

## Sample Accounting CBE – Answers

- 1) A.  $\text{Assets} - \text{Liabilities} = \text{Capital} + \text{Profits} - \text{Drawings}$
- 2) True = Amounts due to suppliers would be a liability  
True = Drawings would be part of proprietor's funds
- 3) True = The trial balance extracted from the accounting system will balance despite these errors  
  
False = The profit shown in the profit or loss account will be correct despite these errors
- 4) C. £10,800
- 5) D. Net profit £360
- 6) True = Discounts allowed are an expense in the profit and loss account  
  
True = Discounts received are income in the profit and loss account
- 7) B. Paying rent  
  
C. Purchasing food
- 8) Debit = Purchases  
  
Debit = The cost of a fixed asset

- 9) Debit = Receive cash of £400 from a customer  
Credit = Withdraw £500 for personal use  
Credit = Pay a creditor invoice £200  
Credit = Pay £150 for postage
- 10) C. £13,100
- 11) A. Income received in advance will decrease the profit for the year  
D. A prepayment will increase the profit for the year
- 12) C. £25,400
- 13) True = The depreciation charge for the year ended 31 December 20X2 is £6,047  
False = The depreciation expense for each year will be credited to the profit or loss account
- 14) B. £1,185 loss
- 15) A. £240
- 16) True = Research expenditure will never be capitalised in the accounts  
False = Development expenditure will always be capitalised in the accounts

- 17) B. Intangible fixed asset
- 18) B. Where there are no performance conditions, a grant should be recognised as it is received under the performance model.
- D. A capital grant should initially be recognised as deferred income under the accrual model.
- 19) A. £93,400
- 20) A. £199
- 21) A. £130
- 22) A. Dr: Expenses £1,675      Cr: Cr: Provision for doubtful debts £1,675
- 23) True = Cash received from a debtor against which a provision has been made would be credited to debtors
- True = Cash received from a debtor which has been written off would be credited to bad debt expense
- 24) A. Dr Bad Debt Expense (P&L)    Cr Debtors (BS)
- 25) C. £24,320

- 26) A. £35,000
- 27) False = Going concern should be assessed for 12 months from the date of the balance sheet  
False = Entities can offset assets and liabilities if they consider it appropriate
- 28) B. A contingent liability is only ever disclosed in a company's financial statements, never recognised  
C. A contingent liability is not disclosed if there is only a remote chance that it will lead to an outflow of economic benefits
- 29) True = Accrued interest can appear in either a Sole trader's accounts or a Company's financial statements  
False = Share capital can appear in either a Sole trader's accounts or a Company's financial statements
- 30) A. Share capital £15,000 P+L reserve £80,000
- 31) C. £27,300
- 32) B. The depreciation/capital allowance difference is a temporary, not permanent, timing difference

- 33) Debit = Corporation tax paid  
Debit = Over provision for corporation tax in the previous period  
Credit = Corporation tax charge for the current period
- 34) True = Purchases of goods for resale do NOT give rise to a timing difference  
False = Business entertaining expenses give rise to a timing difference
- 35) A. Interest  
B. Royalties
- 36) D. £121,000
- 37) True = Proceeds from issuing debentures are a cash flow from financing activities  
False = Proceeds from share issues are a cash flow from investing activities
- 38) True = Depreciation charge would be added back  
True = Increase in debtors would be deducted
- 39) Cash flows from operating activities = Profit on sale of fixed assets  
Cash flows from investing activities = Proceeds from sale of fixed assets
- 40) D. 55.3 days