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## Practice Questions

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**1. A business incurred £2,000 for machine repairs but debited the Machinery at Cost account. Depreciation is charged at 20% per annum (straight-line). What is the impact on the Net Profit?**

- A. Net profit understated by £1,600
- B. Net profit overstated by £2,400
- C. Net profit understated by £400
- D. Net profit overstated by £1,600

**2. The Receivables Control Account balance is £15,500. Calculate the adjusted control account balance using the discovered errors listed below. Error Description Amount  
Sales Day Book overcast £100  
Sales return omitted from Control Account £50  
Customer balance omitted from List of Balances £150**

- A. £15,350
- B. £15,400
- C. £15,650
- D. £15,550

**3. Calculate the closing balance of the VAT Control Account (Standard Rate 20%) using the figures below. The opening balance was zero. Transaction Type Net Amount Sales £50,000 Purchases £22,000 Bad Debt Relief (VAT portion) £200**

- A. £4,600 Credit
- B. £10,000 Credit
- C. £5,400 Credit
- D. £5,600 Credit

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**4. The initial trial balance total is £250,000. What is the redrafted trial balance total after processing the adjustments below? Adjustment Required Amount Accrue for electricity £500 Prepay for insurance £200**

- A. £250,700
- B. £250,300
- C. £250,000
- D. £251,200

**5. A suspense account shows a debit balance of £150. Which single error could explain this balance?**

- A. Rent account overcast by £300
- B. Sales account overcast by £150
- C. Wages account overcast by £150
- D. Purchase of £150 debited to Expenses

**6. A contra entry of £400 is agreed to offset a balance in the purchases ledger against the sales ledger. Select the correct journal entry.**

- A. Dr PLCA £400, Cr Bank £400
- B. Dr Sales £400, Cr Purchases £400
- C. Dr Purchases £400, Cr Sales £400
- D. Dr PLCA £400, Cr SLCA £400

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**7. A VAT-registered supplier issues a credit note for £300 plus 20% VAT. How is this recorded in the VAT Control Account?**

- A. Credit £60
- B. Debit £60
- C. Credit £360
- D. Debit £360

**8. Machinery cost £40,000 with accumulated depreciation of £16,000. Depreciation is charged at 25% (reducing balance). Calculate the Depreciation Expense and Accumulated Depreciation for the current trial balance.**

- A. Exp £4,000, Acc £20,000
- B. Exp £10,000, Acc £30,000
- C. Exp £6,000, Acc £22,000
- D. Expense £10,000, Accum. £26,000



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**9. Identify which of the following scenarios is classified as an error of commission. Error Scenarios Posting an invoice to the wrong customer account Posting a vehicle purchase to motor expenses Omitting a purchase invoice entirely Recording a £54 sale as £45**

- A. Posting a vehicle purchase to motor expenses
- B. Omitting a purchase invoice entirely
- C. Recording a £54 sale as £45
- D. Posting a credit entry to the debit side

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**10. The Cash Book shows a debit balance of £2,500. Calculate the updated Cash Book balance using the Bank Reconciliation data below. Item Amount Unpresented cheques £400 Outstanding lodgements £300 Bank charges (not in Cash Book) £50 Customer BACS receipt (not in Cash Book) £200**

- A. £2,950
- B. £2,650
- C. £2,550
- D. £2,350

**11. A VAT-registered business has been informed that a customer who owes £600 (including VAT at 20%) has been declared bankrupt. No payment will be received. Which debit entries are required to write off this debt?**

- A. Irrecoverable Debts £500, Suspense Account £100
- B. Sales Ledger Control £500, VAT Control £100
- C. Irrecoverable Debts £600, VAT Control £120
- D. Irrecoverable Debts £500, VAT Control £100

**12. Calculate the total VAT to be credited to the VAT Control Account based on the sales day book extract below (standard VAT rate is 20%). Invoice Ref Amount Type Value INV001 Net Value £4,000 INV002 Gross Value £2,400 INV003 VAT Only £300**

- A. £1,500
- B. £1,580
- C. £2,400
- D. £1,340

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**13. A trial balance shows total credits exceed total debits by £90. An investigation reveals a sales return of £480 was correctly entered in the customer account but posted to the Sales Returns account as £390. Which journal corrects this?**

- A. Dr Sales Ledger Control £90, Cr Suspense Account £90
- B. Dr Suspense Account £180, Cr Sales Returns £180
- C. Dr Sales Returns £90, Cr Suspense £90
- D. Dr Suspense Account £90, Cr Sales Returns £90

**14. A business paid an annual insurance premium of £9,000 covering the period 1 April 20X1 to 31 March 20X2. The financial year ends on 31 December 20X1. Which journal entry correctly records the prepayment?**

- A. Dr Insurance Expense £2,250, Cr Prepayments £2,250
- B. Dr Prepayments £6,750, Cr Insurance Expense £6,750
- C. Dr Accruals £2,250, Cr Insurance Expense £2,250
- D. Dr Insurance Expense £6,750, Cr Accruals £6,750

**15. Using the transaction totals below, calculate the closing balance of the Purchase Ledger Control Account. Transaction Type Amount Opening Balance (Credit) £10,000 Credit Purchases (Net) £20,000 VAT on Credit Purchases £4,000 Payments to Suppliers £18,000 Discounts Received £500 Contra with Sales Ledger £1,000**

- A. £13,500
- B. £14,500
- C. £15,500
- D. £18,000

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**16. A purchase of office equipment for £2,000 on credit was completely omitted from the accounting records. Which journal entry corrects this error?**

- A. Dr Suspense Account £2,000, Cr Payables Control £2,000
- B. Dr Office Repairs £2,000, Cr Office Equipment £2,000
- C. Dr Payables Control £2,000, Cr Office Equipment £2,000
- D. Dr Office Equipment £2,000, Cr Payables £2,000



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**17. Calculate the net VAT payable to HMRC given the following figures for the quarter (Standard VAT rate is 20%). Category Amount Note Standard Rated Sales £100,000 Net figure Standard Rated Purchases £36,000 Gross figure Zero Rated Sales £10,000 Net figure**

- A. £14,000
- B. £12,800
- C. £16,400
- D. £20,000

**18. The Sales Ledger Control Account shows a balance of £50,000, while the list of balances from the Sales Ledger totals £49,800. Which error explains this £200 difference?**

- A. Payment of £200 entered twice in the sales ledger
- B. Discount allowed of £200 omitted from the sales ledger
- C. Returns inwards of £200 omitted from the control account
- D. Returns inwards of £200 omitted from the sales ledger

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**19. A machine with an original cost of £15,000 is sold. Which pair of journal entries correctly transfers the cost and accumulated depreciation to the disposal account?**

- A. Dr Asset Cost, Cr Disposal; Dr Disposal, Cr Acc. Dep.
- B. Dr Disposal, Cr Acc. Dep.; Dr Asset Cost, Cr Disposal
- C. Dr Revaluation Reserve, Cr Disposal; Dr Cash, Cr Asset
- D. Dr Depreciation Expense, Cr Asset; Dr Cash, Cr Disposal

**20. How is the closing inventory balance recorded in the financial statements' year-end trial balance adjustments?**

- A. Dr Suspense Account, Cr Inventory (SFP)
- B. Dr Inventory (SFP), Cr Cost of Sales (SPL)
- C. Dr Cost of Sales (SPL), Cr Inventory (SFP)
- D. Dr Trading Account, Cr Suspense Account



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21. Review the Sales Daybook extract below. Which customer's transaction contains a cross-casting error affecting the Gross total? Date Customer Net (£) VAT (£) Gross (£) 01 May A. Smith 400.00 80.00 480.00 02 May B. Jones 150.00 30.00 180.00 03 May C. Davis 200.00 40.00 250.00 04 May D. Evans 500.00 100.00 600.00

- A. B. Jones
- B. D. Evans
- C. None of the above
- D. C. Davis

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22. Which of the following are procedural errors when recording discounts in the general ledger? (Select all that apply)

- A. Posting a discount received to the debit side of the Payables Ledger Control Account
- B. Posting a discount allowed to the debit side of the Sales Ledger Control Account
- C. Crediting the Discounts Received account with the total of the discount column
- D. Debiting the Discounts Allowed account with the total from the cash book

23. A customer returns goods with a list price of £800. The original invoice included a 20% trade discount and VAT at 20%. Calculate the total gross amount of the credit note.

- A. £640
- B. £832
- C. £768
- D. £960

24. A petty cash float is set at £200. Given the vouchers listed below, calculate the reimbursement amount required to restore the imprest and select the correct bank entry. Voucher No Description Amount 001 Office Milk £4.50 002 Postage Stamps £12.00 003 Window Cleaning £30.00

- A. £153.50; Debit Bank
- B. £200.00; Credit Bank
- C. £46.50; Debit Bank
- D. £153.50; Credit Bank

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**25. A business agrees to set off a balance of £450 owed to a supplier against £450 owed by the same company as a customer. Select the correct general ledger journal entry.**

- A. Dr Bad Debts £450; Cr SLCA £450
- B. Dr PLCA £450; Cr SLCA £450
- C. Dr SLCA £450; Cr PLCA £450
- D. Dr Bank £450; Cr SLCA £450

**26. Which of the following items appear on a bank statement but require an adjustment in the Cash Book before the reconciliation statement is prepared? (Select all that apply)**

- A. Unpresented cheques
- B. Outstanding lodgements
- C. Opening bank balance
- D. Cleared cheques

**27. Based on the chart of accounts provided, which Nominal Account Code should be used to record the purchase of a new stapler and hole punch? Code Account Name 7300 Office Stationery 7350 Office Equipment Cost 7400 Travel Expenses 7500 Sundry Expenses**

- A. 7300
- B. 7350
- C. 7400
- D. 7500

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**28. What is the net effect of a contra entry on the balances of the Sales Ledger Control Account (SLCA) and the Purchase Ledger Control Account (PLCA)?**

- A. Increases SLCA and decreases PLCA
- B. Has no effect on either balance
- C. Decreases both balances
- D. Increases both balances

**29. Which of the following errors would NOT be revealed by the trial balance, leaving total debits equal to total credits? (Select all that apply)**

- A. Incorrect casting
- B. Unequal postings
- C. Two debit entries
- D. Error of omission



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**30. The Sales Ledger Control Account balance is £500 lower than the Schedule of Debtors total. Which error explains this discrepancy? Account Balance SLCA Balance £25,400 Schedule of Debtors £25,900 Difference £500**

- A. A contra entry of £500 was recorded twice in the control account
- B. A sales return of £500 was recorded in the control account but not the individual customer account
- C. A sales invoice of £500 was omitted from both the daybook and the subsidiary ledger
- D. A payment of £500 was recorded in the subsidiary ledger but omitted from the control account



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## Answer Key & Explanations

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### 1. D — Net profit overstated by £1,600

Capitalizing the repair overstates profit by £2,000. The resulting depreciation charge ( $\$2,000 \times 20\%$ ) reduces profit by £400. The net effect is an overstatement of  $\$2,000 - 400 = 1,600$ .

### 2. A — £15,350

Start with £15,500. Deduct £100 for the Sales Day Book overcast and £50 for the omitted return. The list omission does not affect the control account. Adjusted balance:  $\$15,500 - 100 - 50 = 15,350$ .

### 3. C — £5,400 Credit

Output VAT on sales =  $\$50,000 \times 20\% = 10,000$  (Credit). Input VAT on purchases =  $\$(22,000 \times 20\% = 4,400)$  (Debit). Bad debt relief is a reclaim of output VAT previously paid, treated as Input VAT = 200 (Debit). Balance:  $\$(10,000 \text{ (Cr)}) - 4,400 \text{ (Dr)} - 200 \text{ (Dr)} = 5,400$  Credit.

### 4. A — £250,700

Accruals increase expenses (Dr) and liabilities (Cr), adding £500 to both trial balance column totals. Prepayments increase assets (Dr) and decrease expenses (Cr Expense -> Dr decrease, effectively shifting Dr balance from Expense to Asset). Prepayments do not change the total Dr or Cr value, only the classification. New total:  $\$250,000 + 500 = 250,500$ .

### 5. B — Sales account overcast by £150

A suspense debit implies trial balance credits exceed debits. Overcasting Sales (a credit account) creates excess credits. This mismatch requires a balancing debit entry in the suspense account.

### 6. D — Dr PLCA £400, Cr SLCA £400

Contras reduce both balances. PLCA is a liability (debit to decrease). SLCA is an asset (credit to decrease).

### 7. A — Credit £60

Original purchases create Input VAT (Debit). A return (credit note) reverses this. Therefore, you must Credit the VAT Control Account to reduce the recoverable Input VAT. The amount is  $\$300 \times 20\% = 60$ .

### 8. C — Exp £6,000, Acc £22,000

Net Book Value (NBV) =  $\$40,000 - 16,000 = 24,000$ . Expense =  $\$(24,000 \times 25\% = 6,000)$ . New Accumulated Depreciation =  $\$(16,000 \text{ (b/f)}) + 6,000 = 22,000$ .

### 9. A — Posting a vehicle purchase to motor expenses

Commission errors involve the wrong account within the correct class (e.g., wrong customer). Principle errors involve the wrong class (e.g., motor expenses).

### 10. B — £2,650

Only items not yet recorded in the Cash Book require adjustment. Start with £2,500. Deduct Bank charges (£50). Add BACS receipt (£200). Updated Balance =  $\$(2,500 - 50 + 200 = 2,650)$ . Unpresented



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cheques and outstanding lodgements are timing differences for the Reconciliation Statement, not Ledger adjustments.

**11. D — Irrecoverable Debts £500, VAT Control £100**

Split gross debt (£600) into net and VAT. Net:  $\$600 \times \frac{100}{120} = £500$  (Dr Irrecoverable Debts). VAT:  $\$600 \times \frac{20}{120} = £100$  (Dr VAT Control).

**12. A — £1,500**

INV001 (Net):  $\$4,000 \times 20\% = 800$  INV002 (Gross):  $\$2,400 \times \frac{20}{120} = 400$  INV003 (VAT): 300 Total:  $\$800 + 400 + 300 = £1,500$ .

**13. C — Dr Sales Returns £90, Cr Suspense £90**

The error is a debit shortfall of £90 (£480 - £390). Correct by debiting Sales Returns £90 to reach the correct total and crediting Suspense £90.

**14. A — Dr Insurance Expense £2,250, Cr Prepayments £2,250**

Prepayment covers 3 months (Jan-Mar). Calculation:  $£9,000 \times \frac{3}{12} = £2,250$ . Credit Insurance to reduce the expense and debit Prepayments to recognise the asset.

**15. B — £14,500**

Calculation:  $£10,000$  (Opening) +  $£24,000$  (Gross Purchases) –  $£18,000$  (Payments) –  $£500$  (Discounts) –  $£1,000$  (Contra) =  $£14,500$ . Note: Credit purchases must include VAT.

**16. D — Dr Office Equipment £2,000, Cr Payables £2,000**

This is an error of omission. Record the full double entry: Debit Office Equipment to increase assets and Credit Payables to increase liabilities.

**17. A — £14,000**

Output VAT:  $£100,000 \times 20\% = £20,000$ . Input VAT:  $£36,000 \times \frac{20}{120} = £6,000$ . Net Payable:  $£20,000 - £6,000 = £14,000$ . Zero-rated sales attract £0 VAT.

**18. C — Returns inwards of £200 omitted from the control account**

The Control Account exceeds the ledger by £200. Returns inwards reduce customer balances; omitting this credit from the control account leaves its balance overstated by that amount.

**19. A — Dr Asset Cost, Cr Disposal; Dr Disposal, Cr Acc. Dep.**

Disposal removes the asset cost (Credit Asset, Debit Disposal) and accumulated depreciation (Debit Accumulated Depreciation, Credit Disposal) to determine profit or loss.

**20. B — Dr Inventory (SFP), Cr Cost of Sales (SPL)**

Closing inventory is recognized as an asset (Debit Inventory SFP) and reduces the cost of goods sold (Credit Cost of Sales SPL).

**21. D — C. Davis**

C. Davis has an error. The Net (£200) plus VAT (£40) should be £240, but the Gross is recorded as £250 — a cross-casting error that would cause the daybook totals to mismatch ledger entries.

**22. A — Posting a discount received to the debit side of the Payables Ledger Control Account**

Discounts Received (income) reduce liabilities (Dr PLCA, Cr Disc Rec). Discounts Allowed (expense) reduce assets (Cr SLCA, Dr Disc Allowed). Errors involve reversing these entries or using wrong accounts.



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**23. C — £768**

The credit note follows the original invoice terms. Trade discount (20%) reduces £800 to £640. VAT (20%) on £640 is £128. Gross total is £640 + £128 = £768.

**24. A — £153.50; Debit Bank**

Imprest restoration equals total expenditure: £4.50 + £12.00 + £30.00 = £46.50. This amount is withdrawn to replenish the float, requiring a Credit to the Bank account.

**25. B — Dr PLCA £450; Cr SLCA £450**

A contra entry offsets the balances. Debit the Payables Ledger Control Account (liability) to reduce it. Credit the Sales Ledger Control Account (asset) to reduce it.

**26. A — Unpresented cheques**

Bank charges and direct debits originate from the bank, requiring cash book adjustments. Unpresented cheques and outstanding lodgements are timing differences handled in the reconciliation statement, not the cash book.

**27. A — 7300**

Small consumable items like staplers and hole punches are classified as Office Stationery (7300). Office Equipment Cost (7350) is typically reserved for capital assets or significant equipment purchases that are depreciated. Travel (7400) and Sundry (7500) are unrelated categories.

**28. C — Decreases both balances**

A contra entry offsets receivables against payables. This transaction decreases the Sales Ledger Control Account asset balance and decreases the Purchase Ledger Control Account liability balance, effectively settling the debt.

**29. D — Error of omission**

Errors of omission, commission, and principle maintain equality. Casting errors and single-sided entries disrupt equality, appearing in the trial balance.

**30. B — A sales return of £500 was recorded in the control account but not the individual customer account**

Recording a £500 sales return in the SLCA but omitting it from the customer account reduces the control account balance. The schedule of debtors remains higher, creating the £500 discrepancy.



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