Knowledge - Module

Financial accounting

Time allowed : 15 minutes for reading and planning

3 hours for writing

July 2 – 2026

Do not open this paper until instructed by the supervisor.

This question paper must not be removed from the examination hall.

Paper F3

The Accountancy & Audit Profession Org. Council - Sudan

AAPOC

Financial accounting F3

Part (A)

35 Questions, 2 Marks each

(Answer all Questions)

Question 1:

At 1 January 2005 , Mary had motor vehicles which cost $ 15,000 . On 31 August 2005 she sold a motor vehicle for $ 5,000 which had originally cost $ 8,000 and which had a carrying amount of $ 4,000 at the date of disposal . She purchased a new motor vehicle which costs $ 10,000 on 30 November 2005 .

Mary's policy is to depreciate motor vehicles at a rate of 25 % pa on the straight - line basis , based on the number of months ' ownership .

What was the depreciation charge for the year ended 31 December 2005 ?

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Question 2:

A non - current asset was purchased at the beginning of Year 1 for $ 2,400 and depreciated by 20% pa by the reducing - balance method .

At the beginning of Year 4 it was sold for $ 1,200 .

What was the profit or loss on disposal of the asset ?

A. a loss on disposal of $ 240.00 .
B. a loss on disposal of $ 28.80 .
C. a profit on disposal of $ 28.80 .
D. a profit on disposal of $ 240.00 .

Question 3:

Giles bought a new machine from abroad . The machine cost $ 100,000 and delivery and installation costs were $ 7,000 . Testing it amounted to $ 5,000 . Training employees on how to use the machine cost of $ 1,000 .

What amount should be capitalised as the cost of the machine in the statement of financial position ?

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Question 4:

On 1 April 2004 the balance on B's retained earnings was $ 50,000 credit . The balance on 31 March 2005 was $ 100,000 credit . On 10 March 2005 dividends of $ 50,000 were declared in respect of the year ended 31 March 2005 , payable on 31 May 2005 .

Based on this information , profit after tax (but before dividends) for the year ended 31 March 2005 was :

A. Nil

B. $ 50,000

C. $ 100,000

D. $ 150,000

OUESTION 5:

A company has the following share capital :

	Authorised	**Issued**
	$ 000	$ 000
25c ordinary shares	8.000	4,000
6 % 50c preference shares	2,000	1,000

In addition to providing for the year's preference dividend , an ordinary dividend of 2c per share is to be paid before the year end .

What are total dividends for the year ?

A. $ 140,000

B. $ 380,000

C. $ 440,000

D. $ 760,000

OUESTION 6:

Evans had the following balances in its statement of financial positions as at 30 June 2004 and 2005 :

	2004	**2005**
10 % Loan notes	$ 150,000	$ 130,000
Share capital	$ 100,000	$ 120,000
Share premium	$ 35,000	$ 45,000

How much will appear in the statement of cash flows for the ended 30 June 2005 under the heading of ' Financing activities ' ?

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OUESTION 7:

Sat is the sole subsidiary of Shindo . The cost of sales figures for 2011 for Sat and Shindo were $ 11 million and $ 10 million respectively . During 2011 Shindo sold goods which had cost $ 2 million to Sat for $ 3 million . Sat has not yet sold any of these goods .

What is the consolidated cost of sales figure for 2011 ?

A. $ 16 million

B. $ 18 million

C. $ 19 million

D. $ 20 million

Question 8:

At 30 April 2015 , Gareth had a receivables balance of $ 50,000 and an allowance for receivables of $ 800 . Following a review of receivables , Gareth wishes to write off an irrecoverable debt of $ 1,000 and increase the allowance for receivables by $ 1,650 .

What will be the net balance included in the statement of financial position for receivables at 30 April 2015 ?

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Question 9:

From the following information regarding the year to 31 March 2016 , what are the current and quick ratios ?

	$
Inventory	5,320
Receivables	10,420
Cash at bank	3,200
Payables	4,100
Overdraft	3,121

	Current ratio	Quick ratio
A.	2.62	1.89
B.	2.62	3.84
C.	3.86	2.56
D.	4.62	3.32

Question 10:

Sale are $ 260,000 . Purchases are $ 150,000 . Opening inventory is $ 22,000 . Closing inventory is $ 26,000 .

What is the inventory turnover ?

A. 5.6 times

B. 10 times

C. 7 times

D. 10.8 times

Question 11:

A sole trader's accounts show an increase in net assets over a year of $ 173,000 . Drawings were $ 77,000 and capital introduced was $ 45,000 .

What was the net profit for the year ?

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Question 12:

Capital introduced is $ 50 . Profits brought forward at the beginning of the year amount to $ 100 and liabilities are $ 70 . Assets are $ 90 .

What is the retained profit for the year ?

A. $ 130 profit

B. $ 130 loss

C. $ 10 profit

D. $ 10 loss

QUESTION 13:

On 1 April 2017 Possum Co acquired 60 % of the share capital of Koala Co for $ 120,000 . During the year Possum Co sold goods to Koala Co for $ 30,000 , including a profit margin of 25 % 40 % of these goods were still in inventory at the year end .

The following extract was taken from the financial statements of Possum Co and Koala Co at 31 March 2018 .

	Possum Co	Koala Co
	$ 000	$ 000
Revenue	750	400
Cost of sales	(420)	(100)
Gross profit	330	300

What is the consolidated gross profit of the Possum group at 31 March 2018 ?

A. $ 627,600

B. $ 633,000

C. $ 622,500

D. $ 627,000

QUESTION 14:

Which one of the following would help a company with high gearing to reduce its gearing ratio ?

A. Making a rights issue of equity shares

B. Issuing further long - term loan notes

C. Making a bonus issue of shares

D. Paying dividends on its equity shares

QUESTION 15:

A company's gross profit as a percentage of sales increased from 24 % in the year ended 31 December 2011 to 27 % in the year ended 31 December 2012

Which of the following events is most likely to have caused the increase ?

A. An increase in sales volume

B. A purchase in December 2011 mistakenly being recorded as happening in January 2012

C. Overstatement of the closing inventory at 31 December 2011

D. Understatement of the closing inventory at 31 December 2011

QUESTION 16:

Why do we prepare a trial balance ?

A. To test the accuracy of the double entry bookkeeping records

B. To prepare management accounts

C. To prepare financial statements

D. To clear the suspense account

QUESTION 17:

Which of the following statements are correct ?

1. If company A has an investment in company B that gives it control over the company B , then company B is classified as a subsidiary in the consolidated financial statements of company A.
2. If a company has associates , but not subsidiaries , it will not prepare consolidated financial statements .
3. If a company has a 21 % investment in the voting equity of another company , it will account for its investment using the equity method in the consolidated financial statements .

A. 1 and 2

B. 2 and 3

C. All three statements are correct

D. None of the statements are correct

QUESTION 18:

The Statement of financial position of Jardino includes the following information :

	$
- Non - current assets	219,650
- Current assets	124,800
- Current liabilities	64,290

What is the amount of working capital ?

A. $ 60,510

B. $ 64,290

C. $ 124,800

D. $ 280,160

QUESTION 19:

A company issues 50,000 SDG 1 shares at a price of SDG 1.25 per share, how much should be posted to the share premium account?

A. SDG 50,000

B. SDG 12,500

C. SDG 62,500

D. SDG 60,000

QUESTION 20:

A particular source of finance has the following characteristics : A fixed return , a fixed repayment date , it is secured and the return is classified as an expense .

Is the source of finance ?

A. Ordinary share ?

B. Hire purchase ?

C. Debenture ?

D. Preference share ?

QUESTION 21:

At 1 January 2015 Hassan had a prepayment of 200 SDG in respect of rent . He paid 1,200 SDG on 1 March 2015 in respect of the year ended 28 February 2016 .

What is the charge to the income statement in respect of rent for the year ended 31 December 2016 ?

A. 1,400 SDG

B. 1,200 SDG

C. 1,100 SDG

D. 1,300 SDG

QUESTION 22:

Carol owns a shop . The only information available for the year ended 31 December 2005 is as follows :

Inventory at 1 January 2005	$ 3,500
Inventory at 31 December 2005	$ 1,350
Sales	$ 17,000
Gross profit margin	25 %

What were the purchases of the shop for the year ?

A. $ 11,450

B. $ 12,750

C. $ 14,900

D. $ 10,600

QUESTION 23:

Jam is preparing its financial statements for the year ended 30 June 2017 . Its draft trial balance includes :

1. A balance for office expenses (including rent) paid in the financial year of $ 89,100
2. A balance for prepayment of rent at 1 July 2016 of $ 9.500

On 31 May 2017 Jared paid three months ' rent in advance of $ 15,300 .

Which of the following will be the figure for office expenses in Jam's statement of profit or loss for the year ended 30 June 2017 ?

A. $ 60,400

B. $ 88,400

C. $ 89,100

D. $ 93,500

QUESTION 24:

Brindal acquired five apartments on 1 June 2016 and immediately rented them out to different tenants . Brindal has a credit balance on its rent receivable account in the trial balance extracted as at 31 May 2017 of $ 22,850 . The bookkeeper has calculated that rents in arrears as at 31 May 2017 amounted to $ 4,490 and rents in advance at the same date amounted to $ 7,720 .

What was Brindal's rental income for the year ended 31 May 2017 ?

A. $ 19,620

B. $ 22,850

C. $ 26,080

D. $ 37,340

QUESTION 25:

Sam's statement of profit or loss for the year ended 31 December 2016 showed a profit of $ 83,600 . It was later found that $ 18,000 paid for the purchase of a motor vehicle on 1 January 2016 had been debited to motor expenses account . It is the company's policy to depreciate motor vehicles at 25 % per year .

What is Sam's profit for the year after adjusting for this error ?

A. $ 70,100

B. $ 97,100

C. $ 101,600

D. $ 106,100

QUESTION 26:

Randolph started a trading business on 1 May 2016 with capital of $ 40,000 . In his first year of trading he made a profit of $ 117,000 , selling goods at a mark - up on cost of 60 % . He injected additional capital of $ 30,000 in the year and withdrew a monthly amount of $ 3,200 for his living expenses . At the end of the year he withdrew all remaining goods inventory with a resale value of $ 7,200 for his personal use .

What were Randolph's net assets at 30 April 2017 ?

A. $ 141,400

B. $ 144,100

C. $ 144,280

D. $ 179,300

QUESTION 27:

At 1 May 2006 , Bloxden had a revaluation surplus $ 1,257,000 in respect of the revaluation of its head office .

During the year to 30 April 2007 , the value of the head office was increased by a further $ 82,000 . In the same period , the value of the company's factory fell by $ 90,000 .

What amount of revaluation surplus should appear in Bloxden's statement of financial position at 30 April 2007 ?

A. $ 1,167,000

B. $ 1,249,000

C. $ 1,257,000

D. $ 1,339,000

QUESTION 28:

On 1 January 2016 a company purchased some plant . The invoice showed:

	$
Cost of plant	48,000
Delivery to factory	400
One year warranty covering breakdown during 2016	800
	49.200

Modifications to the factory building costing $ 2,200 were necessary to enable the plant to be installed .

What amount should be capitalised for the plant in the company's records in accordance with IAS 16 Property . Plant and Equipment ?

A. $ 48,000

B. $ 48,400

C. $ 50,600

D. 51,400

QUESTION 29:

Which of the following statements are correct ?

(1) All non - current assets must be depreciated

(2) If goodwill is revalued , the revaluation surplus appears in the statement of changes in equity

(3) If a tangible non - current asset is revalued , all tangible assets of the same class should be revalued

(4) In a company's published statement of financial position , tangible assets and intangible assets must be shown separately

A. 1 and 2

B. 1 and 4

C. 2 and 3

D. 3 and 4

QUESTION 30:

Which of the following items could appear in a company's statement of cash flows ?

(1) Proposed dividends

(2) Rights issue of shares

(3) Bonus issue of shares

(4) Repayment of loan

A. 1 and 3

B. 1 and 4

C. 2 and 3

D. 2 and 4

QUESTION 31:

Should dividends paid appear on the face of a company's income statement ?

A. Yes

B. No

QUESTION 32:

A draft statement of cash flows contains the following calculation of net cash inflow from operating activities :

	Sm
Operating profit	13
Depreciation	2
Decrease in inventories	(3)
Decrease in trade and other receivables	5
Decrease in trade payables	4
Net cash inflow from operating activities	21

Which of the following corrections need to be made to the calculation ?

(1) Depreciation should be deducted , not added

(2) Decrease in inventories should be added , not deducted

(3) Decrease in receivables should be deducted , not added

(4) Decrease in payables should be deducted , not added

A. 1 and 3

B. 1 and 4

C. 2 and 3

D. 2 and 4

QUESTION 33:

At 1 November 2015 the non - current assets of Field had a carrying amount of $ 2,758,940 , During the year to 31 October 2016 , assets with a carrying amount of $ 273,790 were sold at a loss of $ 15,850 , and new assets costing $ 568,900 were purchased .

What figure should appear for net cash used in investing cash flows in the statement of cash flows for the year to 31 October 2016 ?

A. $ 257,940

B. $ 295,110

C. $ 310,960

D. $ 568,900

QUESTION 34:

Salt owns 100 % of Pepper . During the year Salt sold goods to Pepper for a sales price of $ 1,044,000 , generating a margin of 25 % 40 % of these goods had been sold on by Pepper to external parties at the end of the reporting period .

What adjustment for unrealised profit should be made in Salt's consolidated financial statements ?

A. $ 83,520

B. $ 104,400

C. $ 125,280

D. $ 156,600

QUESTION 35:

Irrecoverable debts are SDG 5,000 . Trade accounts receivable at the yearend are SDG 120,000 . If an allowance for receivables of 5 % of trade receivables is required , what is the entry for irrecoverable debts and allowance for receivables in the statement of profit or loss ?

A. SDG 5,000

B. SDG 11,000

C. SDG 6,000

D. SDG 10,750

Part (B)

Answer All Questions

Question 1:

The trial balance of X Ltd fails to agree . You are convinced that the error lies somewhere in the debtors or creditors ledgers , and in consequence you decide to prepare control accounts for those ledgers in order to locate the error . From the following information you are required to prepare those control accounts and to ascertain the amount of the error , and where it may be found .

	SDG
- Purchase ledger balance bought forward	6,267
- Purchase for year	81,062
- Returns inwards	2,416
- Cheques paid to suppliers	75,261
- Discount allowed	3,016
- Returns outwards	792
- Cash and cheque received from customers	94,617
- Discounts received	1,023
- Sales ledger balance bought forward	11,168
- Sales to customers for year	102,413
- Balance in sales ledger set of against balance in purchases ledger	719
- Bad debts written off	217
- Cheque dishonored	98

- The detailed balance taken from the personnel ledgers were :

Creditors	SDG 9,534
Debtors	SDG 12,616

You are required :

Prepare those control accounts and to ascertain the amount of the error , and where it may be found . **(15 mark)**

Question 2:

The statements of profit or loss for two companies , P and S , for the year ended 31 December 2011 are presented below :

	P	**S**
	$000	$000

Revenue	950	423
Cost of sales	(400)	(150)
Gross profit	550	273
Administrative expenses	(200)	(120)
Operating profit	350	153
Investment income	60	20
Finance costs	-	(5)
Profit before tax	410	168
Taxation	(100)	(33)
Profit for the year	310	135

The following notes are relevant to the preparation of the consolidated financial statements :

(i) P bought 80 % of the ordinary shares in S on 1 January 2010 .

(ii) During the year ended 31 December 2011 , S sold goods to P for $ 50,000 making a gross profit margin of 20 % . All of these goods remained in the inventory of P at the year end .

(a) Using the individual company financial statements , calculate the following ratios for P and S for the year ended 31 December 2011 :

(i) Gross profit margin

(ii) Operating profit margin

(iii) Receivables collection period

Assume that P has receivables of $ 200,000 and that S has receivables of $ 150,000 .

All answers should be rounded to one decimal place .

(6 marks)

(b) Prepare a consolidated statement of profit or loss for the year ended 31 December 2011 .

(9 marks)