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## Fundamentals of Financial Accounting

Cima BA3

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## QUESTION NO: 1

Which of the following are examples of indirect costs for a chocolate manufacturing business?

- A. Factory rent
- B. Factory insurance
- C. Factory supervisor wages
- D. Purchase of milk
- E. Purchase of cocoa

**ANSWER: A B C**

## QUESTION NO: 2

A trader commenced business with capital of \$20,000. At the end of the financial year he had receivables of \$10,000, payables of \$6,000, inventory of \$12,000, cash of \$4,000 and non-current assets costing \$16,000.

The profit/loss for the period was:

- A. \$16,000 profit
- B. \$16,000 loss
- C. \$8,000 profit
- D. \$8,000 loss

**ANSWER: A**

## QUESTION NO: 3

Which of the following is an error of principle?

- A. Using the wrong amount when recording a transaction
- B. Recording a transaction in the wrong type of account
- C. A transaction recorded twice in the ledger accounts

D. Recording a transaction in the wrong ledger account

**ANSWER: B**

## QUESTION NO: 4

Which of the following are relevant to the total working capital days ratio calculation?

- A. Inventories days
- B. Receivables days
- C. Payables days
- D. Current assets
- E. Current liabilities
- F. Operating profit

**ANSWER: A B C**

## QUESTION NO: 5

Which THREE of the below are possible reasons for an entity's capital amount to change?

- A. New or withdrawn capital
- B. Drawings
- C. Depreciation of non-current assets
- D. Net profit/loss

**ANSWER: A B D**

## QUESTION NO: 6

Which one of the following is an error of commission?

- A. An electricity bill debited and credited to the correct accounts but duplicated
- B. A credit sale debited to the bank account and credited to the sales account

- C. The purchase of plant and machinery debited to the fixtures and fittings account and credited to the suppliers account
- D. An invoice for £592 debited and credited to the correct accounts, but for £529

**ANSWER: C**

## QUESTION NO: 7

A business needs to reconcile its cash book with the current bank statement on a regular basis

Which THREE of the following items could require an adjusting entry in the cash book?

- A. Cheques presented for payment after the date of the bank statement
- B. A dishonored cheque from a customer
- C. An error by the bank
- D. Bank charges
- E. Deposits credited after the date of the bank statement
- F. Standing order payment entered in the bank statement

**ANSWER: B D F**

## QUESTION NO: 8

A non-current asset was purchased for £240000 at the beginning of Year 1, with an expected life of 7 years and a residual value of £50000. It was depreciated by 20% per annum using the reducing balance method.

At the beginning of Year 4 it was sold for £100000. The result of this was:

- A. A loss on disposal of £2720
- B. A loss on disposal of £22880
- C. A profit on disposal of £50000
- D. A profit on disposal of £58571

**ANSWER: B**

## QUESTION NO: 9

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: 10

Which THREE of the following represent credit balances?

- A. assets
- B. liabilities
- C. income
- D. expenses
- E. capital
- F. drawings

**ANSWER: B C E**

## QUESTION NO: 11

The method of accounting that attempts to recognize changing price levels by applying an industry or asset specific price index to the cost of goods sold and assets consumed is known as:

- A. Current cost accounting
- B. Current purchasing power accounting
- C. Historic cost accounting

D. Replacement cost accounting

**ANSWER: A**

## QUESTION NO: 12

ABC Limited had a gross profit margin of 55%, while a direct competitor, XYZ Limited, has a gross profit margin of 60%.

Which THREE of the following would be an acceptable explanation for this?

- A. ABC Limited has a higher selling price than XYZ Limited
- B. ABC Limited has a lower selling price than XYZ Limited
- C. ABC Limited has better control of its production costs than XYZ Limited
- D. XYZ Limited has better control of its production costs than ABC Limited
- E. ABC Limited has a lower profit mark-up than XYZ Limited
- F. ABC Limited has a higher profit mark-up than XYZ Limited

**ANSWER: B D E**

## QUESTION NO: 13

One of the main responsibilities of internal auditors is to check the operational systems within their organization to establish whether the system's internal controls are sufficient and in full operation.

Which THREE of the following are examples of internal controls?

- A. Segregation of duties
- B. Physical
- C. Accounting codes
- D. Authorization and approval
- E. Filing
- F. Documentation

**ANSWER: A B D**

## QUESTION NO: 14

Which one of the following does not apply when the historical cost convention is being followed?

- A. Inventory should be valued at the lower of cost and net realizable value
- B. All assets should be valued at their historical cost
- C. Non-purchased goodwill should not be capitalized
- D. Non-current assets should be depreciated over their estimated useful life

**ANSWER: B**

## QUESTION NO: 15 - (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