



ACCA

Paper F3 and FFA

Financial Accounting  
2014

Interim Assessment – Answers



**To gain maximum benefit, do not refer to these answers until you have completed the interim assessment questions and submitted them for marking.**

© Kaplan Financial Limited, 2014

The text in this material and any others made available by any Kaplan Group company does not amount to advice on a particular matter and should not be taken as such. No reliance should be placed on the content as the basis for any investment or other decision or in connection with any advice given to third parties. Please consult your appropriate professional adviser as necessary. Kaplan Publishing Limited and all other Kaplan group companies expressly disclaim all liability to any person in respect of any losses or other claims, whether direct, indirect, incidental, and consequential or otherwise arising in relation to the use of such materials.

All rights reserved. No part of this examination may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without prior permission from Kaplan Publishing.

**SECTION A**

1 C

2 C

3 Profit/loss on disposal = Proceeds – Net book value  
 = \$6,000 – \$7,000  
 = **\$1,000 loss**

4 A

5 Cost of inventory \$1,000  
 Net realisable value \$1,200 – \$300 = \$900  
 The lower value, and therefore the answer, is **\$900**

6 D

7 D

8 A

Product X	\$5,500
Product Y	\$1,350
Product Z	\$2,960
	<hr/>
Total value	\$9,810
	<hr/>

9 C

10

Receivables	\$156,785
Bad debts	(\$3,455)
Specific allowance	(\$1,750)
	<hr/>
	\$151,580
	<hr/>

General allowance @ 5% × \$151,580 = \$7,579

Total allowance required = \$7,579 + \$1,750 = **\$9,329**

**11 B**

Light and heat			
		Bal b/d	450
Bank	1,900	Profit or loss (β)	1,950
Bal c/d	500		
	2,400		2,400
		Bal b/d	500

**12 D**

	\$
Closing unadjusted bank balance	50,000
Less: Dishonoured cheques	(400)
Bank charges	(250)
Adjusted closing bank balance	49,350
Add: Unpresented cheques	5,000
Less: Lodgements	(4,850)
Closing bank statement balance	49,500

**13 B**

Receivables			
		Receipts	85,900
Bal b/d	15,000	Discounts allowed	5,450
Credit sales	96,700		
Refunds	575	Bal c/d	20,925
	112,275		112,275
		Bal b/d	20,925

**14 B**

**15 B**

Balance per bank statement	\$1,500
Less outstanding cheques	(\$450)
Add outstanding lodgements	\$200
Balance per updated cashbook	\$1,250

16 C

17 C

Full price	\$1,500.00
Trade discount @ 10%	(\$150.00)
	\$1,350.00
Cash discount @ 5%	(\$67.50)
	\$1,282.50

18 C

19 D

20 B

21  $\$16,000 \times 10\% \times 7/12 = \$933$

22 A

Rent receivable			
Bal b/d	1,000		
Profit or loss	6,000		
		Bank (β)	7,800
Bal c/d	800		
	7,800		7,800
		Bal b/d	800

23 A

**24 B**

Sales tax			
		Bal b/d	6,500
		Sales (45,000 × 0.175)	7,875
Purchases			
(35,250 × 17.5/117.5)	5,250		
Bal c/d	9,125		
	14,375		14,375
		Bal b/d	9,125

**25 C**

**26 D**

**27 C**

**28 A**

Rent			
		Bal b/d	250
Bank	1,275		
		Profit or loss (β)	900
		Bal c/d	125
	1,275		1,275
Bal b/d (375/3)	125		

**29 B**

**30 B**

Annual depreciation = (\$44,000 – \$2,000)/7 years = \$6,000

Depreciation y.e. 31.12.20X2      \$6,000 × 4/12 =      \$2,000

Depreciation y.e. 20X3, 20X4, 20X5      \$6,000 × 3 =      \$18,000

Depreciation y.e. 31.12.X6      \$6,000 × 6/12 =      \$3,000

Total depreciation      \$23,000

Profit/(loss) on disposal = \$18,000 – (\$44,000 – \$23,000) =      (\$3,000)

**31 C**

Interest is accounted for on an accruals basis. The finance cost is therefore \$45,000 ( $\$1,000,000 \times 6\% \times 9/12$ ).

**32 A**

**33 D**

**34 A**

**35 C**

Cost  $\$14,000 + \$1,100 + \$1,500 = \$16,600$

Depreciation at 10% = \$1,660

NBV =  $\$16,600 - \$1,660 = \$14,940$

## SECTION B

### 1 MAGNUM

(a) **Statement of profit or loss and other comprehensive income for the year ended 31 March 20X1**

	\$
Revenue (\$480,742 – \$3,500 PPE disposal)	477,242
Cost of sales (W1)	(175,389)
	<hr/>
Gross profit	301,853
Distribution costs (W2)	(28,154)
Administrative expenses (W3)	(37,162)
Gain on disposal of property, plant and equipment	1,000
	<hr/>
<b>Profit from operations</b>	<b>237,537</b>
Finance costs (W4)	(910)
	<hr/>
<b>Profit before tax</b>	<b>236,627</b>
Tax	(33,740)
	<hr/>
<b>Profit for the period from continuing operations</b>	<b>202,887</b>
	<hr/>

**There were no items of other comprehensive income in the year**

#### Workings

(W1) **Cost of sales**

	\$
Opening inventories	84,220
Purchases	153,444
Dep'n – bld ( $\$181,450 \times 2\%$ )	3,629
Dep'n P&M ( $(\$94,400 - \$10,000) \times 25\%$ )	21,100
Less closing inventories	(87,004)
	<hr/>
Total	175,389
	<hr/>



**(W2) Distribution costs**

	\$
Distribution costs	23,587
Accrual	4,567
	<hr/>
Total	28,154
	<hr/>

**(W3) Administrative expenses**

	\$
Administrative expenses	37,266
Irrecoverable debt w/off	276
Allowance for receivables (W5)	120
Insurance prepaid (3/15 × \$2,500)	(500)
	<hr/>
Total	37,162
	<hr/>

**(W4) Finance costs**

	\$
Interest paid	455
Accrual	455
	<hr/>
Total ( $\$26,000 \times 7\% \times 6/12$ )	910
	<hr/>

**(W5) Increase in allowance for receivables**

	\$
Increase in allowance f	
Trade receivables per TB	13,676
Less: irrecoverable debt	(276)
	<hr/>
	13,400
	<hr/>
Allowance required @ 5%	670
Less allowance brought forward	(550)
	<hr/>
Increase in allowance required	120
	<hr/>

<b>(b) Magnum – Statement of financial position as at 31 March 20X1</b>		\$
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment (W1)		258,789
		<hr/>
<b>Current assets</b>		
Inventories		87,004
Trade receivables (W2)		12,730
Prepayments		500
		<hr/>
		100,234
		<hr/>
<b>Total assets</b>		<b>359,023</b>
		<hr/>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Equity share capital @ \$1 shares		40,000
Share premium		12,500
Retained earnings (W3)		214,354
		<hr/>
<b>Total equity</b>		<b>266,854</b>
		<hr/>
<b>Non-current liabilities</b>		
7 % Bank loan 20X5		26,000
		<hr/>
		26,000
		<hr/>
<b>Current liabilities</b>		
Trade and other payables (W4)		31,581
Overdraft		848
Income tax liability		33,740
		<hr/>
		66,169
		<hr/>
<b>Total liabilities</b>		<b>92,169</b>
		<hr/>
<b>Equity and liabilities</b>		<b>359,023</b>
		<hr/>

**Workings**

**(W1) PPE**

	\$
Land and buildings at cost	281,450
Disposal at carrying value	(2,500)
Accumulated depreciation	(65,332)
Depreciation charge	(3,629)
Plant and equipment cost	94,400
Accumulated depreciation	(24,500)
Depreciation charge	(21,100)
	<hr/>
Total	258,789
	<hr/>

**(W2) Trade and other receivables**

	\$
Trade and other receivables	13,676
Irrecoverable debts w/off	(276)
Allowance for receivables	(670)
	<hr/>
Total	12,730
	<hr/>

**(W3) Retained earnings**

	\$
Retained earnings	11,467
Profit for the year	202,887
	<hr/>
Total	214,354
	<hr/>

**(W4) Trade and other payables**

	\$
Trade and other payables	25,342
Distribution accrual	4,567
Loan Interest accrual	455
Accruals	1,217
	<hr/>
Total	31,581
	<hr/>

<b>Marking scheme</b>	
Statement of profit or loss	<i>Marks</i> 7
Statement of financial position	8
	<hr/>
<b>Total</b>	<b>15</b>
	<hr/>

**2 BOSTON****(a) Statement of profit or loss and other comprehensive income for the year ended 30 June 20X1**

	\$000
<b>Revenue</b>	10,092
Cost of sales (W1)	(6,805)
	<hr/>
Gross profit	3,287
Distribution costs (W2)	(888)
Administrative expenses (W3)	(1,023)
	<hr/>
<b>Profit from operations</b>	1,376
Finance costs (W4)	(100)
	<hr/>
<b>Profit before tax</b>	1,276
Tax	(270)
	<hr/>
<b>Profit for the period from continuing operations</b>	1,006
<b>Other comprehensive income for the year</b>	
Gain on revaluation of the land (W5)	500
	<hr/>
<b>Total comprehensive income for the year</b>	1,506
	<hr/>

**Workings****(W1) COS**

	\$000
Opening inventories	728
Purchases	6,723
Less closing inventories	(842)
Depreciation (W6)	196
	<hr/>
Total	6,805
	<hr/>

**(W2) Distribution costs**

	\$000
Distribution costs	832
Depreciation (W6)	56
	<hr/>
Total	888
	<hr/>

(W3) **Administrative expenses**

	\$000
Administrative expenses	774
Depreciation (W6)	194
Irrecoverable debt w/off	55
	<hr/>
Total	1,023
	<hr/>

(W4) **Finance costs**

	\$000
Finance costs	0
Accrual	100
	<hr/>
Total	100
	<hr/>

(W5) **Revaluation**

	\$000
CV b/fwd	4,000
Revaluation gain in year	500
	<hr/>
CV c/fwd	4,500
	<hr/>

(W6) **Depreciation**

	<i>Total</i>	<i>COS</i>	<i>Dist'n</i>	<i>Admin</i>
	\$000	\$000	\$000	\$000
Buildings (\$8,300 × 2%)	166			166
Plant and equipment ((\$3,200 – \$1,800) × 20%)	280	196	56	28
	<hr/>	<hr/>	<hr/>	<hr/>
Total	446	196	56	194
	<hr/>	<hr/>	<hr/>	<hr/>

<b>(b) Boston – Statement of financial position as at 30 June 20X1</b>		\$000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment (W1)	11,504	11,504
<b>Current assets</b>		
Inventories	842	
Trade and other receivables (W2)	1,973	
Cash and cash equivalents	221	
		3,036
<b>Total assets</b>		14,540
<b>EQUITY AND LIABILITIES</b>		
Equity		
Share capital	5,000	
Share premium	2,500	
Retained earnings (W3)	2,298	
Revaluation reserve (\$1,000 + \$500 in year)	1,500	
<b>Total equity</b>		11,298
<b>Non-current liabilities</b>		
5% bank loan	2,000	
		2,000
<b>Current liabilities</b>		
Trade and other payables (W4)	972	
Tax liability	270	
		1,242
<b>Total liabilities</b>		3,242
<b>Equity and liabilities</b>		14,540

**Workings**

**(W1) PPE**

	\$000
Land and buildings cost	12,300
Revaluation of land in year	500
Accumulated depreciation	(2,250)
Depreciation charge	(166)
Plant and equipment cost	3,200
Accumulated depreciation	(1,800)
Depreciation charge	(280)
	<hr/>
Total	11,504
	<hr/>

**(W2) Trade and other receivables**

	\$000
Trade and other receivables	2,028
Irrecoverable debt w/off	(55)
	<hr/>
Total	1,973
	<hr/>

**(W3) Retained earnings**

	\$000
Retained earnings	1,292
Profit after tax for the year	1,006
	<hr/>
Total	2,298
	<hr/>

**(W4) Trade and other payables**

	\$000
Trade and other payables	872
Accruals	100
	<hr/>
Total	972
	<hr/>

<b>Marking scheme</b>	
Statement of profit or loss	<i>Marks</i> 7
Statement of financial position	8
	<hr/>
<b>Total</b>	<b>15</b>
	<hr/>

