

With reference to the following information, answer questions 1 to 3.

Mansell Limited is preparing its financial statements for the year ended 31 December 19X4. Included in its stock are goods purchased on 15 November 19X4 for FF110,000. Mansell Limited paid for these goods on 10 January 19X5.

Exchange rates were as follows:

Date	Rate FF = £1
15 November 19X4	10.50
31 December 19X4	10.90
10 January 19X5	10.75

- 1 At what amounts should the stock and creditor relating to this transaction be included in the balance sheet as on 31 December 19X4?

	Stock	Creditor
A	£10,092	£10,092
B	£10,092	£10,233
C	£10,476	£10,092
D	£10,476	£10,233

- 2 What is the exchange difference taken to the profit and loss account for the year ended 31 December 19X4?

- A £384 gain
- B £384 loss
- C £242 gain
- D £242 loss

- 3 This exchange difference will be included in the profit and loss account of Mansell Limited under which heading?

- A Other interest receivable and similar income
- B Interest payable and similar charges
- C Other operating expenses
- D Other operating income

- 4 Prost Limited ordered an item of plant and machinery costing SFr107,415 from a Swiss company on 1 September 19X1. The Swiss company manufactured the item which was subsequently shipped and invoiced on 1 November 19X1. Prost Limited paid the invoice on 15 December 19X1. Prost Limited made up its accounts to 31 December 19X1.

Exchange rates were as follows:

	SFr to £
1 September 19X1	3.00
1 November 19X1	3.10
15 December 19X1	3.30
31 December 19X1	3.50

Prost Limited should report an exchange difference in its profit and loss account of

- A £1,155
- B £2,100
- C £3,255
- D £3,960

1 C

Purchase price FF110,000

Stock is translated at the historic rate

= 110,000 @ 10.50

£10,476

Liability is retranslated at the year end to the closing rate

= 110,000 @ 10.90

£10,092

2 A

Cost of stock at 15 November 19X4

Value of liability at year end

Difference - exchange gain

£

10,476

10,092

384

3 D

4 B

Creditors

15.12.X1 Cash
(107,415 @ 3.3)
P & L account
(exchange gain)

£
32,550

2,100

34,650

1.11.X1 Fixed assets
(107,415 @ 3.1)

£

34,650

34,650