

Preparing Financial Statements

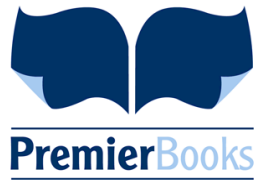
Suitable for
Association of Accounting Technicians
Advanced Diploma Level

Revision Kit

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Alan is a qualified teacher. He gained his honours degree in education from Nottingham University and he went on to teach Mathematics, Modern Languages and Music in schools for 18 years.

He then turned his attention to accountancy, qualifying from the AAT and taking up various accounting roles both in private practice and industry. He spent 6 years in a large company in management accounts while at the same time taking private clients for help with bookkeeping, payroll, VAT and taxation.

From March 2006 he has been a tutor at Premier Training, with over 300 students worldwide under his guidance at one time or another.

About this Book

This Revision Kit is designed to be used alongside the *Financial Accounting: Preparing Financial Statements* Study Manual and is ideal for students to use in the classroom, at home or on distance learning courses.

Each chapter contains exercises which are designed to supplement the chapters in the Study Manual. They are ideal for students preparing for the examinations. Each chapter matches the topics in the Study Manual and can be attempted once the relevant chapter has been read. However, students should follow the chapters in order, as some questions require the knowledge gained in previous chapters.

There is a practice examination paper at the end of the book. It should not be attempted until all the chapters have been read and understood. It is ideal preparation for the actual examination and should be attempted in the few weeks approaching the examination sitting date.

The answers to the Revision Kit questions and the practice examinations are given at the end of the book.

Premier Training students have online access to many extra resources which provides many further explanations and demonstrations of these and other topics. Visit www.premiertraining.co.uk or telephone 01469 515444.

Chapter 1

What is Accounting?

1.1

Which of the following statements are true and which are false?

- a) You need to keep accounts because it is required by law.
- b) HMRC can ask to see your accounts to make sure you are paying the right amount of tax.
- c) A stakeholder is another name for the owner of a business.
- d) A stakeholder is another name for the creditors of a business.
- e) Accounts are kept **only** to show if the business is making or losing money.

1.2

The following are documents you may come across in the accounting department of a business. Put them in the order they should be completed.

- a) General Ledger
- b) Invoice
- c) Statement of Financial Position
- d) Statement of Profit or Loss
- e) Correcting Journal
- f) Sales Day Book
- g) Trial Balance

CHAPTER 1
What is Accounting?

1.3

In what part of the accounting equation will you find the following:

- a) Debtors (receivables)
- b) Drawings taken by the owner.
- c) A cutting machine for the factory
- d) A loan from the bank
- e) The profit made in the year
- f) Creditors (payables)
- g) The money in the bank

1.4

Show the accounts which need to be debited or credited for the following transactions. You should ignore any VAT.

- a) You put £2000 of your own money into the business bank account to help fund the business.

Debit account £.....

Credit account £.....

- b) A credit customer pays for the goods he bought last month. The invoice total was £250 and it is paid for by bank transfer.

Debit account £.....

Credit account £.....

CHAPTER 1
What is Accounting?

- c) The business is granted a loan from the bank of £5000. The money is put into the business bank account until it is needed.

Debit account £.....

Credit account £.....

- d) The business pays a credit supplier £350 for the goods you bought last month. You pay by cheque.

Debit account £.....

Credit account £.....

- e) The owner buys a new delivery van for £20,000 and pays for it using money from the business bank account.

Debit account £.....

Credit account £.....

- f) You take £25,000 as drawings from the business bank account.

Debit account £.....

Credit account £.....

CHAPTER 1
What is Accounting?

1.5

The accounting equation for the business in task 1.4 starts as £100,000 assets, £60,000 liabilities and £40,000 capital. For the transactions in task 1.4 you should restate the accounting equation after **each** transaction. Ensure you increase or decrease the **total figure** each time.

	Assets £	<i>minus</i>	Liabilities £	<i>equals</i>	Capital £
	100,000		60,000		40,000
a					
b					
c					
d					
e					
f					

Chapter 2

Principles of Double Entry

2.1

The owner of a business takes £150,000 from his business bank account to buy a new Ferrari car for his own use. Which of the following accounting entries is correct?

- a) Debit Motor Vehicles account Credit Bank
- b) Debit Motor Vehicles account Credit Drawings
- c) Debit Drawings Credit Bank
- d) Debit Motor Vehicles Credit Capital
- e) None as he is not allowed to do this.

2.2

Goods which are intended for resale are purchased from a supplier on credit, but some of them are faulty. The supplier agrees that the faulty goods can be returned and issues a credit note. Which of the following accounting entries is correct for the return of the goods?

- a) Debit Purchases Returns Credit Purchases
- b) Debit Supplier account Credit Purchases Returns
- c) Debit Purchases Credit Purchases Returns
- d) Debit Purchases Credit Supplier account
- e) Debit Purchases Returns Day Book Credit Purchases Returns