

DUMPS ARENA

Fundamentals of Financial Accounting

Cima BA3

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QUESTION NO: 1

Select the THREE INCORRECT statements from the following list of statements about memorandum accounts:

- A. A memorandum ledger is an account that is not part of the bookkeeping system as a whole
- B. All transactions in a memorandum account have to be balanced with a corresponding entry in the nominal ledger
- C. A memorandum account is part of the nominal ledger
- D. A memorandum account is a daybook

ANSWER: B C D**QUESTION NO: 2**

CORRECT TEXT

GG has the following statement of profit or loss extract for the year ended 31 December 20X3

	\$000
Operating profit	800
Finance income	100
Finance costs	(200)
Profit before tax	700
Income tax	(150)
Profit for the period	550

What is the interest cover for GG for the year ended 31 December 20X3?

- A. 2.8 times
- B. 4.0 times.
- C. 4.5 times
- D. 3.5 times

ANSWER: B**QUESTION NO: 3**

A contra entry is best described as:

- A. An entry made between two customers in the sales ledger
- B. An entry made between two customers in the purchase ledger
- C. An entry made to set off the balances of the same account within the sales ledger and the purchase ledger
- D. An entry made to balance the control account

ANSWER: C**QUESTION NO: 4**

Refer to the exhibit.

Receivables	\$18,000
Payables	\$10,000
Inventories	\$22,000
Cash	\$4,000
Non-current assets	\$23,000
Bank loan	\$14,000

Harvey commenced business with capital of \$50,000. At the end of the first financial year, he has

What was the profit for the period?

- A. \$7,000 profit
- B. \$7,000 loss
- C. \$23,000 profit
- D. \$23,000 loss

ANSWER: B

QUESTION NO: 5

The Finance Director of EFG company has made the following statements regarding the recording of expenditure relating to the entity's property, plant and equipment (PPE) in the nominal ledger.

Which THREE of the following statements are true?

- A. The annual depreciation charge reduces EFG's profit for the year.
- B. The cost of insurance for the factory is debited to the PPE asset account.
- C. The loss on the disposal of PPE reduces EFG's profit for the year
- D. The cost of repainting the office is credited to the repairs expense account
- E. The loss on the disposal of PPE is recorded in a liability account
- F. The annual depreciation charge reduces the carrying value of PPE

ANSWER: A C F

QUESTION NO: 6 - (DRAG DROP)

DRAG DROP

CDE, an entity registered for sales tax, purchases a piece of equipment for cash on 31 December 20X6 for \$30,000 including sales tax. The sales tax rate is 20%. What is the journal entry required to record this transaction in the nominal ledger?

Place the labels in the corresponding position in the table below:

DR / CR	Account	\$
	Non current asset	
	Sales tax	
	Bank	30,000

Items	
Dr	5,000
Cr	6,000
24,000	25,000

ANSWER:

DR / CR	Account	\$
Dr	Non current asset	25,000
Dr	Sales tax	5,000
Cr	Bank	30,000

Items	
Dr	5,000
Cr	6,000
24,000	25,000

Explanation:

DR / CR	Account	\$
Dr	Non current asset	25,000
Dr	Sales tax	5,000
Cr	Bank	30,000

Items	
Dr	5,000
Cr	6,000
24,000	25,000

QUESTION NO: 7

There are four separate but related bodies which control the setting of International accounting standards (IFRS's).

Which THREE of the following are included in the standard setting process?

- A. International Accounting Standards Board (IASB)
- B. Accounting Standards Board (ASB)
- C. International Financial Reporting Interpretations Committee (IFRIC)
- D. Chartered Institute of Management Accountants (CIMA)
- E. Financial Accounting Standards Board (FASB)
- F. International Accounting Standards Committee Foundation (IASCF)

ANSWER: A C F

QUESTION NO: 8

Fraud will only be prevented successfully if potential fraudsters perceive the risk of detection as high.

Which THREE of the following are ways to prevent fraud?

- A. Sufficient internal control systems
- B. Computerized accounting systems
- C. Continuous supervision of all employees
- D. Regular reconciliations
- E. Surprise audit visits
- F. Maintaining books of prime entry

ANSWER: A C E

QUESTION NO: 9

The sales ledger control account shows a balance of \$267,984 whilst the individual customer account balances total \$262,856.

Which of the following is a possible explanation for the difference between the two?

- (i) A payment has been recorded in the cashbook but not in the sales ledger
 - (ii) A payment has been recorded in the sales ledger but not in the cashbook
 - (iii) An invoice has been recorded in the sales ledger but not in the sales day book
 - (iv) An invoice has been recorded in the sales day book but not in the sales ledger
- A. (i) and (iii) only
 - B. (ii) and (iv) only
 - C. (i) and (iv) only
 - D. (ii) and (iii) only

ANSWER: B

QUESTION NO: 10

IAS 2 Inventories does not permit the use of the last in, first out (LIFO) method of valuing inventory. In a time of rising prices, which of the following is a reason for this?

- A. Purchases are overstated
- B. Closing inventory is understated.
- C. Cost of sales are understated
- D. Gross profit is overstated

ANSWER: B**QUESTION NO: 11**

As well as independence other essential elements of internal audit can be identified.

Which THREE of the following would be classed as essential elements of internal audit?

- A. Due care
- B. Relationships
- C. Cost efficient
- D. Timely
- E. Evidence
- F. Efficient

ANSWER: A B E**QUESTION NO: 12**

Mr UY has just had property P re-valued. Mr UY originally purchased property P for £560,000. It is now worth £780,000.

Which ONE of the following shows how this transaction should be recorded in Mr UY's property account?

- A. £220,000 credit
- B. £220,000 debit
- C. £780,000 debit

D. £780,000 credit

ANSWER: B

QUESTION NO: 13

A ledger account is opened with a credit balance of \$400. During the period the account is credited with \$5,800 and debited with \$6,500

What balance will open this account in the following period?

- A. \$300 Credit
- B. \$300 Debit
- C. \$1,100 Credit
- D. \$1,100 debit

ANSWER: B

QUESTION NO: 14

In internal auditing, detection of fraud is an important objective. The auditors will best be able to detect frauds if they are knowledgeable in the most common methods of fraud.

Which THREE of the following are common methods of fraud?

- A. Ghost employees
- B. Taking stationary home
- C. Teeming and lading
- D. Using a company car for personal use
- E. Collusion with external parties
- F. Using company phones for private calls

ANSWER: A C F

QUESTION NO: 15

Office equipment store Officework Ltd has made the following purchase from supplier GX:

50 printers costing £3,500 £6,400

worth of A4 paper £101,500

worth of general stationary

This purchase has been made on credit. Which TWO of the following show how the transaction should be recorded in Officework Ltd's documents?

- A. £111,400 debit to payables
- B. £111,400 debit to purchases
- C. £111,400 credit to purchases
- D. £111,400 credit to payables
- E. £111,400 credit to stock
- F. £111,400 debit to stock
- G. £111,400 credit to receivables

ANSWER: B D