

AAT

AQ2016

**PROFESSIONAL DIPLOMA IN
ACCOUNTING**

Synoptic Assessment 2019

**FAMILIARISATION AND PRACTICE KIT
– RUBY DALE LTD**

This practice kit supports study for the following AAT qualifications:

AAT Professional Diploma in Accounting – Level 4

AAT Level 4 Diploma in Business Skills

AAT Professional Diploma in Accounting at SCQF – Level 8

KAPLAN
PUBLISHING

British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library.

Published by:

Kaplan Publishing UK

Unit 2 The Business Centre

Molly Millar's Lane

Wokingham

Berkshire

RG41 2QZ

ISBN: 978-1-78740-538-7

© Kaplan Financial Limited, 2019

Printed and bound in Great Britain.

The text in this material and any others made available by any Kaplan Group company does not amount to advice on a particular matter and should not be taken as such. No reliance should be placed on the content as the basis for any investment or other decision or in connection with any advice given to third parties. Please consult your appropriate professional adviser as necessary. Kaplan Publishing Limited and all other Kaplan group companies expressly disclaim all liability to any person in respect of any losses or other claims, whether direct, indirect, incidental, consequential or otherwise arising in relation to the use of such materials.

All rights reserved. No part of this examination may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without prior permission from Kaplan Publishing.

This Product includes content from the International Ethics Standards Board for Accountants (IESBA), published by the International Federation of Accountants (IFAC) in 2015 and is used with permission of IFAC.

CONTENTS

	<i>Page</i>
Synoptic assessment	P.4
Index to questions and answers	P.6
Exam technique	P.8
Kaplan's recommended revision approach	P.9

Commentary on live pre-release information (Ruby Dale Ltd)	1
Practice questions	11
Answers to practice questions	49
Mock assessment questions	79
Answers to mock assessment questions	93

Live assessment pre-release material

This practice kit is based on the live assessment pre-release information for Ruby Dale Ltd. Make sure you download and print a copy from the AAT website to use in conjunction with this kit.

Studying this material will encourage you to think about the assessment topics in an integrated way, which is necessary for performing well in the synoptic assessment.

Note: Kaplan authors have invented scenarios and additional details when writing questions based on Ruby Dale Ltd. When sitting the live assessment, make sure you don't confuse what content is in the pre-release information and what additional details are in this practice kit.

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

www.aat.org.uk/

Quality and accuracy are of the utmost importance to us so if you spot an error in any of our products, please send an email to mykaplanreporting@kaplan.com with full details, or follow the link to the feedback form in MyKaplan.

Our Quality Co-ordinator will work with our technical team to verify the error and take action to ensure it is corrected in future editions.

SYNOPTIC ASSESSMENT

AAT AQ16 introduces a Synoptic Assessment, which students must complete if they are to achieve the appropriate qualification upon completion of a qualification. In the case of the Advanced Diploma in Accounting, students must pass all of the mandatory assessments and the Synoptic Assessment to achieve the qualification.

As a Synoptic Assessment is attempted following completion of individual units, it draws upon knowledge and understanding from those units. It may be appropriate for students to retain their study materials for individual units until they have successfully completed the Synoptic Assessment for that qualification.

Four units within the Professional Diploma in Accounting are mandatory. Of these, three are assessed individually in end of unit assessments, but this qualification also includes a synoptic assessment, sat towards the end of the qualification, which draws on and assesses knowledge and understanding from all four mandatory units:

- Financial statements of Limited Companies – end of unit assessment
- Management Accounting: Budgeting – end of unit assessment
- Management Accounting: Decision and Control – end of unit assessment
- Accounting Systems and Controls – assessed within the synoptic assessment only

Summary of learning outcomes from underlying units which are assessed in the synoptic assessment

<i>Underlying unit</i>	<i>Learning outcomes required</i>
Accounting Systems and Controls	LO1, LO2, LO3, LO4
Financial Statements of Limited Companies	LO1, LO5
Management Accounting: Budgeting	LO3
Management Accounting: Decision and Control	LO1, LO2, LO4, LO5

FORMAT OF THE ASSESSMENT

The specimen synoptic assessment comprises six tasks and covers all six assessment objectives. Students will be assessed by computer-based assessment. Marking of the assessment is partially by computer and partially human marked.

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 following weighting is based upon the AAT Qualification Specification documentation which may be subject to variation.

	Assessment objective	Weighting
AO1	Demonstrate an understanding of the roles and responsibilities of the accounting function within an organisation and examine ways of preventing and detecting fraud and systemic weaknesses.	20%
AO2	Evaluate budgetary reporting; its effectiveness in controlling and improving organisational performance.	15%
AO3	Evaluate an organisation's accounting control systems and procedures.	15%
AO4	Analyse an organisation's decision making and control using management accounting tools.	15%
AO5	Analyse an organisation's decision making and control using ratio analysis.	20%
AO6	Analyse the internal controls of an organisation and make recommendations.	15%
	Total	100%

Time allowed: 3 hours

PASS MARK: The pass mark for all AAT assessments is 70%.



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

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

www.aat.org.uk/

INDEX TO QUESTIONS AND ANSWERS

Page number

		<i>Question</i>	<i>Answer</i>
TASK 1.1			
1	Statutory Duty	11	49
2	Responsibility	11	49
3	Bank Reconciliation 1	12	49
4	Bank Reconciliation 2	12	50
5	Sales Ledger Control Account Reconciliation 1	12	50
6	Sales Ledger Control Account Reconciliation 2	13	51
7	Purchases Ledger Control Account Reconciliation	13	51
8	Errors	14	51
9	Changeover	15	52
10	Information System Controls	16	53
11	Purchase Cycle Controls 1	16	53
12	Purchase Cycle Controls 2	16	53
13	Expense Claim Controls	17	53
14	Passwords 1	17	54
15	Passwords 2	17	54
16	Internal control 1	18	54
17	Internal control 2	18	54
18	Internal control 3	18	55
19	Internal control 4	19	55
20	Fraud 1	19	55
21	Fraud 2	19	55
TASK 1.2			
22	Training Costs	20	56
23	Budgeting	22	58
24	Ruby Dale Budgeting Process	24	59
TASK 1.3			
25	Ruby Dale's Purchasing System	26	60
26	Ruby Dale's Sales and Inventory Processes	28	62
27	Ruby Dale's Inventory Counting Processes	29	65

		<i>Page number</i>	
		<i>Question</i>	<i>Answer</i>
Task 1.4			
28	Production Decisions	31	66
29	New Suppliers	34	67
30	Ruby Dale Portfolio Planning	36	69
Task 1.5			
31	Ruby Dale and Overtrading	38	70
32	Ruby Dale – competitor analysis	40	72
33	Cash and Profit	41	73
Task 1.6			
34	Ruby Dale’s Inventory Stock Take	43	74
35	Ruby Dale’s Sales and Despatch System	45	76
36	Ruby Dale’s General Ledger System	47	78
MOCK ASSESSMENT			
Questions and answers		79	93

EXAM TECHNIQUE

- **Do not skip any of the material** in the syllabus.
- In particular, make sure you are comfortable with **assumed knowledge** from other papers at this level and those from lower levels.
- Make sure you are **familiar** with the live assessment pre-release information and have read through it at least twice.
- **Read each question very carefully.**
- **Double-check your answer** before committing yourself to it.
- Answer **every** question – if you do not know an answer to a multiple choice question or true/false question, you don't lose anything by guessing. Think carefully before you **guess**.
- If you are answering a multiple-choice question, **eliminate first those answers that you know are wrong**. Then choose the most appropriate answer from those that are left.
- **Don't panic** if you realise you've answered a question incorrectly. Getting one question wrong will not mean the difference between passing and failing.

Computer-based exams – tips

- Do not attempt a CBA until you have **completed all study material** relating to it.
- On the AAT website there is a CBA demonstration. It is **ESSENTIAL** that you attempt this before your real CBA. You will become familiar with how to move around the CBA screens and the way that questions are formatted, increasing your confidence and speed in the actual exam.
- Be sure you understand how to use the **software** before you start the exam. If in doubt, ask the assessment centre staff to explain it to you.
- Questions are **displayed on the screen** and answers are entered using keyboard and mouse. At the end of the exam, in the case of those units not subject to human marking, you are given a certificate showing the result you have achieved.
- In addition to the traditional multiple-choice question type, CBAs will also contain **other types of questions**, such as number entry questions, drag and drop, true/false, pick lists or drop down menus or hybrids of these.
- In some CBAs you will have to type in complete computations or written answers.
- You need to be sure you **know how to answer questions** of this type before you sit the exam, through practice.

Section 1

COMMENTARY ON LIVE PRE-RELEASE INFORMATION

1 ADVANCED PRE-RELEASE INFORMATION

INSTRUCTIONS TO CANDIDATES

This material is designed to contextualise the tasks you will receive in your live assessments.

This document has been made available to you ahead of your assessment. Studying this material will encourage you to think about the assessment topics in an integrated way, which is necessary for performing well in the synoptic assessment.

You will not be able to take a copy of this document into the assessment with you. However, you will have access to this material through pop-up windows in the assessment.

COMPANY BACKGROUND

History

Ruby Dale Ltd is a private limited company based in Manchester, which designs, manufactures, distributes and retails luxury shoes and handbags.

The business began 10 years ago when Ruby Dale, an award winning fashion school graduate, started to sell her bespoke hand-made shoes on the internet on a made to order basis.

Ruby was joined two years later by Jack Carey, an entrepreneur, and together they formed Ruby Dale Ltd. Jack had seen Ruby's shoes featured in a leading fashion magazine and, sensing their wider market appeal, wished to manufacture a ready-to-wear version of the shoes on a much greater scale. They built a factory on an industrial estate in Manchester to make the shoes, and opened their first shop in Manchester in 20X0.

Recent developments

Ruby Dale Ltd has expanded rapidly over the last few years – facilitated by numerous celebrity endorsements – more than doubling the workforce and opening three new shops in London, Paris and New York, one in each location. The company also supplies its products to major high street retailers and independent stores, as well as enabling customers to purchase directly through the company's website. As Ruby Dale Ltd has grown it has diversified its portfolio of products, and now complements its core offering of luxury women's shoes with handbags, men's evening shoes and luxury trainers. The handbag collection in particular now forms an integral part of the business in terms of helping to promote the Ruby Dale lifestyle brand. In the last year, the company has also re-launched the made-to-order service – having originally stopped this when the shoes first started to be mass produced – to allow customers the option of purchasing a product that will be bespoke to them.

Financial performance

Revenue increased by 20% in the year ending 30 September 20X5, with women's shoes – comprising 80% of turnover – being the main driver as the company launched a number of new styles across its product range. While sales to customers in the United Kingdom and Europe largely remained unchanged, due to economic uncertainty caused by political events. Sales to customers in Asia, the USA and the emerging economies, such as Brazil and Russia, experienced strong growth, assisted by a weaker pound sterling, rising levels of disposable income and a greater brand awareness. Sales to UK customers still remain the company's main market, representing 42% of turnover. The e-commerce part of the business performed particularly well, delivering exceptional sales growth of 34%, as Ruby Dale Ltd introduced new features and technology on the online platform to improve the shopping experience of customers.

Resources

On 30 September 20X5 Ruby Dale Ltd had 160 employees.

Department	Number of staff
Production, storage and distribution	73
Retail	41
Administration	26
Marketing	12
Design and development	8

Apart from 29 employees who work in the company's four shops, the rest are located at Ruby Dale Ltd's headquarters in Manchester where production is based. Although the site has expanded in order to meet the growing demand for the company's products, it is now starting to reach the limit of its manufacturing capacity with a couple of product lines experiencing temporary stock-out shortages in the early part of 20X5. After a comprehensive tendering process, Ruby Dale Ltd made the decision in the latter part of the year to outsource production of its handbags to a manufacturing company located in Asia, its principal area of market growth. Further outsourcing opportunities are also to be considered as the company looks to reduce its cost base and further expand its product range.

SUSTAINABILITY

Ruby Dale Ltd is committed to sustainable development with regard to the economic, social and environmental aspects of its business.

The company operates a comprehensive training programme for all employees, which allows it to advance workplace safety, productivity and satisfaction. This is especially important given the large influx of new members of staff. It has recently embarked on an apprenticeship scheme to develop the company's designers and managers of the future, and works closely with local schools and colleges to promote interest in the fashion industry and to identify high potential talent. In 20X3 Ruby Dale Ltd set up the Ruby Dale Foundation which sponsors under-privileged children to study fashion at university, as well as raising funds for local community projects.

In relation to the environment, Ruby Dale Ltd is striving to achieve ambitious savings in water, waste and energy. Recent initiatives include the installation of a water recycling system in the factory; removing single-use plastic items such as plastic bags, water bottles and cutlery from all company sites; replacing traditional lighting with LED lights; upgrading the fabric of buildings to improve insulation and boost energy efficiency.

In addition, Ruby Dale Ltd has now implemented a scheme whereby faulty goods returned by customers are donated to charity wherever possible for resale on the second hand market rather than sent to landfill. The company also works closely with suppliers to ensure that all materials are sourced using sustainable methods and staff are paid a fair wage and have good working conditions.

SWOT ANALYSIS

Joshua Edeki (Finance Director) has prepared the following SWOT analysis to evaluate Ruby Dale Ltd's competitive position:

Strengths

- Talented design team
- Dedicated management with lots of experience of working in the fashion goods sector
- Strong relationships with both suppliers and customers
- Globally recognised brand

Weaknesses

- Limit reached on current in-house manufacturing capacity
- Diseconomies of scale arising as a consequence of the larger workforce, for example communication issues, loss of co-ordination and low staff motivation
- Internal control weaknesses as a result of controls not evolving in step with the growing business
- Risk of overtrading

Opportunities

- Diversify further the product range, for example into eyewear, fragrance, watches and jewellery
- Open new shops to achieve a greater high street presence, for example in the growing markets of Asia and the emerging economies
- Outsource production to overseas manufacturers
- Float on the stock market to obtain additional finance to fund investment

Threats

- Downturn in the macro-economic environment which would impact upon the demand for luxury products
- Rise in the cost of materials
- Aggressive competitive action taken by other companies in the luxury goods sector in respect of poaching customers and obtaining prime retail sites
- Adverse market reaction to new product lines

STAFF

Some of Ruby Dale Ltd's key personnel are listed below:

Managing Director	Ruby Dale
Entrepreneur and shareholder	Jack Carey
Finance Director	Joshua Edeki
Production Director	Mark Austin
Sales Director	Nadia Bibi
Financial Controller	Erika Tordoff
Purchasing Manager	Sophie Proud
Warehouse Manager	Ethan Box
Credit Controller	Abdul Rahman
Accounts Payable Clerk	Ella Maggs
Accounts Receivable Clerk	Luke Sinclair
General Accounts Clerk and Cashier	Alfred Tait
Payroll Clerk	Zoe Senior

RUBY DALE LTD'S FINANCIAL STATEMENTS

The financial statements of Ruby Dale Ltd – for the year ended 30 September 20X5 – show that the company had a turnover of £41.4 million, and made a profit after tax of £4.7 million.

Ruby Dale Ltd – Statement of profit or loss for the year ended 30 September 20X5

Continuing operations	£000
Revenue	41,380
Cost of sales	(15,434)
	—————
Gross profit	25,946
Distribution costs	(11,428)
Administrative expenses	(7,160)
	—————
Profit from operations	7,358
Finance costs	(1,420)
	—————
Profit before tax	5,938
Tax	(1,260)
	—————
Profit for the period from continuing operations	4,678

Ruby Dale Ltd – Statement of financial position as at 30 September 20X5

	£000
ASSETS	
Non-current assets	
Property, plant and equipment	52,180

Current assets	
Inventories	3,780
Trade receivables	4,762
Cash and cash equivalents	676

	9,218

Total assets	61,398

EQUITY AND LIABILITIES	
Equity	
Ordinary share capital (£1 shares)	20,000
Retained earnings	16,836

Total equity	36,836

Non-current liabilities	
Bank loans	20,286

Current liabilities	
Trade payables	3,150
Tax liabilities	1,126

	4,276

Total liabilities	24,562

Total equity and liabilities	61,398
