

AAT

Q2022

Financial Accounting: Preparing Financial Statements

EXAM KIT

This Exam Kit supports study for the following AAT qualifications:

AAT Level 3 Diploma in Accounting

AAT Level 3 Certificate in Bookkeeping

AAT Diploma in Accounting at SCQF Level 7

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Features in this exam kit

In addition to providing a wide ranging bank of real exam style questions, we have also included in this kit:

- unit-specific information and advice on exam technique
- our recommended approach to make your revision for this particular unit as effective as possible.

You will find a wealth of other resources to help you with your studies on the AAT website:

www.aat.org.uk/

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UNIT-SPECIFIC INFORMATION

THE EXAM

FORMAT OF THE ASSESSMENT

The assessment will comprise six independent tasks. Students will be assessed by computer-based assessment.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

The learning outcomes for this unit are as follows:

	Learning outcome	Weighting
1	Understand the accounting principles underlying final accounts preparation	5%
2	Understand the principles of advanced double-entry bookkeeping	10%
3	Implement procedures for the acquisition and disposal of non-current assets	10%
4	Prepare and record depreciation calculations	10%
5	Record period end adjustments	10%
6	Produce and extend the trial balance	15%
7	Produce the financial statements for sole traders and partnerships	20%
8	Interpret financial statements using profitability ratios	10%
9	Prepare accounting records from incomplete information	10%
	Total	100%

Time allowed

2 ½ hours

PASS MARK

The pass mark for all AAT CBAs is 70%.



Always keep your eye on the clock and make sure you attempt all questions!

DETAILED SYLLABUS

The detailed syllabus and study guide written by the AAT can be found at:

www.aat.org.uk/

INDEX TO QUESTIONS AND ANSWERS

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Section 1

PRACTICE QUESTIONS

UNDERSTAND THE ACCOUNTING PRINCIPLES UNDERLYING FINAL ACCOUNTS PREPARATION

1 MULTIPLE CHOICE QUESTIONS

Choose ONE answer from each part.

- 1 **Which one of the following concepts explains why we sometimes post prepayment adjustments in the accounts?**
 - A The going concern concept
 - B The prepayments concept
 - C The accruals concept
 - D The prudence concept

- 2 **What is the missing word from the definition of asset provided?**

'An asset is a resource _____ by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.'

 - A Owned
 - B Used
 - C Recognised
 - D Controlled

- 3 **Which of the following is the correct accounting equation?**
 - A Non-current assets + Current assets = current liabilities + Long term liabilities
 - B Assets + Liabilities = Capital – Profit + Drawings
 - C Assets – Liabilities = Capital + Profit – Drawings
 - D Capital = Profit – drawings

- 4 **A business buys a non-current asset on credit. Which elements of the accounting equation will be affected by this transaction?**
 - A Assets only
 - B Assets and liabilities only
 - C Assets and capital only
 - D Assets, liabilities and capital

- 5 **A business with a large positive bank balance sends a cheque to a supplier of its inventory items, to settle part of the balance due to the supplier. Which elements of the accounting equation will be affected by this transaction?**
- A Assets only
 - B Assets and liabilities only
 - C Assets and capital only
 - D Assets, liabilities and capital
- 6 **Which of the following is correct regarding the closing balance on a ledger account?**
- 1 A credit balance exists where total credits exceed total debits
 - 2 A credit balance exists where total debits exceed total credits
 - 3 A debit balance exists where total debits exceed total credits
 - 4 A debit balance exists where total credits exceed total debits
- A 1 and 4 only
 - B All of them
 - C 1 and 3 only
 - D 2 and 3 only
- 7 **Which ONE of the following is the correct entry to record the purchase on credit of inventory intended for resale?**
- A Debit inventory, credit receivable
 - B Debit inventory, credit payable
 - C Debit purchases, credit payable
 - D Debit payable, credit purchases
- 8 **The double-entry system of bookkeeping normally results in which of the following balances on the ledger accounts?**
- A **Debit:** Assets and revenues **Credit:** Liabilities, capital and expenses
 - B **Debit:** Revenues, capital and liabilities **Credit:** Assets and expenses
 - C **Debit:** Assets and expenses **Credit:** Liabilities, capital and revenues
 - D **Debit:** Assets, expenses and capital **Credit:** Liabilities and revenues
- 9 **Which ONE of the following should be classified as a non-current asset?**
- A A car purchased for resale by a car dealer
 - B A positive bank account (debit)
 - C A car for use by the company salesman
 - D An insurance invoice covering the following 12 month period
- 10 **Which ONE of the following should be classified as a current liability?**
- A An item of inventory that will be sold in the next couple of months
 - B A delivery van that will be sold next week
 - C A loan that will be paid back to the bank in the next few months
 - D A sales invoice for goods sold to a customer that will be paid in the next month



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