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## Quality & Qualifications Ireland (QQI)

### BA (Hons) Accounting and Finance BA (Hons) Financial Services

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## SUMMER 2024 EXAMINATIONS

<i>Module Code:</i>	<b>B6AF111</b>
<i>Module Description:</i>	<b>Principles of Accounting</b>
<i>Examiner:</i>	<b>Georgina Skehan</b>
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<i>External Examiner:</i>	<b>Shane Moran</b>

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## INSTRUCTIONS TO CANDIDATES

Time allowed is TWO hours

SECTION A – Answer Question 1 (30 Marks)

SECTION B – Answer Question 2 (40 Marks)

SECTION C – Answer any ONE Question from Section C (30 Marks)

### **Section A**

**This question is compulsory and must be answered**

#### **Question 1**

Section A consists of 10 multiple-choice questions, each question has 4 possible answers. There is ONLY ONE correct answer in each part. Each correct answer is worth 3 marks.

- i. Capital expenditure is
  - A. The cost of running the business on a day to day basis
  - B. Money spent on buying non current assets or adding value to them
  - C. The extra capital paid in by the proprietor
  - D. None of the above
  
- ii. Which of the following choices comprise the four enhancing qualitative characteristics of financial reporting based upon the IASB's Conceptual Framework for Financial Reporting?
  - A. Relevance, reliability, prudence and understandability
  - B. Relevance, accruals, prudence and understandability
  - C. Relevance, faithful representation, prudence and accruals
  - D. Comparability, verifiability, timeliness and understandability
  
- iii. John runs a video games shop that is registered for sales tax. On 21 June, the business sold goods on credit for €49,200, inclusive of tax at 23%. How would this sale be recorded in the accounts?
  - A. Debit Sales €40,000, Debit Sales Tax €9,200                      Credit Cash €49,200
  - B. Debit Sales €40,000, Debit Sales Tax €9,200                      Credit Payables €49,200
  - C. Debit Receivables €49,200                      Credit Sales €40,000, Credit Sales Tax €9,200
  - D. Debit Receivables €49,200                      Credit Sales €37,884, Credit Sales Tax €11,316

iv. Which body is responsible for the issue of International Financial Reporting Standards (IFRSs)?

- A. The IFRS Advisory Council
- B. The International Financial Reporting Interpretations Committee
- C. The European Union
- D. The International Accounting Standards Board

v. Wages of €15,000 were incorrectly debited to wages account as €18,000. The correct amount was credited to the bank.

What is the correct journal to correct the error?

- |                       |                    |
|-----------------------|--------------------|
| A. DR Wages €3,000    | CR Suspense €3,000 |
| B. DR Wages €6,000    | CR Suspense €6,000 |
| C. DR Suspense €3,000 | CR Wages €3,000    |
| D. DR Suspense €6,000 | CR Wages €6,000    |

vi. Which of the following user groups is likely to require the most detailed financial information.

- A. Employee
- B. Management
- C. Investors and potential investors
- D. General public

vii. How is profit or loss on disposal of a non-current asset calculated?

- A.  $\text{Sale proceeds} - \text{NBV} = \text{Profit/loss on disposal}$
- B.  $\text{Sale proceeds} - \text{cost} = \text{Profit/loss on disposal}$
- C.  $\text{NBV} - \text{depreciation} = \text{Profit/loss on disposal}$
- D.  $\text{Sale proceeds} - \text{depreciation} = \text{Profit/loss on disposal}$

The following information is relevant for questions viii, ix, and x.

Sales	€300,000
Cost of sales	€90,000
Profit before interest and tax	€110,000
Current assets	€300,000
Current liabilities	€200,000
Closing inventory	€95,000
Accounts receivables	€85,000
Accounts payables	€77,000

viii. What is the acid test ratio?

- A. 1.8:1
- B. 1.025:1
- C. 1.34:1
- D. 1.67:1

ix. What is the gross profit margin?

- A. 18%
- B. 35%
- C. 70%
- D. 23%

x. What are the trade receivables days?

- A. 150 days
- B. 103 days
- C. 90 days
- D. 135 days

**Section B**

**This question is compulsory and must be answered**

**Question 2**

The following trial balance has been taken from the books of Inspire Ltd for the year ended 31<sup>st</sup> December 2023.

	Dr €	Cr €
Ordinary share capital		920,000
Buildings (cost €2,000,000)	1,320,000	
Machinery (cost €400,000)	320,000	
Retained profits 31 December 2022		184,800
Opening inventory 1 January 2023	120,000	
Purchases	960,000	
Carriage in	2,500	
Sales		2,110,000
Carriage outwards	15,000	
General expenses	85,000	
Directors remuneration	220,000	
Wages and salaries	200,000	
Rent	105,000	
Insurance	50,000	
Electricity & Broadband	35,000	
Advertising	33,000	
Motor expenses	15,300	
Bad debts	7,000	
Accounts receivable	460,000	
Accounts payable		190,000
Allowance for doubtful debts		3,000
Bank		100,000
15% Debentures		500,000
Ordinary dividend paid	10,000	
Debenture interest paid	50,000	
	_____	_____
	4,007,800	4,007,800
	_____	_____

**Cont'd...**

The following additional information is also available at 31<sup>st</sup> December 2023:

1. Closing inventory is valued at €105,000.
2. As at 31<sup>st</sup> December 2023, there was electricity and broadband outstanding of €15,000.
3. Tax on profits of €65,000 is to be provided for.
4. The allowance for doubtful debts should be adjusted to 5% of accounts receivable.
5. Depreciation is to be provided as follows:
  - a. Buildings at 2% straight line.
  - b. Machinery at 10% straight line.
6. A provision for any outstanding debenture interest should be made.

**Required**

**(a)** Prepare a Statement of Profit or Loss for the year ended 31<sup>st</sup> December 2023.  
(25 marks)

**(b)** Prepare a Statement of Financial Position as at 31<sup>st</sup> December 2023.  
(15 marks)  
(Total: 40 marks)

### Section C

**Answer any ONE question ONLY**

#### **Question 3**

On 5 January 2024 Faye received her bank statement for the month ended 31 December 2023. The bank statement showed a balance of €191,496 (overdraft) as at 31 December while the cash book showed a balance of €199,036 (credit) as at the date. On examination of the cash book and the bank statement the following were discovered:

1. Bank charges of €1,600 had not been recorded in the cash book.
2. A cheque of €4,920 had been returned by the bank as dishonoured. As the cheque had been dishonoured the bank charged Faye €60. This was not reflected in the cash book.
3. Standing orders and direct debits of €6,800 had not been posted to the cash book.
4. Receivables had lodged €14,400 directly to the bank account. No record had been made of this in the cash book.
5. Lodgements of €30,480 lodged to the bank on 31 December, had not been credited by the bank.
6. Cheques valuing €37,000, drawn on the bank account, had not been presented to the bank for payment as at 31 December.

#### **Required**

- A. Prepare the adjusted cash book for the month of December 2023  
(16 marks)
- B. Prepare a bank reconciliation statement for the 31<sup>st</sup> December 2023  
(12 marks)
- C. List the amount for bank to include in the Statement of Financial Position  
(2 marks)

**Total (30 marks)**

#### **Question 4**

The following errors have been identified in the books of Michael, owner of a newsagents for the year ended 31 December 2023.

His accounts did not balance so he put the difference of €78,650 Debit in a suspense account.

1. Michael paid €10,000 for purchases by cheque. No record of this item has been made.
2. Computers bought on credit costing €40,000 was posted on the correct side of the accounts payable account but the incorrect side of the computers account.
3. Michael lodged a receipt from a receivable of €30,000 directly into his own personal bank account. No record of this item has been made.
4. Michael took cash of €2,000 out of the till during the year for personal use. No record of this item has been made.
5. General expenses of €2,550 were incorrectly debited to the general expenses account as €3,900. The correct amount was credited to bank.
6. Michael purchased supplies costing €6,000 and paid using his personal credit card. This item has been omitted from the accounts.
7. Michael took paint costing €1,500 with a sales value of €2,150 out of the business to decorate his home. No record of this item has been made.

#### **Required**

(a) Write journals including narratives for the necessary corrections.

**(27 Marks)**

(b) Show the adjusted suspense account.

**(3 Marks)**

**(Total: 30 Marks)**

**END OF EXAMINATION**