

April 25 LCCI Level 2 Certificate in Bookkeeping and Accounting – Learning outcome 1 (2-mark questions)

4 questions – students to be given 2 random questions from this bank of questions.

Question 1 (2 marks)

A sole trader had a balance on its payables ledger of \$4100 at the start of the year, and \$2900 at the end of the same accounting period.

If the sole trader paid \$22500 to its suppliers during the period, what was the amount of credit purchases for the period?

	✓
\$21300	[✓]
\$23700	
\$18400	
\$29500	

MCQ

Question 2 (2 marks – 1 mark for each correct answer)

Complete the table below to show which book of original entry would be used for each transaction using the drop-down options provided below.

Transaction	Book of original entry
Sales on credit	[Sales day book]
Goods returned to credit suppliers	[Purchase returns day book]

Drop down options in all boxes:

Purchase day book

Purchase returns day book

Cash book

Journal

Sales day book

Sales returns day book

DROP DOWN

Question 3 (2 marks)

An entry in the sales returns day book is for a credit note issued to Jackson & Co for \$650.

Which one of the following options shows the correct entry in the receivables ledger?

	✓
Account name: Jackson & Co. Credit entry for \$650.	[✓]
Account name: Jackson & Co. Debit entry for \$650.	
Account name: Receivables Ledger Control Account. Debit entry for \$650.	
Account name: Discounts Allowed. Debit entry for \$650.	

MCQ

Question 4 (2 marks)

Which one of the following statements regarding control accounts is true?

	✓
Reconciliation of the receivables ledger control account assures managers that the amount showing as outstanding from customers is correct.	[✓]
The balance of the receivables ledger control account should agree to the total of the balances in the payables ledger.	
The balance of the receivables ledger control account is guaranteed to be correct so any discrepancies which occur must be in the receivables ledger.	
The balance of the receivables ledger control account should agree to the total of the aged trade payables analysis.	

MCQ

April 25 LCCI Level 2 Certificate in Bookkeeping and Accounting – Learning outcome 2 (4-mark questions)

2 questions – students to be given 1 random question from this bank of questions.

Question 1 (4 marks)

The opening balance on the receivables ledger control account at the beginning of April was \$14320.

The following transactions appear in the records of the business during the month of April:

	\$
Bank receipts from credit customers	11320
Cash sales	1620
Discounts allowed	350
Credit sales	16570
Sales returns	1120

What is the closing balance on the receivables ledger control account at the end of April?

Enter the value of the balance only. You are not required to indicate whether this is a debit or credit balance.

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$(18100)

INSERT VALUE

Question 2 (4 marks – 1 mark for each correct answer)

A reconciliation of the payables ledger control account to the subsidiary ledger of a sole trader has been carried out and a number of errors have been identified.

Identify whether each of the following errors will have caused the **payables ledger control account** balance to be too high, too low or select no impact if the error has no impact on the subsidiary ledger.

Error	Impact
A credit note from a supplier has been entered as a purchase invoice in the subsidiary ledger.	[No impact]
Discounts received have been omitted from the payables ledger control account.	[Too high]
Watson & Co issued an invoice for rent for the month of June 20X1, however this was entered on the account of Watson Ltd in the subsidiary ledger.	[No impact]
Purchase returns have been entered on the credit side of the payables ledger control account.	[Too high]

Drop-down options in all boxes provided to be:

Too high

Too low

No impact

DROP DOWN OPTIONS

April 25 LCCI Level 2 Certificate in Bookkeeping and Accounting – Learning outcome 3 (2-mark questions)

2 questions – students to be given 1 random question from this bank of questions.

Question 1 (2 marks)

The owner of a sole trader business purchased a new computer for use in the business using the business bank debit card. The bookkeeper has recorded the entry in the computer software expense account in error. The entry to the bank account has been made correctly.

Which one of the following journals would **correct** this error?

Journals	(✓)
Debit: Computer equipment Credit: Computer software	[✓]
Debit: Computer equipment Credit: Bank	
Debit: Computer software Credit: Bank	
Debit: Computer software Credit: Computer equipment	

MCQ

Question 2 (2 marks)

Which one of the following errors is an error of principle?

	✓
A bank loan received has been recorded as capital put into the business by the owner	[✓]
A sale made to J Smythe has been entered in J Smith's account in error	
Vehicle repairs have been recorded in the vehicle insurance account	
Carriage inwards has been recorded in the purchases account	

MCQ

April 25 LCCI Level 2 Certificate in Bookkeeping and Accounting – Learning outcome 3 (4-mark questions)

4 questions – students to be given 2 random questions from this bank of questions.

Question 1 (4 marks – 2 marks for each correct answer)

A trial balance has been prepared for a business however it did not balance.

The debit column of the trial balance totalled \$24320, and the credit column totalled \$25020.

What entry would be made in the suspense account to balance the trial balance?

Use the drag and drop options below to complete the following table.

Account name	Amount (\$)	Debit or credit
Suspense	[\$700]	[Debit]

Drag and drop options:

\$700

\$1400

\$350

Debit

Credit

DRAG AND DROP

Question 2 (4 marks – 1 mark for each correct entry shown in blue text)

An extract from an initial trial balance for a business is provided below:

Account	\$
Purchases	12310
Purchase returns	850
Rent	2500
Rates	1300

Following a review of the trial balance, a number of errors have been identified, and the journals below have been prepared to correct the errors.

Account	Debit	Credit
Purchases	250	
Suspense		250
Purchase returns	110	
Purchases		110
Rent	350	
Rates		350

Complete the following table to show the updated balances for each account once the journal has been processed.

Enter your answer in whole \$ only and do **not** use any commas (,) or full stops(.), and do **not** enter a \$ sign in your answer.

Account	\$
Purchases	[12450]
Purchase returns	[740]
Rent	[2850]
Rates	[950]

INSERT VALUE

Question 3 (4 marks – 1 mark for each correct answer)

Identify whether each of the following balances would appear on the debit or credit side of a trial balance by using the drop-down options provided below.

Balance	Debit or Credit
Bank charges	[Debit]
Discounts allowed	[Debit]
Rent received	[Credit]
Sales returns	[Debit]

Drop-down options to be provided in each answer box:

Debit

Credit

DROP DOWN OPTIONS

Question 4 (4 marks – 1 mark for each correct answer)

Identify if an error has been made in each of the following situations.

If an error has been made, select the type of error from the drop-down list provided. If an error has not been made, select the option for 'no error'.

Situation	Type of error
Bank interest received was recorded as a debit entry in the bank interest account and a credit entry in the bank account.	[Reversal of entries]
An invoice has been received from a supplier for \$250 however it has been entered in the accounting records as \$280.	[Error of original entry]
An amount paid from the bank for vehicle insurance was recorded as debit vehicle insurance and credit bank.	[No error]
The owner withdrew \$2000 from the bank account as drawings however this has been recorded in the wages account.	[Error of principle]

Drop down options to be available in all answer boxes:

Error of original entry

Error of principle

Error of commission

Error of omission

Reversal of entries

No error

DROP DOWN OPTIONS

April 25 LCCI Level 2 Certificate in Bookkeeping and Accounting – Learning outcome 4 (2-mark questions)

4 questions – students to be given 2 random questions from this bank of questions.

Question 1 (2 marks)

Which one of the following accounting concept states that omitting or misstating information could influence users of the financial statements?

	✓
Materiality concept	[✓]
Consistency concept	
Accruals concept	
Going concern concept	

MCQ

Question 2 (2 marks)

Which one of the following accounting concepts is being followed when a charge is made in the financial statements for depreciation?

	✓
Accruals	[✓]
Going concern	
Materials	
Business entity	

MCQ

Question 3 (2 marks)

Which of the following ledger accounts would normally carry a credit balance?

1. An asset account
2. A liability account
3. A capital account
4. An income account
5. An expense account

	✓
2, 3 and 4 only	[✓]
2 and 4 only	
1, 3 and 5 only	
2, 3 and 5 only	

MCQ

Question 4 (2 marks)

When carrying out double entry, which one of the following is true? Ignore the other side of the entry.

	✓
A decrease in a liability will result in a debit to the liability account	[✓]
Incurring an expense will result in a credit to the expense account	
An increase in an asset will result in a credit to the asset account	
An increase in capital will result in a debit to the capital account	

MCQ

April 25 LCCI Level 2 Certificate in Bookkeeping and Accounting – Learning outcome 4 (4-mark questions)

10 questions – students to be given 7 random questions from this bank of questions.

Question 1 (4 marks – 2 marks for each correct answer)

The opening balance on the allowance for doubtful debts account as at 1 January 20X2 was \$1325.

As at 31 December 20X2 the following aged receivables schedule was prepared, and it was decided to apply the following percentage rates to the allowance for doubtful debts:

Period outstanding:	Receivable (\$)	Action required
Up to 30 days	28600	2% allowance required
31 to 60 days	8500	5% allowance required
61 to 90 days	1860	10% allowance required
Over 90 days	250	To be written off as an irrecoverable debt

Answer the following questions using the drop-down options provided in each box.

Question	Answer
The \$250 irrecoverable debt will be written off as an expense to which financial statement?	<p>[Statement of Profit or Loss]</p> <p>[Statement of Financial Position]</p> <p>[Trial balance]</p>
What is the adjustment required to the allowance for doubtful debts for the year?	<p>[Decrease of \$142]</p> <p>[Decrease of \$147]</p> <p>[Increase of \$108]</p>

The drop-downs to be available in each box shown above. Correct answer in blue. Incorrect answers in red.

DROP DOWN

Question 2 (4 marks)

You are given the following information:

Balance as at:	1 January 20X4
Prepayment for rent expense	\$975

The bank summary for the year shows rent payments of \$3575. Included in this figure is \$1050 for the quarter ended 31 January 20X5.

What amount would be shown in the Statement of Profit or Loss as rent expenses for the year ending 31 December 20X4?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$[4200]

INSERT VALUE

Question 3 (4 marks)

A sole trader acquired a motor van to use in his business on 1 January 20X2 at a cost of \$18640.

The van has an estimated life of 5 years and a residual value of \$2000.

What is the depreciation charge for the year ending 31 December 20X3 using the straight-line method of depreciation?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$[3328]

INSERT VALUE

Question 4 (4 marks – 1 mark for each correct answer)

A business disposed of a machine for \$3200 on 1 March 20X6.

The machine was originally purchased on 1 March 20X3 at a cost of \$18000 and had been depreciated using the straight-line method at a rate of 25% assuming a nil residual value.

Answer the following questions with regards to this machine using the drop-down options provided below.

	Answer
On which side of the Machinery account will the entry to remove the cost of the machine disposed of appear on?	[Credit] [Debit]
In the disposal account , which side of the account will the accumulated depreciation appear on?	[Credit] [Debit]
Has a profit or loss been made on this disposal?	[Loss] [Profit] [Breakeven]
What is the value of the profit or loss on this disposal?	[\$1300] [\$5800] [\$3200] [\$0]

Drop down options to be provided shown in the boxes above. Correct answer in blue. Incorrect answers in red.

DROP DOWN

Question 5 (4 marks – 1 mark for each correct answer)

A sole trader is accounting for the disposal of a motor vehicle. The proceeds were received directly into the bank account. Identify whether the account balances listed below would debit, credit or not change **as a result of the disposal of the vehicle** by using the drop-down options provided below in each box.

Account balance	Impact
Motor vehicle accumulated depreciation account	[Debit]
Bank	[Debit]
Motor vehicle running costs	[Not change]
Motor vehicles at cost account	[Credit]

Drop down options to be provided in all boxes:

Debit

Credit

Not change

DROP DOWN

Question 6 (4 marks)

You are making the necessary entries in the accounts to record the disposal of an old vehicle.

The vehicle had been bought for \$12600 on 1 January 20X5.

Depreciation is applied using the diminishing balance method at a rate of 20% per annum.

The vehicle was sold for \$8500 on 1 January 20X7 and the proceeds were received directly into the bank account. What was the gain or loss on the disposal of this vehicle?

Use a minus sign to indicate a loss, for example a profit would be entered as 100, a loss would be entered as -100. Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$(436)

INSERT VALUE

Question 7 (4 marks)

An initial Statement of Profit or Loss for a sole trader has been prepared and shows a profit of \$6895 for the year ending 31 December 20X5.

However, following a review of the financial statements, two errors have been identified which are now to be corrected. These were:

1. Credit sales of \$1670 were omitted from the accounting records.
2. An irrecoverable debt of \$175 is to be written off.

What amount would show as the profit for the year after these errors have been corrected?

Enter your answer in whole \$ only.

\$(8390)

INSERT VALUE

Question 8 (4 marks)

A sole trader uses a woodworking machine to produce small items of bespoke wooden furniture. The machine was purchased 3 years ago for \$12000 and has been depreciation using the diminishing balance method of depreciation at a rate of 20% per annum.

The machine is now needing a lot of repairs and so the sole trader has decided to part exchange it with a dealer for a new machine.

The new machine will cost \$15000 and the dealer has offered \$3500 as a part exchange allowance towards the cost of the new machine. What is the gain or loss on the disposal of the old machine?

Use a minus sign to indicate a loss, for example a profit would be entered as 100, a loss would be entered as -100. Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$(2644) INSERT VALUE

Question 9 (4 marks)

A sole trader paid premises insurance for his workshop amounting to \$1800 on 1 August 20X2 for the year to 31 July 20X3. He then paid a further \$2160 on 1 August 20X3 for the year to 31 July 20X4.

The financial year end of the sole trader business is 31 December 20X3.

What amount will appear in the Statement of Profit or Loss for premises insurance payable for the year ended 31 December 20X3?

\$[1950]

INSERT VALUE

Question 10 (4 marks – 1 mark for each correct answer shown in blue text)

Identify the accounting concepts being applied in each of the four following scenarios using the drop-down options provided below.

Scenarios	Concept
A business is unsure as to their ability to collect the debt owed by a customer and so creates an allowance for doubtful debt	[Prudence]
A business purchases a new piece of machinery for use in the business and applies the same depreciation method and rate used for the existing machinery in the business	[Consistency]
Expenses paid for by the business which relate to the owner of the business are recorded in a separate drawings account	[Business entity]
Income and expenses are accounted for in the period to which they relate, regardless of when they are paid	[Accruals]

Drop-down options to be provided in each box:

Accruals

Prudence

Consistency

Business entity

DROP DOWN OPTIONS

April 25 LCCI Level 2 Certificate in Bookkeeping and Accounting – Learning outcome 5 (2-mark questions)

6 questions – students to be given 3 random questions from this bank of questions.

Question 1 (2 marks)

When preparing a manufacturing account, what would be the effect of treating indirect labour as direct labour?

	✓
Prime cost is overstated	[✓]
Prime cost is understated	
Production cost is overstated	
Production cost is understated	

MCQ

Question 2 (2 marks)

The All Green Tennis Club provided the following information for the year ended 31 August 20X2.

The opening balance on the subscriptions account was a debit balance of \$960.

	1 September 20X1	31 August 20X2
Subscriptions in advance	640	160
Subscriptions in arrears	480	320

The club has 62 members each paying a subscription of \$160 a year.

What amount would show in the Income and Expenditure account for The All Green Tennis Club for the year ending 31 August 20X2 for subscriptions?

	✓
\$9920	[✓]
\$9440	
\$9600	
\$9280	

MCQ

Question 3 (2 marks)

Which one of the following identifies the correct double entry to record the creation of goodwill in a partnership?

	✓
Debit: Goodwill Credit: Partner's capital account	[✓]
Debit: Goodwill Credit: Partner's current account	
Debit: Partner's capital account Credit: Goodwill	
Debit: Partner's current account Credit: Goodwill	

MCQ

Question 4 (2 marks)

In which section of the Statement of Financial Position would goodwill be shown?

	✓
Non-current assets	[✓]
Current assets	
Current liabilities	
Non-current liabilities	

MCQ

Question 5 (2 marks)

Which one of the following is a revenue reserve in a limited company?

	✓
Retained earnings	[✓]
Revaluation reserve	
Share capital	
Share premium	

MCQ

Question 6 (2 marks)

Which one of the following correctly identifies how to calculate prime cost in a manufacturing account?

	✓
Direct materials + Direct labour + Direct expenses	[✓]
Direct materials + Direct expenses + Indirect labour	
Total direct costs + Factory overheads	
Total direct costs + Total indirect costs	

MCQ

April 25 LCCI Level 2 Certificate in Bookkeeping and Accounting – Learning outcome 5 (4-mark questions)

8 questions – students to be given 6 random questions from this bank of questions.

Question 1 (4 marks)

On 1 October 20X2, Frank and Georgia started trading as a partnership introducing capital of \$40000 each.

The partnership agreement stated:

- Profits and losses are to be shared in the ratio of 2:1
- Interest of 6% is to be charged on total drawings made during the year
- Interest of 5% per annum on closing capital is to be provided for
- Georgia is to receive salary of \$12400 per annum

During the year ended 30 September 20X3, Frank took cash drawings of \$12000, and Georgia took goods for personal use amounting to \$2500. The profit for the year ending 30 September 20X3 was \$68699.

What would be Georgia's share of profit for the year after appropriations?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$[17723]

INSERT VALUE

Question 2 (4 marks)

JKB Ltd has provided the following information:

At 1 January 20X3	\$
Retained earnings	84650
Share capital (ordinary shares of \$1 each)	45000
Share premium	12750

On 1 September 20X3, \$15000 was received from an issue of ordinary shares at a premium of \$0.50 per share.

What was the total number of shares in issue at the year end date of 31 December 20X3?

Enter your answer as a whole number only and do not use any commas (,) or full stops(.).

[55000]

INSERT VALUE

Question 3 (4 marks)

FTD Ltd has provided the following information:

At 1 April 20X3	\$
Retained earnings	76400
Share capital (ordinary shares of \$1 each)	95000
Share premium	15750

On 1 July 20X3, a dividend of \$0.30 per share was paid on all shares in issue on that date.

On 1 September 20X3, 15000 ordinary shares were issued at a premium of \$0.25.

On 1 December 20X3, a dividend of \$0.20 per share was paid on all shares in issue on that date.

What was the total dividend paid in the year ending 31 March 20X4

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$(50500)

INSERT VALUE

Question 4 (4 marks – 1 mark for each correct answer)

Provided in the table below are four terms used by non-profit making organisations, such as a club.

Identify the terms used by a limited company in comparison to a club using the drop-down options provided in the table below.

Club	Business
Accumulated fund	[Equity] [Drawings] [Profit for the year]
Surplus of income over expenditure	[Profit for the year] [Gross profit] [Revenue]
Receipts and payments account	[Cash book] [Trial balance] [Bank statement]
Income and Expenditure account	[Statement of profit or loss] [Statement of financial position] [Statement of changes in equity]

Drop-down options to be provided in each box as shown above. Correct answers shown in blue. Incorrect shown in red.

DROP DOWN

Question 5 (4 marks)

Viktor trades as a sole trader. During the year he made sales of \$24680. His opening inventory at the start of the year was \$1860 and his closing inventory was \$1420.

James operates using a 40% gross margin.

What was the purchases figure for the year? Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$(14368)

INSERT VALUE

Question 6 (4 marks)

Severn Products Co makes a single product, SP100, which incurs the following costs:

Direct materials	6.5kg at \$3.50 per kg
Direct labour	4 hours at \$16 per hour
Overheads	1 hour at \$4.50 per hour

What is the prime cost of making one unit of SP100? You **must** enter your answer to **2 decimal places**, for example, \$20 would be entered as 20.00

\$(86.75)

INSERT VALUE

Question 7 (4 marks)

You have been provided with the following information about a partnership business.

The financial year ends on 31 December 20X3.

The partners at the start of the year were Abel, Bryony and Callum. At this point in time the partnership agreement showed the following:

- Salaries:
 - Abel \$24000 per annum
 - Bryony \$21000 per annum
- Interest on capital:
 - Abel \$1000 per annum
 - Bryony \$1500 per annum
 - Callum \$500 per annum
- Profit share:
 - Abel 50%
 - Bryony 25%
 - Callum 25%

Abel retired from the partnership on 30 September 20X3, and the partnership agreement was amended to now show the salaries and interest on capital for the remaining two partners would stay the same, however the profit share effective from 1 October 20X3 was now:

- Bryony 60%
- Callum 40%

Profit for the year was \$72000, and you can assume profits accrued evenly throughout the year.

What was Abel's share of profit for the year ending 31 December 20X3?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$(9000]

INSERT VALUE

Question 8 (4 marks – 1 mark for each correct answer shown in blue text)

Wood Delights is a company which makes bespoke wooden gifts.

Identify whether each of the following costs are direct or indirect costs for Wood Delights by using the drop-down options provided below to complete the table.

Costs	Direct or Indirect
Premises insurance cost	[Indirect]
Product designer wages	[Direct]
Wood for use in making gifts	[Direct]
Wages of stores supervisor	[Indirect]

Drop-down options to be available in all answer boxes:

Direct

Indirect

DROP DOWN OPTIONS

April 25 LCCI Level 2 Certificate in Bookkeeping and Accounting – Learning outcome 6 (2-mark questions)

4 questions – students to be given 2 random questions from this bank of questions.

Question 1 (2 marks)

Which one of the following correctly identifies the formula to calculate the current ratio?

	✓
Current assets / Current liabilities	[✓]
(Current assets – Inventory) / Current liabilities	
Current liabilities / Current assets	
Inventory / Current assets	

MCQ

Question 2 (2 marks)

Which one of the following statements relating to ratios is true?

	✓
A disadvantage of ratios is that they are based on previous performance which does not guarantee the same events will happen in the future.	[✓]
All other things being equal, if the gross profit percentage decreases, then the profit for the year will increase.	
The interpretation of financial statements using ratios is only used for internal analysis purposes.	
It is not possible to calculate ratios for limited company accounts due to the abbreviated nature of their presentation.	

MCQ

Question 3 (2 marks)

The results of ratio analysis for a sole trader for the last two years are provided below.

	31.03.X3	31.03.X2
Gross profit percentage of revenue	54%	52%
Profit for the year percentage of revenue	30%	28%
Accounts receivable collection period	33 days	34 days
Accounts payable payment period	28 days	35 days

Which one of the following statements is a valid conclusion based on the above information?

	✓
The business may be taking advantage of prompt payment discounts from suppliers.	[✓]
The change in the accounts receivable collection period is concerning as the business is taking longer to collect debts than in the previous year.	
There has been a deterioration in the gross profit and profit for the year ratios which may be as a result of increased costs and/or reduced revenues.	
The change in the profit for the year ratio must be as a result of decreased expenses in the year.	

MCQ

Question 4 (2 marks)

You have been provided with the following information:

	\$
Sales for the year	42530
Purchases	28450
Opening inventory	9850
Closing inventory	8760

Which one of the following correctly shows the result of the gross profit as a percentage of cost of goods sold ratio to the nearest whole %?

	✓
44%	[✓]
31%	
46%	
28%	

MCQ

April 25 LCCI Level 2 Certificate in Bookkeeping and Accounting – Learning outcome 6 (4-mark questions)

6 questions – students to be given 4 random questions from this bank of questions.

Question 1 (4 marks)

You have been provided with the following extract from a Statement of Financial Position for the year ending 31 March 20X2.

	\$
Non-current assets	68000
Current assets	
Inventory	14520
Trade receivables	38460
Bank	<u>4200</u>
	57180
Current liabilities	
Trade payables	32650
Non-current liabilities	
Loan	10000

Calculate the liquid (acid test) ratio based on the information above and **show your answer to 1 decimal place.**

Please note you do not need to show the full format of the answer, so **:1 is not required after your answer.**

[1.3]

INSERT VALUE

Question 2 (4 marks)

You have been given the following extracts from the financial statements of a limited company for the year ending 31 March 20X3.

	\$
Extract from Statement of Profit or Loss	
Sales	62500
Gross profit	28400
Profit for the year	12300
Extract from Statement of Financial Position	
Non-current liabilities	10000
Current liabilities	12100
Equity	15000

What is the return on capital employed ratio? **Show your answer to 1 decimal place** and please note you do **not** need to show the % sign with your answer.

[49.2]%

INSERT VALUE

Question 3 (4 marks)

You have been provided with the following extracts from the financial statements for a sole trader for the year ending 31 July 20X2.

	\$
Sales	52925
Less cost of sales	
Purchases	<u>28680</u>
Gross profit	24245
Less expenses	<u>18310</u>
Net profit	5935

	\$
Current assets	
Trade receivables	4640
Bank	<u>8940</u>
	13580
Current liabilities	
Trade payables	3750
Non-current liabilities	12000

Calculate the trade receivables collection period and round your answer **up to the nearest whole day**.

[32] days

INSERT VALUE

Question 4 (4 marks – 1 mark for each correct answer)

You have been provided with the following extracts from the financial statements for a sole trader for 2 years.

	20X3	20X2
	\$	\$
Extract from Statement of Profit or Loss		
Sales	56592	52400
Gross profit	39442	36520
Profit for the year	11500	12300
Extract from Statement of Financial Position		
Non-current liabilities	12000	8000
Capital	30000	30000

Identify whether each of the following statements are true or false based on the above information using the drop-down options provided below.

Statement	True or false
The sole trader appears to be controlling expenses better in 20X3 compared to 20X2	[False]
Sales increased by 8% between the two years.	[True]
The gross profit margin has stayed consistent between the two years	[True]
The owner may have acquired more external funding for the business in 20X3	[True]

Drop-down options to be provided in all boxes:

True

False

DROP DOWN OPTIONS

Question 5 (4 marks – 1 mark for each correct answer shown in blue text)

Identify whether each of the following statements about accounting ratios is true or false by using the drop-down options provided below to complete the table.

Statements	True or false
The current ratio is a measure of liquidity.	[True]
The return on capital employed ratio uses figures from the Statement of Financial Position only.	[False]
An increase in the operating expenses of the business will result in a decrease in the gross profit margin ratio.	[False]
If a company does not hold inventory, the result of the current ratio and liquid (acid test) ratio for the same year will be the same.	[True]

Drop-down options to be provided in all answer boxes:

True

False

DROP DOWN OPTIONS

Question 6 (4 marks)

You have been provided with the following extracts from the financial statements for a sole trader for the year ending 31 May 20X2.

	\$
Sales	68760
Opening inventory	6520
Purchases	24800
Closing inventory	5220
Gross profit	42660

	\$
Current assets	
Inventory	5220
Trade receivables	6210
Bank	<u>12310</u>
	23740
Current liabilities	
Trade payables	4980

Calculate the rate of inventory turnover (based on closing inventory).

Show your answer to **the nearest whole number**.

[5]

INSERT VALUE