

## Sample Accounting 2 CBE – Answers

- 1) Incorrect = The loss for the period should be added, not deducted  
Incorrect = Drawings should be added, not deducted
  
- 2) C. £85,700
  
- 3) Credit = Sales  
Credit = VAT owed to HMRC
  
- 4) True = The balance on an asset T-account is c/fwd and subsequently b/fwd at the start of the next accounting period  
False = The balance on the drawings T-account is c/fwd and subsequently b/fwd at the start of the next accounting period
  
- 5) Current assets = Accrued income  
Current assets = Prepayments  
Creditors = A bank overdraft
  
- 6) Buys a car for the business on a loan (Debit entry) = Motor vehicles  
Buys a car for the business on a loan (Credit entry) = Loan account  
Sale of goods on credit (Debit entry) = Debtors  
Sale of goods on credit (Credit entry) = Sales
  
- 7) B. 33%
  
- 8) D. £87,064

- 9) C. £101,000
- 10) True = An accrued expense is where an expense has been incurred but not invoiced by the end of the accounting period  
False = Accrued income occurs when income has been received relating to a period beyond the end of the accounting period
- 11) A. £300
- 12) C. £6,400
- 13) True = Depreciation is deducted from the profit and loss account as a business expense  
False = Depreciation is not added back to profit for the period for tax purposes
- 14) C. £5,500
- 15) A. £3,500
- 16) B. Depreciation and finance costs
- 17) A. Asset grants appear as deferred income in the balance sheet  
C. Deferred elements of grants received will appear as a liability in the balance sheet
- 18) D. 1 should be deducted in arriving at the NRV of stock, but 2 should be included in the cost of stock
- 19) D. £400.00
- 20) D. £1,390.00

- 21) B. Dr Bank £2,000, Dr Debtors £2,000 Cr Revenue £4,000
- 22) True = A decrease in the provision for doubtful debts  
True = The receipt of cash from a debtor previously written off
- 23) True = The provision for doubtful debts carried forward at 30 September 20X1 is £2,364  
False = A decrease in the provision for doubtful debts increases the expense in the profit and loss account
- 24) B. £4,700
- 25) False = Partners' salaries appear in the profit and loss account as an expense  
False = Interest on partners' capital balances appear in the profit and loss account as an expense
- 26) B. £20,450
- 27) A. Timeliness  
B. Comparability
- 28) True = Assets are only recognised in the accounts if the inflow of economic benefits is virtually certain  
True = Liabilities are recognised in the accounts if the outflow of economic benefits is probable
- 29) Balance sheet = Share premium  
Both = Corporation tax
- 30) True = The profit from a sole trader business is directly taxable on the sole trader  
False = The profit of a Limited company is directly taxable on the shareholders

- 31) B. As a result of the rights issue, the credit to the share premium account would be £45,000
- 32) Correct = If there is a closing debit balance on the VAT control account, then the business is owed money by HMRC  
Incorrect = VAT incurred on purchases and expenses is known as output tax
- 33) B. Both 1 and 2 are true
- 34) C. A corporation tax liability of £31,300 and a corporation tax charge of £33,500
- 35) B. Dr Purchases £1,200, Dr VAT control £240    Cr Creditors £1,440
- 36) Investing activities = Proceeds from sale of fixed assets  
Financing Activities = Dividends paid
- 37) A. £39,000
- 38) C. £80,100
- 39) A. Gross profit margin is calculated by taking gross profit divided by sales multiplied by 100
- 40) B. 2.0 times