 Answer June 2017"

Employee Number	Name	Age	Years Service	Qualification	Country	Status	Paid	Subs	Holiday
123458	Lucy Jones	53	14	AAT	United Kingdom	Qualified	N	45	29
123467	Claire Tyler	37	9	AAT	United Kingdom	Qualified	N	45	29

Annual Subs

Qualification	Subs
AAT	45
ACCA	60
CIMA	55
ICAS	65