

AAT

Q2022

Cash and Financial Management

EXAM KIT

This Study Text supports study for the following AAT qualifications:

AAT Level 4 Diploma in Professional Accounting

AAT Diploma in Professional Accounting at SCQF Level 8

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Features in this exam kit

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

- unit-specific information and advice on assessment technique
- our recommended approach to make your revision for this particular subject 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 is divided into several standalone tasks which cover all of the learning outcomes and assessment criteria. Some of the tasks are extended writing tasks and will be marked by a human.

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	Prepare forecasts for cash receipts and payments	15%
2	Prepare cash budgets and monitor cash flows	25%
3	Understand the importance of managing finance and liquidity	15%
4	Understand ways of raising finance and investing funds	20%
5	Understand regulations and organisational policies that influence decisions in managing cash and finance	25%
	Total	100%

Time allowed

2 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/

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Section 1

PRACTICE QUESTIONS

CASH AND PROFIT

TYPES OF CASH FLOW

- 1 Complete the table by selecting the best description from the list of options below to match the type of cash receipt or cash payment.

Description	Type of receipt or payment
Proceeds from the disposal of non-current assets	
Buy new factory	
Customer paying their debt	
Pay legal fee due to product complaints	
Unexpected tax refund	
Payment of wages	
Pay corporation tax for the year	
Payments made to the owners of the business	

Options

- 1 Capital payment
- 2 Capital receipts
- 3 Drawings
- 4 Exceptional payment
- 5 Exceptional receipt
- 6 Regular revenue receipt
- 7 Regular revenue expense
- 8 Payment to HM Revenue and Customs

CASH ADJUSTMENTS

2 Statement of Financial Position extract:

Balances as at:	31 October 20X8	31 October 20X9
	£	£
Trade receivables	10,500	12,900
Prepayment – rent	750	1,000
Accrual – payroll expenses	200	320
Trade payables	5,800	6,300

Statement of profit or loss extract for the year ended 31 October 20X9

	£	£
Revenue		300,000
Less: Purchases		(150,000)
		<hr/>
Gross profit		150,000
Less: Expenses		
Payroll	22,120	
Rent	6,000	
Utilities	10,000	
	<hr/>	(38,120)
		<hr/>
		111,880
		<hr/>

- (a) Prepare the trade receivables account, showing clearly the cash received from receivables in the year.

Trade receivables

£	£

- (b) Prepare the rent account, showing clearly the amount of cash paid for rent for the year.

Rent

£	£

- (c) Prepare the payroll expenses account, showing clearly the cash paid for payroll expenses for the year.

Payroll expenses

£	£

- (d) Prepare the trade payables account, showing clearly the cash paid to the payables in the year.

Trade payables

£	£

- 3 The following items were extracted from a company’s budget for next month:

	£
Purchases on credit	360,000
Expected decrease in inventory during the month	12,000
Expected increase in trade payables during the month	15,000

What is the budgeted payment to trade payables for the month?

- A £333,000
 B £345,000
 C £357,000
 D £375,000
- 4 DY had a balance outstanding on trade receivables at 30 April 20X6 of £70,000. Forecast credit sales for the next six months are £200,000 and customers are expected to return goods with a sales value of £2,000.

Based on past experience, within the next six months DY expects to collect £250,000 cash and to write off as irrecoverable debts 3% of the balance outstanding at 30 April 20X6.

Calculate DY’s forecast trade receivables outstanding at 31 October 20X6.



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