

# QUESTIONS & ANSWERS

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*BA3 - Fundamentals of Financial Accounting*

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**Question: 74**

The valuation of inventory in a manufacturing company will consist of:

- A . Direct material and direct labor only
- B . Direct material, direct labor and direct expenses only
- C . All direct costs plus a share of production overheads
- D . All direct costs plus a share of production and non-production overheads

**Answer: C**

**Question: 75**

Which one of the following book-keeping errors does not affect the view given by the financial accounts?

- A . An error of omission
- B . An error of commission
- C . An error of principle
- D . An error of original entry

**Answer: B**

**Question: 76**

IAS 2 Inventories does not permit the use of the last in. first out (LIFO) method of valuing inventory In a time of rising prices, which of the following is a reason for this?

- A . Purchases are overstated
- B . Closing inventory is understated.
- C . Cost of sales are understated
- D . Gross profit is overstated

**Answer: B**

**Question: 77**

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**Answer: B**

**Question: 78**

Refer to the Exhibit.

Option:	Debit		Credit	
A	Wages Expense	£425.76	Wages Payable	£425.76
	NI Expense	£ 44.70	PAYE & NI Payable	£ 44.70
	Wages Payable	£123.51	PAYE & NI Payable	£123.51
B	Wages Expense	£302.25	Wages Payable	£302.25
	NI Expense	£ 44.70	PAYE & NI Payable	£ 44.70
C	Wages Payable	£425.76	Wages Expense	£425.76
	PAYE & NI Payable	£ 44.70	NI Expense	£ 44.70
	PAYE & NI Payable	£123.51	Wages Payable	£123.51
D	Wages Payable	£302.25	Wages Expense	£302.25
	PAYE & NI Payable	£ 44.70	NI Expense	£ 44.70

John, an employee of Kelt Ltd, earns gross wages for a week of £425.76.

Income tax is deducted at a rate of 25% on all earnings in excess of £85.00 per week and he is also liable to pay National Insurance contributions of 9% of his total earnings. Employers national insurance contributions are at a rate of 10.5%.

What are the correct ledger entries in the accounts of Kelt Ltd?

The answer is:

- A . Option A
- B . Option B
- C . Option C
- D . Option D

**Answer: A**

**Question: 79**

DEF prepares its financial statements to 30 September each year On 1 March 20X5 DEF acquires an office and immediately rents it to a tenant charging \$2,400 a quarter payable in advance.

The tenant pays \$2,400 on each of the following days 1 March 20X5, 6 June 20X5, 4 September 20X5 and 1 December 20X5.

What is the liability reported in the statement of financial position relating to the rent at 30 September 20X5?

- A . \$7,200
- B . \$1,600
- C . \$4,000
- D . \$5,600

**Answer:** D

### Question: 80

Which ONE of the following does the Statement of Cash Flows show:

- A . The assets, equity and liabilities of a business
- B . The revenue and expenses of a business over a period of time
- C . The cash usage of a business over a period of time
- D . Notes to go with the statements that explain the practices used

**Answer:** C

### Question: 81

Company X is a private limited oil company.

Which of the following are relevant for Company X's integrated report?

- A . Risk of oil prices falling
- B . Risk of share prices falling
- C . Risk posed by competing oil companies and sustainable energy sources
- D . Need for report to be concise

**Answer:** A,C,D

### Question: 82

Which of the following transactions would be classified as a revenue transaction?

- A . Purchase of plant and machinery
- B . Issue of share capital
- C . Payments made to trade payables
- D . Purchase of inventory for resale

**Answer:** D

### Question: 83

Refer to the Exhibit.

A	Direct labour
B	Administration overheads
C	Direct materials
D	Production overheads
E	Selling overheads
F	Distribution overheads

Which of the following items should be included in the valuation of inventory in a manufacturing company?

- A . A, C and F
- B . B, D and E
- C . A, C, D and E
- D . B, D, E and F
- E . A, C, D, E and F
- F . A, B, D, E and F

**Answer:** E

### Question: 84

The Framework is described as a conceptual framework when used in the creation of new accounting standards.

Which ONE of the following describes the approach of the Framework?

- A . Rules based
- B . Principles based
- C . Statutory
- D . Regulatory

**Answer:** B

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