

PRINCIPLE OF ACCOUNTS

For CSEC

Answer Book

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PRINCIPLE OF ACCOUNTS FOR CSEC ANSWER BOOK

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Chapter 2 – Users of Accounting Information

Multiple Choice Answers

1. a 2. c 3. b 4. d 5. d

6. (a) (i) Owners of the business want to know if the business is profitable and also to know the financial resources of the business

(ii) The bank. If owners seek to find further resources through loan, then the bank will need to see the accounting information of the business.

7. Internal users of accounting information

Management

Owner of the business

Internal auditors

External users of accounting information

The bank

Prospective buyers

Tax inspectors

Prospective partners

External auditors

Chapter 3 Careers In The Field Of Accounting

Multiple Choice Answers

1. c 2. a 3. c 4. c 5. d

6. a 7. a 8. b 9. b 10. d

Chapter 4 Ethical Issues In Accounting

Multiple Choice Answers

1. d 2. a 3. b 4. a 5. c 6. c

Chapter 5 Principles Conventions Concepts

Multiple Choice Answers

1. a 2. c 3. c 4. a 5. d

6. b 7. d 8. d 9. d 10. b

11. b 12. a 13. d 14. b 15. d

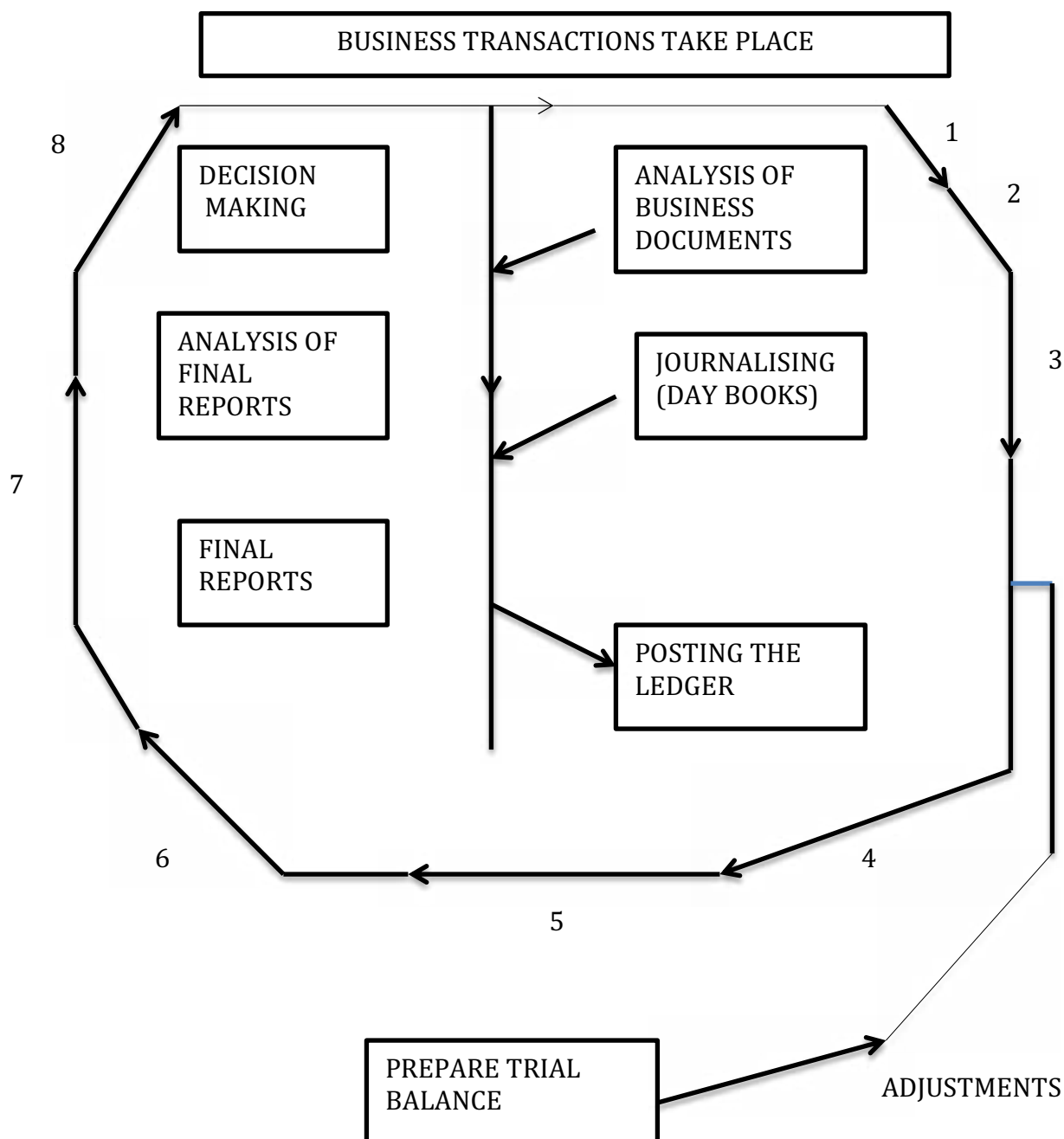
16. a 17. a 18. d

Structured Questions

2. Accounting is concerned with capturing, classifying and recording business data to enable the management to arrive at sound decisions. Book-keeping is the process of entering the transactions and maintaining the accounting records and books of account.

3. Accounting contributes to efficient management in the following ways:

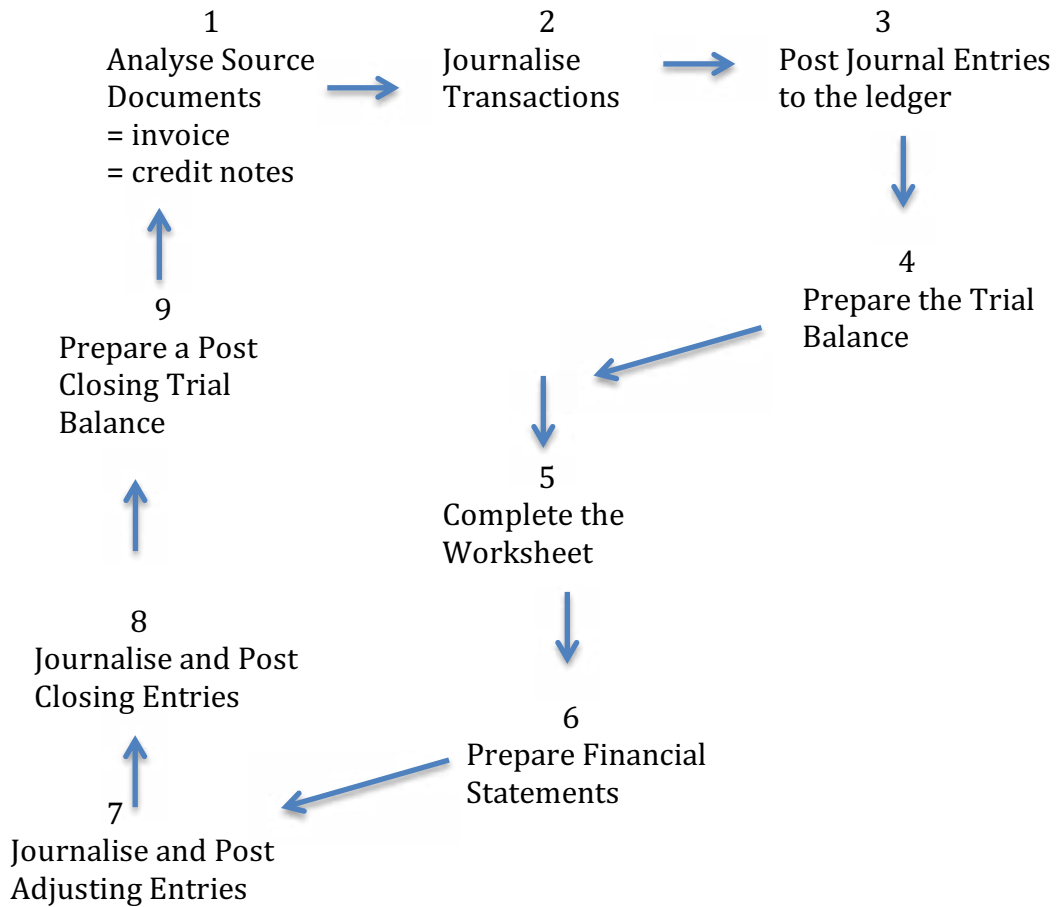
- (i) It ensures accurate recording of transactions using the double entry principle.
- (ii) It provides timely information to the management for planning and decision-making.
- (iii) It helps in preventing frauds and mismanagement.



#5

- (a) Stage 1
To begin with the firm must be involved in an activity. An activity is considered a business transaction only when monetary value can be attached to it.
 - (b) Stage 2
The relevant information relating to the activity in question is written down. This data consists of the names of the parties involved; the date the transaction took place and the amount of money involved. This is displayed in the form of a business document.
 - (c) Stage 3
The data on the business document is classified and recorded in a specific daybook (also called a book of original entry or subsidiary book). This is referred to as Journalizing.
 - (d) Stage 4
The data in each daybook is recorded under two specific headings with matching values using double- entry principle. This is referred to as posting to the ledgers.
 - (e) Stage 5
The arithmetical accuracy of the double entries made in stage four is checked by the preparation of a Trial Balance.
 - (f) Stage 6
The summarized information in the trial balance is used to prepare reports called Trading Account, Profit and Loss Account and Balance Sheet.
 - (g) Stage 7
The final reports are analyzed using ratios, formulae and interpretations.
 - (h) Stage 8
Based on the analysis the management of the firm makes decisions such as to manufacture new products, buy new assets, acquire another firm etc.
8. Correct Step 1 – Analyse Source Documents
Correct Step 2 – Journalise
Correct Step 3 – Post to the ledger
Correct Step 4 – Prepare the Trial Balance
Correct Step 5 – Complete the worksheet
Correct Step 6 – Journalise and Post adjusting Entries
Correct Step 7 – Prepare trading and profit and loss account
Correct Step 8 – Journalise and post closing entries
Correct Step 9 – Prepare the post closing trial balance
Correct Step 10 – Prepare the balance sheet

9. (a) (i) and (ii)



iii)

Stage 1. The documents used are classified for recording in the appropriate day books.

Stage 2. Transactions (or documents) are recorded in the relevant day books.

Stage 3. The information in the books of original entry are debited and credited in the ledger.

Stage 4. A trial balance is prepared to test the arithmetical accuracy of what was entered in the ledger.

Stage 5. A worksheet may be prepared taking into consideration all the adjustments to and complete the financial statements.

Stage 6. The Trading and Profit and Loss Account and the Balance Sheet are written up and further business decisions made.

Stage 7. The adjustments taken in on the worksheet are now journalized.

Stage 8. Nominal accounts are closed to show their balances transferred to the trading and profit and loss account.

Stage 9. Trial balance using the closing balances is prepared to ensure that the accuracy of the ledger is maintained.

(b) (i) To show the sequence of the stages in the accounting process.

(ii) To be able to locate mistakes and make the necessary corrections.

10. (a) Book-keeping is the first stage of the accounting process that deals with the systematic recording of the daily transactions of a business in monetary terms. Accounting is the process by which certain methods and procedures are used to prepare, classify, summarize and analyze the transactions of a business.

- (b) (i) Book-keeping
(ii) Accounting
(iii) Book-keeping
(iv) Accounting

- 11 (c) (i) Accrual Concept or Matching Concept
(ii) Prudence / Conservation Concept
(iii) Consistency
(iv) Business Entity

Chapter 6 Business Organisations

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. a | 2. c | 3. b | 4. a | 5. d |
| 6. a | 7. b | 8. a | 9. d | 10. c |
| 11. a | 12. d | 13. c | 14. a | 15. c |
| 16. d | 17. a | 18. d | 19. a | 20. a |
| 21. b | 22. d | 23. a | 24. c | 25. c |
| 26. d | 27. a | 28. c | 29. d | 30. b |
| 31. c | 32. c | 33. b | 34. b | |

STRUCTURED QUESTIONS

13. The functions stated below are commonly found in accounting software. Categorize them into core or non- core modules.

Accounts payable

Purchase Order
Timesheet monitoring
Accounts receivable

Reports

General Ledger
Sales order

Debt collection

Expenses tracking
Inventory

Inquiries

Billing
Payroll

Core Modules	Non-Core Modules
Accounts Payable Purchase Order Accounts Receivable General Ledger Sales Orders Inventory Billing	Time Sheet Monitoring Reports Debt Collection Expenses Tracking Inquiries Payroll

14. Advantages of using computer systems

- Quick Processing of data
- efficient
- Accurate output once inputted information is accurate

Disadvantage

- The cost of purchasing, installing maintaining computer equipment and programmes is higher.
- Cost of training staff, exhorhitant.

15.

- (i) Sole Trader
- (ii) Partnership
- (iii) Private Company
- (iv) Cooperative
- (v) Non Profit Organization (Eg Church, Clubs, schools, etc)

Chapter 7 Balance Sheet

Multiple Choice

- 1. b 2. d 3. d 4. d 5. d
- 6. c 7. b 8. c 9. b 10. c
- 11. c 12. b 13. a 14. b 15. b
- 16. c 17. c 18. a 19. c 20. b
- 21. c 22. c

Structured Questions

1. (a)

S. Dasent
Balance Sheet as at March 31, 1991

Current Assets		Current Liabilities	
	\$	\$	
Petty Cash	1,000	Bank Overdraft	11,000
Cash	15,000	Creditors	20,000
Debtors	5,000		31,000
Stock	30,000		
			51,000
Fixed Assets		Capital	
Land & Building	50,000	At Start	70,000
		Net Profit	30,000
			100,000
Vehicle	20,000	Drawings	10,000
			90,000
	70,000		
	\$121,000		\$121,000

(b)

- | | |
|--------------|----------------|
| 1. Financial | 5. Liabilities |
| 2. Overdraft | 6. \$8,000 |
| 3. \$2,000 | |
| 4. Assets | |

2.

3. (a) Capital = Assets	-	Liabilities	
Fixed	1,400	Long-term	1,200
Current	600	Current	400
	2,000		1,600

= \$ 400

(b) (i) Total Fixed Assets

= Desks + Typewriter + Filing Cabinets
 = 1,000 + 700 + 800
 = \$1,780

(ii) Total Current Assets = Henry + Cash
 = 90 + 120 = 210

$$\begin{aligned} \text{(iii) Total Long-Term Liabilities} &= \text{Long-term Loan} \\ &= \$1,000 \end{aligned}$$

$$\begin{aligned} \text{(iv) Total Current Liabilities} &= \text{Martha} + \text{Overdraft} \\ &= 12 + 18 \\ &= \$30 \end{aligned}$$

$$\begin{aligned} \text{Capital} &= \text{Total Assets} - \text{Total Liabilities} \\ &= \{(\text{i}) + (\text{ii}) - (\text{iii}) + (\text{iv})\} \\ &= (1,780 + 210) - (1,000 + 30) \\ &= 1,990 - 1,030 \\ &= \$960 \end{aligned}$$

$$\begin{aligned} \text{(v) Working Capital} &= \text{Current Assets} - \text{Current Liabilities} \\ &= (\text{ii}) - (\text{iv}) \\ &= 210 - 30 \\ &= 180 \end{aligned}$$

3. Zakiah Balance Sheet as at 30 June, 20__

Current Assets

Cash		840
Trade Receivables		6,400
Inventory		15,000
		<u>22,240</u>

Non Current Assets

Motor Vehicles	35,000	
Fixtures and Fittings	5,000	
Premises	<u>55,000</u>	
		95,000
		<u>\$117,240</u>

Current Liabilities

Overdraft (Bank)		4,300
Creditors		7,000
		<u>11,300</u>

Long Term Liabilities

Mortgage on Premises		20,000
----------------------	--	--------

Capital:

At Stock	60,000	
Net Profit	<u>29,380</u>	
		89,380
Drawings	<u>3,440</u>	
		<u>85,940</u>
		<u>\$117,240</u>

4. Rashidah Income Statement as at 31 December, 20__

Sales (Revenue)			58,500 -
Less: Returns Inwards			<u>700-</u>
Net Sales			57,800
Opening Inventory		6,700 -	
Purchases	31,100 -		
Less: Returns Outwards	<u>400 -</u>		
	30,700		
Add: Carriage Inwards	<u>1,600</u>		
Net Purchases		<u>32,300</u>	
Goods Available for Sale		39,000	
Less: Closing Inventory		<u>6,500</u>	
Cost of Goods Sold			<u>32,500</u>
Gross Profit			25,300
Commission Received			<u>3,000 -</u>
			28,300
Stationery Expense		260 -	
Carriage Outwards		1,040 -	
Wages and Salaries		4,000 -	
Rent Expense		<u>2,500 -</u>	
			<u>7,800</u>
Net Profit			<u>\$20,500</u>

Rashidah Balance Sheet as at December, 31, 20__

Fixed Assets			
Motor Vehicles		12,000	
Furniture		<u>15,000</u>	
		27,000	
Current Assets			
Inventory	6,500		
Trade Receivables	15,000		
Bank	<u>14,500 -</u>		
		<u>36,000</u>	
		<u>\$63,000</u>	
Capital:			
At Start		30,000	
Net Profit		<u>20,500</u>	
		<u>50,500</u>	
Less Drawings		<u>3,000</u>	
		<u>\$47,500</u>	
Current Liabilities			
Loan from BIBID	10,000		
Trade Payables	<u>5,500</u>		
		<u>15,500</u>	
		<u>\$63,000</u>	

5.

Makail Jack
Balance Sheet as at 31 March 2011

	Cost	Depreciation	NBV
Fixed Assets	\$	\$	\$
Musical Instruments	15,000	-	15,000
Recording Equipment	40,000	-	40,000
Motor Vehicle	65,000	18,000	47,000
	120,000	18,000	102,000
Current Assets			
Inventory		5,700	
Debtors		8,300	
Prepayments		650	
Bank		8,925	
Cash in hand		50	
		23,625	
<u>Less Current Liabilities</u>			
Accruals		(7,000)	
Working Capital			16,625
			118,625
<u>Less Long term Liabilities</u>			
Loan – Easy Financial Company			(30,000)
			\$88,625
<u>Financed By:</u>			
Capital			\$88,625

6. (a) (i)

PETER JONES
Classified Balance Sheet as at 31 March 2010

	Cost	Depreciation	NBV
Fixed Assets	\$	\$	\$
Land and Building	250,000	-	250,000
Fixtures and Fittings	30,000	-	30,000
Motor Vehicles	60,000	-	60,000
	<u>340,000</u>	-	340,000
Current Assets			
Inventories		75,000	
Debtors		70,000	
Bank		38,000	
Cash		<u>15,000</u>	
		198,000	
<u>Less Current Liabilities</u>			
Creditors	41,000		
Loan	5,000		
Accruals	8,000	(54,000)	
Working Capital			144,000
			<u>484,000</u>
<u>Less Long term Liabilities</u>			
Mortgage			(145,000)
			<u>\$339,000</u>
<u>Financed By:</u>			
Capital			<u>\$339,000</u>

(ii) The most liquid current assets of the business is cash

(b) (i)

Transaction	Accounts Affected	Accounts to be Increased	Accounts to be Decreased
1	Bank Rent	Rent	Bank
2	Cash Drawings	Drawings	Cash
3	Commission Received Bank	Commission Received Bank	
4	Bank Creditors		Creditors Bank
5	Land Mortgage		Land Mortgage
6	Inventory Cash	Cash	Inventory

(ii)

Bank A/c			
	\$		\$
Balance B/d	38,000	Rent	3,000
Commission Received	5,000	Creditors	6,000
	<u>43,000</u>	Balance C/d	<u>34,000</u>
			<u>43,000</u>
Balance B/d	<u>34,000</u>		

Or

	Bank Balance	38,000
add	Commission Received	<u>5,000</u>
		43,000
Less	Rent	3,000
	Creditors	<u>6,000</u>
	Closing Bank Balance	<u><u>34,000</u></u>

Chapter 8 Source Documents

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. a | 2. d | 3. a | 4. d | 5. b |
| 6. b | 7. c | 8. b | 9. a | 10. a |
| 11. d | 12. c | 13. d | 14. d | 15. a |
| 16. d | 17. a | 18. c | 19. d | 20. d |
| 21. a | 22. b | 23. c | 24. d | 25. b |
| 26. a | 27. d | 28. c | 29. c | 30. a |
| 31. c | 32. a | | | |

Structured Questions

- Jan, 7 Purchases Day Book
Jan, 10 Sales Day Book
Jan, 14 Cash Book
Jan, 20 Purchases Return Book
Jan, 23 Sales Day Book
Jan, 27 Cash Book
Jan, 28 Cash Book
 - Feb, 6 Cash Book
Feb, 8 Cash Book
Feb, 11 Sales Day Book
Feb, 17 Purchases Day Book
Feb, 19 Purchases Day Book
 - Mar, 5 Cash Book
Mar, 12 Sales Day Book
Mar, 18 Sales Day Book
Mar, 22 Purchases Day Book
Mar, 25 Purchases Returns Day Book
Mar, 26 Cash Book
- b. A Credit Note Received

4.

Debit Note O. Tibbs 10, Blue River Terrace Biche	No. xxx November 4, 20__		
To, R. Shah Penelope Street Cocoyea			
QTY	PARTICULARS	PRICE/ UNIT	AMOUNT
50 pairs	Shoes	\$ 5	\$ 250
80 pairs	Leather belts	7	<u>560</u>
			<u>810</u>
			By: _____ O. Tibbs

5.

FORRESTER LTD CARLSEN STREET CHAGUANAS INVOICE			
			October 26, 20__
QTY	PARTICULARS	PRICE/ UNIT	AMOUNT
1,000 m	Dressed pitch pine	\$ 5	\$ 5,000
7,000 m	Teak	10	<u>70,000</u>
			<u>75,000</u>
E. & O.E		By: _____ Sales Manager (W. Forrester)	

6. (a)

<p>Orange St CUREPE</p> <p style="text-align: center;">Fair Deal Ltd</p> <p style="text-align: center;">CREDIT NOTE</p> <p>Customer: Scotts Ltd Grant Street WOODBROOK</p> <p>We have today credited your account as follows:</p> <p>200 Earthen Ware @ \$4.00 each 800 100 Forks @ \$2.50 each 250 50 Spoons @ \$2.50 each 125 <u>\$1,175</u></p> <p>(Dollars one thousand one hundred and seventy five only)</p> <p>August 29, 20__</p>	<p>No. 075</p> <p>_____</p> <p>W. Sam SALES CLERK</p>
--	---

(b) Fair Deal Ltd

7. (a) (i) Sales Invoice
(ii) and (iii)

	<p>Radio Sales Ltd P...ise Walk, Belize</p>																				
<p><u>Sales Invoice</u></p>																					
<p>To: Mr. Tom Harry 8 Drummond Lane Belize</p>	<p>Invoice No: DATE: October 11, 1985</p>																				
<p>TERMS: 2/10 n/30</p>																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">QUANTITY</th> <th style="width: 35%;">DETAILS</th> <th style="width: 15%;">FOLIO</th> <th style="width: 15%;">SUB TOTAL</th> <th style="width: 20%;">TOTAL</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">One</td> <td>Paramonic Radio Model SX60</td> <td></td> <td style="text-align: right;">1,700.00</td> <td></td> </tr> <tr> <td></td> <td>Less: 10% Discount</td> <td></td> <td style="text-align: right;">170.00</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>\$1,530.00</u></td> </tr> </tbody> </table>	QUANTITY	DETAILS	FOLIO	SUB TOTAL	TOTAL	One	Paramonic Radio Model SX60		1,700.00			Less: 10% Discount		170.00						<u>\$1,530.00</u>	
QUANTITY	DETAILS	FOLIO	SUB TOTAL	TOTAL																	
One	Paramonic Radio Model SX60		1,700.00																		
	Less: 10% Discount		170.00																		
				<u>\$1,530.00</u>																	

(iv) Credit Note

8.

DOCUMENT DESCRIPTION	SOURCE DOCUMENTS					
	BANK STATEMENT	CHEQUES	PAY SLIP	TIME CARD	CREDIT NOTE	INVOICE
1. Used to reconcile cash book bank balance with balance at the bank	✓					
2. Used to record number of hours worked				✓		
3. A bill of exchange drawn on a bank on demand		✓				
4. Used when cash and cheques are deposited at the bank			✓			
5. A document made out by the seller to show the quantity and price of the goods sold						✓
6. Sent to a customer to indicate a reduction in the customer's debt					✓	

9. (a) A. Invoice
 B. Invoice
 C. Credit note

(b) It means that Brooks Trading Company will receive 2 ½% discount if they settle the amount due to Bookmakers Ltd. Within 30 days of the invoice.

(c) Brooks had been debited for more than the amount ordered by them. Hence, GNX Publishers will credit them the excess amount billed.

- (d) A. Purchases Day Book
 B. Purchases Day Book
 C. Purchases Returns Book

(e)

Purchases			
20__		\$	
Apr. 15	Sundry Creditors	2,876	

Purchases Returns			
20__		\$	
Apr. 17	Sundries	136	

GNX Publishers			
20__		\$	
Apr. 17	Purchases Returns	136	
20__		\$	
Apr. 13	Purchases	1,476	

(f)

Bookmakers Ltd

1989		\$		1989		\$
Apr. 30	Bank	1,365		Apr. 15	Purchases	1,400

Cash Account

				1989		\$
				Apr. 30	Bookmakers Ltd	1,365

Discount Received Account

				1989		\$
				Apr. 30	Bookmakers Ltd	35

Typewriter Account

20__		\$				
Aug. 1	R. Campden Capital	1,300				

R. Campden Capital Account

				20__		\$
				Aug. 1	Cash	4,000
					Bank	7,000
					Typewriter	1,300

Furniture Account

20__		\$				
Aug. 4	Cash	1,800				

Equipment Account

20__		\$				
Aug. 7	Bank	2,000				

10.

No.	Transaction	Document (s)
(a)	Owners bought in office equipment for office use.	Receipts
(b)	Received from supplier a summary of transactions that has taken place in the month.	Invoice
(c)	Cash purchases.	Cash Bill
(d)	Cash sales.	Invoice
(e)	Returned goods to supplier.	Credit Note
(f)	Cash deposited in current account.	Bank Deposit Slip
(g)	Settlement of account.	Receipt
(h)	Notified by Ah Meng Service Centre for amount owing for repairs.	Invoice
(i)	Notified debtor for overcharges.	Credit Note
(j)	Notified debtor for undercharges.	Debit Note

11. State the book of original entry for each of the transactions given in #10 (a), (d), (e), (g), (j)

- (a) General Journal
- (d) Cash Book
- (e) Purchases Returns Book
- (g) General Journal
- (j) Sales Book

Chapter 9A - 2 Column Cashbook

Multiple Choice Answers

- 1. c 2. b 3. c 4. d 5. d
- 6. b 7. d 8. c 9. c 10. a
- 11. a 12. a 13. c

Structured Questions

1.

R. Logie Cash Book

20__		\$			
Feb. 2	R. Logie's Capital	7,000			

Bank Book

20__		\$		20__	
Feb. 5	Sales	4,000		Feb. 6	Purchases 1,000

A. John

20__		\$		
Feb. 7	Sales	5,000		
10	Sales	300		

Sales

		20__		\$
		Feb. 5	Bank	4,000
		7	A. John	5,000
		10	A. John	300

Purchases

20__		\$		
Feb. 6	Bank	1,000		

R. Logie's Capital

		20__		\$
		Feb. 2	Cash	7,000

2.

E. Dennis Stock

20__		\$		
Apr. 1	E. Dennis Capital	7,000		

Bank

20__		\$		
Apr. 4	Sales	3,300		

O. Frank

20__		\$	20__		\$
Apr. 12	Purchases	400	Apr. 7	Purchases	2,600
	Returns				

E. Dennis Capital

		20__		\$
		Apr. 1	Stock	7,000

Purchases Returns

20__		\$			
Apr. 12	O. Frank	400			

H. Gravey

20__		\$			
Apr. 16	Sales	1,100			

Sales

20__					\$
Apr. 4	Bank				3,300
16	H. Gravey				1,100

Purchases

20__		\$			
Apr. 7	O. Frank	2,600			

3.

M. Lamb Cash Book

20__		\$			
July 2	M. Lamb's Capital	100			
5	Bank	1,900			

Bank Book

20__		\$		20__		\$
July 2	M. Lamb's Capital	8,000		July 5	Cash	1,900
28	Fees Received	800		26	Salaries	1,500

Stock

20__		\$		20__		\$
July 2	M. Lamb's Capital	2,000		July 27	Drawings	300

N. Mack

20__		\$			
July 12	Sales	3,600			
18	Sales	600			

M. Night

20__		\$		20__		\$
July 25	Purchases	400		July 22	Purchases	2,100

Salaries

20__		\$			
July 26	Bank	1,500			

Fees Received

			20__		\$
			July 28	Bank	800

Purchases

20__		\$			
July 22	M. Night	2,100			

Purchases Returns

			20__		\$
			July 25	M. Night	400

Sales

			20__		\$
			July 12	N. Mack	3,600
			July 18	N. Mack	600

Drawings

20__		\$			
July 27	Stock	300			

M. Lamb's Capital

20__		\$			
July 2	Cash				100
	Bank				8,000
	Stock				2,000

P. Sam Bank Book

20__		\$		20__		\$
Oct. 3	P. Sam's Capital	3,700		Oct. 7	Wages	500
14	Fees Received	400		17	Machinery	1,000
				28	T. Yarde	2,090

Tom

20__		\$			
Oct. 3	P. Sam's Capital	2,000			

Stock

20__		\$			
Oct. 3	P. Sam's Capital	1,000			

S. Wells

20__		\$		20__		\$
Oct. 5	Sales	1,900		Oct. 10	Cash	1,710
					Discount Allowed	190

Wages

20__		\$			
Oct. 7	Bank	500			

T. Yarde

20__		\$	20__		\$
Oct. 17	Purchases	100	Oct. 12	Purchases	2,300
28	Bank	2,090			
	Discount	110			
	Received				

Purchases Returns

20__		\$
Oct. 17	T. Yarde	100

5.

Cash Book

DATE	DETAILS	REF	CASH A/C	BANK A/C	DATE	DETAILS	REF	CASH A/C	BANK A/C
20__			\$	\$	20__			\$	\$
Jan. 1	W. Bird Capital		3,000	8,500	Jan. 3	Premises			6,000
14	Sales		4,900		7	Purchases			1,300
15	Rent Received		200		9	Drawings		500	
17	Cash			6,000	17	Bank		6,000	

W. Bird Capital Account

20__		\$
Jan. 1	Cash	3,000
	Bank	8,500

Sales Account

20__		\$
Jan. 14	Cash	4,900

Rent Received Account

		20__		\$
		Jan. 15	Cash	200

Premises Account

		20__		\$
Jan. 3	Bank			6,000

Purchases Account

		20__		\$
Jan. 7	Bank			1,300

Drawings Account

		20__		\$
Jan. 9	Cash			500

6.

Cash Book

DATE	DETAILS	REF	CASH A/C	BANK A/C	DATE	DETAILS	REF	CASH A/C	BANK A/C
20__			\$	\$	20__			\$	\$
Feb. 1	P. Dove Capital		500		Feb. 3	Cash			1,000
2	Bank Loan			2,000	6	Purchases		600	
3	Bank		1,000		8	Travelling Expense		50	
5	Rent Received			300	13	Sales Returns			700
11	Sales		2,600		28	Balance c/d		3,550	600
18	Purchase Returns		100						
			4,200	2,300				4,200	2,300

P. Dove Capital Account

20__			\$
Feb. 1	Cash		500

Bank Loan Account

20__			\$
Feb. 2	Bank		2,000

Rent Received Account

20__			\$
Feb. 5	Bank		300

Sales Account

20__			\$
Feb. 18	Cash		2,600

Purchases Returns Account

20__			\$
Feb. 18	Cash		100

Purchases Account

20__		\$	
Feb. 6	Bank	600	

Travelling Expense Account

20__		\$	
Feb. 8	Cash	50	

Sales Returns Account

20__		\$		
Feb. 13	Bank	70		

7.

Cash Book

DATE	DETAILS	REF	CASH A/C	BANK A/C	DATE	DETAILS	REF	CASH A/C	BANK A/C
20__			\$	\$	20__			\$	\$
Mar. 1	L. Castro Capital		2,500	400	Mar. 4	Bank		1,000	
4	Cash			1,000	6	Furniture			300
11	Purchases		80		8	Purchases		500	
	Returns								
20	Sales			1,600	16	Purchases		200	
31	Cash			780	19	Drawings			50
					25	Sales Returns			250
					31	Bank		780	

L. Castro Capital Account

20__		\$
Mar. 1	Cash	2,500
	Bank	400

Purchase Returns Account

20__		\$
Mar. 11	Cash	80

Sales Account

20__		\$
Mar. 20	Bank	1,600

Furniture Account

20__		\$
Mar. 6	Bank	300

Purchases Account

20__		\$	
Mar. 8	Cash	500	
16	Cash	200	

Drawings Account

20__		\$	
Mar. 19	Bank	50	

Sales Returns Account

20__		\$	
Mar. 25	Bank	250	

8. A. Abraham Cash Book

DATE	PARTICULARS	CASH	BANK	DATE	PARTICULARS	CASH	BANK
20__				20__			
Apr. 1	A. Abraham Capital	60,000		Apr. 2	Bank	56,000	
2	Cash		56,000	5	Furniture		7,000
19	C. Shanks		2,000	6	Purchases		10,000
				12	Stationery	1,000	
				12	Wages	400	
				30	Balances c/d	2,600	41,000
		60,000	58,000			60,000	58,000

(b)

A. Abraham Capital Account

20__		\$	
Apr. 1	Cash	60,000	

C. Shanks Account

20__		\$	20__		\$
Apr. 10	Sales	2,000	Apr. 19	Bank	2,000

Furniture Account

20__		\$	
Apr. 5	Bank	7,000	

Purchases Account

20__		\$	
Apr. 1	Bank	10,000	

Stationery Account

20__		\$	
Apr. 12	Cash	1,000	

Wages Account

20__		\$	
Apr. 12	Cash	400	

Office Supplies Ltd Account

		20__	\$
		Apr. 16	Typewriter 6,000

Typewriter Account

20__		\$	
Apr. 16	Office Supplies Ltd	6,000	

Sales

		20__	\$
		Apr. 10	C. Shanks 2,000

9.

Mary Paul Cash Book

DATE	DETAILS	DISC	CASH	BANK	DATE	DETAILS	DISC	CASH	BANK
20__		\$	\$	\$	20__		\$	\$	\$
May 1	Bal. b/d			500	May 1	Bank		5,000	
1	Sales		5,000		13	Salary			2,000
1	Cash			5,000	16	Rent			500
17	R. Jason			1,000	19	S. Francis			350
18	P. Jules			2,100	20	Purchases			1,100
22	P. Jules	50		1,250	21	S. Francis			150
					23	V. Moses	20		450
					30	Bal. c/d	-	-	5,300
		50	5,000	9,850			20	5,000	9,850

R. Jason Account

1985		\$		1985		\$
May 1	Balance b/d		1,000	May 17	Bank	1,000

P. Jules Account

1985		\$		1985		\$
May 1	Balance b/d		3,400	May 18	Bank	2,100
				22	Bank	1,250
				22	Discount Allowed	50

S. Francis Account

1985		\$		1985		\$
May 19	Bank		350	May 1	Balance b/d	500
21	Bank		150			

V. Moses Account

1985		\$		1985		\$
May 2	Bank		450	May 1	Balance b/d	1,200
	Discount Received		20			

M. Paul Capital Account

1985			\$
May 1	Balance b/d		3,200

Sales Account

1985			\$
May 1	Cash		5,000

Salary Account

1985		\$	
May 13	Bank	2,000	

Rent Account

1985		\$	
May 16	Bank	500	

Purchases Account

1985		\$	
May 20	Bank	1,100	

Discount Allowed Account

1985		\$	
May 22	Sundry Debtors	50	

Discount Received Account

		1985	\$
May 23	Sundry Creditors	20	

10. (a)

John Trader Cash Book

DATE	DETAILS	CASH	BANK	DATE	DETAILS	CASH	BANK
20__		\$	\$	20__		\$	\$
June	Balance b/d	180	2,250	June 4	L. Brown		752
1	Sales	845	482	7	Rent		200
8					Drawings		400
8	Cash		925	8	Bank	925	
15	Sales	695	731	11	G. Grovesnor		1,592
15	Cash		595	12	Repairs		287
22	Sales	1,005	503	15	Bank	595	
22	Cash		905	18	B. Thomas		815
				20	Repairs		
				22	Furniture	300	187
				22	Drawings		575
				22	Bank	905	
				30	Balance c/d	NIL	1,583

$$*2,570 - (157 + 163) = 2,250$$

(b)

Purchase Account

1990			1990		
		\$			\$
June 4	L. Brown	752	June 30	Trading Account	3,159
11	G. Grovesnor	1,592			
18	B. Thomas	815			
		<u>3,159</u>			<u>3,159</u>

Sales Account

1990			1990		
		\$			\$
June 30	Trading Account	4,261	June 8	Cash	845
			8	Bank	482
			15	Cash	695
			15	Bank	731
			22	Cash	1,005
			22	Bank	503
		<u>4,261</u>			<u>4,261</u>

(c)

Expenses

Rent	200
Printing	287
Replacement	<u>187</u>
	<u>\$674</u>

11. Two Column Cash Book

20__		Cash	Bank	20__		Cash	Bank
July 1	Bal b/d	238	3166	July 3	S. Ali		1253
6	Sales	275		8	Wages	64	
13	Malik		873	11	Electricity		89
20	Sales	497		19	Purchases		2356
26	Cash		450	22	Wages	74	
				26	Bank	450	
				27	Petrol	39	
				30	Drawings		250
				31	Bal c/d	383	541
		\$ 1010	4489			\$ 1010	4489

12.

Two Column Cash Book

Date	Details	Cash	Bank	Date	Details	Cash	Bank
20__ Apr, 1	Bal b/d	2250	550	20__ Apr, 4	Rent		350
Apr, 10	Sales	135		Apr, 7	Transport	55	
Apr, 13	Adlina	800		Apr, 9	Purchases	170	
Apr, 18	Bank	350		Apr, 16	Drawings		250
Apr, 30	Cash		250	Apr, 18	Cash		350
Apr, 30	Bal c/d		1400	Apr, 22	Sundry	130	
				Apr, 23	Ameera		1250
				Apr, 30	Bank	250	
					Bal c/d	2930	
		\$ 3535	2200			\$ 3535	2200

13.

Two Column Cash book

Date	Details	Cash	Bank	Date	Details	Cash	Bank
20__ Sep 1	Bal b/d	160	560	20__ Sep 3	Cash		190
Sep 3	Bank	190		Sep 7	Purchases	210	
Sep 13	Wazeef Wazeen		1140	Sep 10	Transport	85	
Sep 16	Sales	138		Sep 13	Desk		180
Sep 19	Ahmad		200				
Sep 30	Bank	110		Sep 26	Charges		70
				Sep 29	Uzme		150
				Sep 29	Ratino		170
				Sep 30	Cash		110
					Bal c/d	303	30
		\$598	1900			\$ 598	1900

Chapter 9B – 3 Column Cash Book

Multiple Choice Answers

1. a 2. c 3. b 4. b 5. b
6. d 7. a 8. b 9. c 10. a
11. c 12. c 13. b 14. b 15. c
16. d

Cash Book

DATE	DETAILS	FOLIO	DISC ALL	CASH A/C	BANK A/C	DATE	DETAILS	FOL IO	DIS REC	CASH A/C	BANK A/C
20_			\$	\$	\$	20_			\$	\$	\$
June 1	Bal. b/d				5,000.00	June 3	Cash				2,800.00
3	Bank			2,800		14	Purchases			2,000.00	
8	Sales			1,700		16	Creditor S. Ian		370		3,330.00
19	Debtor W. Eric		71	3,479		21	Bank			2,989.50	
21	Cash				2,989.50	30	Bal. c/d			2,989.50	1,859.00
			71	7,979	7,989.50				370	7,979.00	7,989.00

W. Eric A/c

20_		\$	20_		\$
June 1	Balance b/d	400	June 19	Cash	3,479
10	Sales	3,150		Discount Allowed	71

S. Ian Account

20_		\$	20_		\$
June 16	Bank Discount Received	3,330 370	June 1	Balance b/d	700
			7	Purchases	3,000

Capital Account

20_		\$	20_		\$
June 1	Balance b/d	4,700			

Purchases Account

20_		\$			
June 7	S. Ian	3,000			
14	Cash	2,000			

Sales Account

			20_	\$
	June 8	Cash		1,700
	10	Debtor W. Eric		3,150

Discount Allowed Account

			20_	\$
	June 30	Sundry Debtors		71

Discount Received Account

			20_	\$
	June 30	Sundry Creditors		370

#2

Cash Book

DATE	DETAILS	FO LI O	DISC ALL	CASH A/C	BANK A/C	DATE	DETAILS	FOLI O	DIS REC	CASH A/C	BANK A/C
20_			\$	\$	\$	20_			\$	\$	\$
July 1	Bal. b/d			2,000.00	3,500	July 6	Purchases			800.00	
15	Sales			2,800.00		12	Plant & Equip				1,000
19	Cash	C			1,500	13	Sales Returns			100.00	
25	R. Ponah		80.00	1,520.00		19	Bank	C		1,500.00	
25	W. Moon		107.50	2,042.50		28	V. Allen				500
						28	T. Sandy				2,560
							Bal. c/d			5,962.50	940
			187.50	8,362.50	5,000					8,362.50	5,000

Capital Account

20__		\$	20__		\$
July 1	Balance b/d	7,200	July 1	Balance b/d	7,200

V. Allen Account

20__		\$	20__		\$
July 28	Bank	500	July 1	Balance b/d	500

T. Sandy Account

20__		\$	20__		\$
July 17	Purchases Return	300	July 1	Balance b/d	900
28	Bank	2,560	11	Purchases	1,960

R. Ponah

20__		\$	20__		\$
July 1	Balance b/d	1,600	July 25	Cash	1,520
				Discount	80
				Allowed	

W. Moon Account

20__		\$	20__		\$
July 1	Balance b/d	1,500	July 21	Sales Returns	150.00
9	Sales	800	25	Cash	2,042.50
				Discount	107.50
				Allowed	

Purchases Account

20__		\$			
July 6	Cash	800			
11	T. Sandy	1,960			

Sales Account

		20__	\$
		July 9	W. Moon 800
		13	Cash 2,800

Sales Returns Account

		20__	\$
July 15	Cash		100
21	W. Moon		150

Purchases Return Account

		20__	\$
		July 17	P. Sandy 800

Discount Allowed Account

		20__	\$
July 31	Sundry Debtors	187.50	

Plant and Equipment Account

		20__	\$
July 12	Bank	1,000	

3. (a)

DATE	PARTICULARS
Aug. 1	Cash Book and Journal
2	Journal
4	Cash book
8	Cash Book and Journal
12	Cash Book and Journal
17	Cash Book and Journal
18	Cash Book
20	Cash Book and Journal

(b)

Cash Book

DATE	DETAILS	RE F	DISC ALL	CASH A/C	BANK A/C	DATE	DETAILS	RE F	DIS REC	CASH A/C	BANK A/C
20__ Aug 1	S. Dalip Capital		\$	\$ 3,000	\$ 5,000	20__ Aug. 4	Bank		\$	\$ 7,000	\$
4	Sales			7,000		8	Vehicles			1,500	
4	Cash	C			7,000	12	Vehicles				3,000
20	Furniture			1,000		17	T. Moses		100	1,900	
						18	Purchases				6,000
						20	Drawings			800	
						21	Cash	C			1,400
						31	Bal. c/d			1,200	1,600
				12,400	12,000				100	12,400	12,000

S. Dalip Capital Account

1990	\$	20__	\$	
		Aug 1	Cash	3,000
		1	Bank	5,000
		1	Stock	6,000
		1	Furniture	1,000

Stock Account

20__	\$	
Aug. 1	Capital	6,000

Furniture Account

20__	\$	20__	\$		
Aug. 1	Capital	1,000	Aug. 20	Cash	1,000

Office Equipment Account

20__		\$	
Aug. 2	T. Moses	4,000	

T. Moses Account

20__		\$	20__		\$
Aug. 17	Cash	1,900	Aug. 2	Office Equipment	4,000
	Discount	100			
	Received				

Vehicle Account

20__		\$	
Aug. 8	Cash	1500	
Aug. 9	Bank	3000	

Purchases Account

20__		\$	
Aug.	Bank	6,000	

Discount Received Account

20__		\$
August 31.	Sundry Creditors	100

Drawings Account

20__		\$	
Aug. 20	Cash	800	

Sales Account

			20__		\$
	Aug. 4	Cash		7,000	

4. (a)

Cash 300%

DATE	DETAILS	REF	DISC ALL	CASH A/C	BANK A/C	DATE	DETAILS	REF	DIS REC	CASH A/C	BANK A/C
20__			\$	\$	\$	20__			\$	\$	\$
Feb. 2	Bal. b/d	(i)		325		Feb. 2	Bal. b/d	(i)			600
4	Lo- Hi	(ii)	40		1,760	5	Cash	C(iii)			80
5	Bank	C(iii)		80		7	Bank Charges	(v)			8
6	Sales	(iv)		187		16	Sundry Expenses	(vii)		33	
12	S. Tee	(vi)			74	20	Cash	C (viii)			160
20	Bank	C		160		22	Y. Zed	(ix)	60		1,140
24	Cash	C(x)			499	24	Bank	C(x)		499	
						25	Bal. cld			220	345
			40	752	2,333				60	752	2,3

5. (a) 1. Bank Statements
 2. Cheques
 3. Receipts
 4. Cheque Book counterfoil

(b) (i) and (ii)

Jackie Ramsammy Cash Book

DATE	DETAILS	DISC ALL	CASH A/C	BANK A/C	DATE	DETAILS	DIS REC	CASH A/C	BANK A/C
Oct. 1	Bal. b/d	\$	\$	\$	Oct. 10	M. Seller	\$	\$	\$
2	D. Cummings	9	100	1,000	16	Cash	4		156
5	E. David	6	194	300	21	Wages		60	40
9	Sales		80		24	Electricity			20
16	Bank		40		31	Bal. c/d		354	1,084
		15	414	1,300			4	414	1,300
			354	1,084					
Nov. 1	Bal bld		354	1,089					

(c) October 16, 1988

#6

(a)

A. Abraham Cash Book

20__		Cash	Bank	20__		Cash	Bank
Apr. 1	A. Abraham Capital	60,000		Apr 2	Bank	56,000	
Apr. 2	Cash		56,000	Apr 5	Desk Chair		7,000
Apr. 19	Debtor, C. Shanks		2,000	Apr 6	Purchases		10,000
				Apr 12	Stationery	1,000	
				Apr 12	Wages	400	
				Apr 30	Bal c/d	2,600	41,000
		\$ 60,000	58,000			\$ 60,000	58,000

(b)

A. Abraham Capital A/c

		20__	\$
		April, 1	Cash 60,000

(Furniture) Desk Chair A/c

		20__	\$
Apr 5	Bank		7,000

Purchases A/c

		20__	\$
Apr 6	Purchases		10,000

Sales A/c

		20__	\$
Apr 10	Debtor C. Shanks		2,000

Debtor, C. Shanks A/c

20__		\$		20__		\$
Apr 10	Sales	2,000		Apr 19	Bank	2,000

Stationery A/c

20__		\$				
Apr 12	Cash	1,000				

Wages A/c

20__		\$				
Apr 12	Cash	400				

Typewriter A/c

20__		\$				
Apr 16	Office Supplies Ltd	6,000				

Office Supplies Ltd A/c

				20__		\$
				Apr 16	Typewriter	6,000

7.

Cash Book

20__ Jan		Disc All.	Cash	Bank	20__ Jan		Disc Rec.	Cash	Bank
1	Bal b/d		2,000	4,000	3	Purchases			1,700
6	Sales		1,150		4	Stationery		180	
20	Bank Loan			9,000	9	Narita Sisters	20		380
24	Saidatul Enterprise		650	1,000	11	Drawings			700
					13	Purchases		900	
					17	Advertising		90	
					23	Rent			1,800
					25	Transport			1,100
					28	Creditor	100		1,900
					31	Bal c/d		2630	7,420
			3,800	14,000			120	3,800	14,000

(8)

Chris Luder and Sons
Cash Book

DATE	DETAILS	FOLI O	DISC ALL	CASH A/C	BANK A/C	DATE	DETAILS	FOLI O	DIS REC	CASH A/C	BANK A/C
20__			\$	\$	\$	20__			\$	\$	\$
1 - Apr	Balance	B/d		850	4,200	1- Apr	Petty Cash	PCB		325	
7 - Apr	P. Rice	SL	100	1,900	6- Apr	Wages	GL				2,100
16 -Apr	Cash	C			16 Apr	Bank	C			1,200	
16 - Apr	S. John	SL	50		18 Apr	Drawings	GL			500	
					26 Apr	K. Band Enterprise	PL	58			2,842
					30 Apr	Dishonoured Cheque	SL				950
					30 Apr	Balance C/d				725	458
			150	2,750	6,350				58	2,750	6,350
1 - May	Balance B/d			725	458						

9. (i)

**Sales Ledger
U. Plummer A/c**

DATE	DETAILS	FOLIO	AMOUNT	DATE	DETAILS	FOLIO	AMOUNT
20__			\$	20__			\$
1 - Sep	Sales	SDB	7,200	3 - Sep	Return Inwards	RIDB	1,000
30 - Sep	Sales	SDB	1,396	4 - Sep	Bank	CB	5,100
				4 - Sep	Discount Allowed	CB	100
				30 - Sep	Balance C/d		2,396
			8,596				8,596
			2,396				
1 - Oct	Balance B/d						

(ii)

**Debtors Control A/c
For the month ended September 20__**

	\$		20__		\$
Credit Sales	14,846		Return inwards		2,950
			Discount Allowed		160
			Bank		11,140
			Balance C/d		596
	14,846				14,846
balance B/d	596				

Rent A/c

DATE	DETAILS	FOLIO	AMOUNT	DATE	DETAILS	FOLIO	AMOUNT
20__			\$	20__			\$
25- Sep	Cash	CB	700				

Wages A/c

DATE	DETAILS	FOLIO	AMOUNT	DATE	DETAILS	FOLIO	AMOUNT
20__			\$	20__			\$
25- Sep	Bank	CB	2,500				

Discount Allowed A/c

DATE	DETAILS	FOLIO	AMOUNT	DATE	DETAILS	FOLIO	AMOUNT
20__			\$	20__			\$
Sep	Total for the month	CB	160				

Chapter 9C Petty Cash Book

Multiple Choice Answers

1. c 2. c 3. b 4. c 5. c
6. a 7. c 8. c 9. b 10. a
- 1 (a)

LJT LTD Petty Cash Book

DATE	DR RECEIPTS	DETAILS	CR PAYMENTS	VO. NO.	POSTAGE & STATIONERY	REFRESHEMNTS	WAGES	TRAVELLING
19__	\$		\$		\$	\$	\$	\$
Mar. 1	100.000	To Imprest						
1		Postage	3.60		3.60			
1		Stamps	5.10		5.10			
1		Taxi Fares	7.22					7.22
2		Refreshments	4.75			4.75		
3		Serviceman	3.60				3.60	
4		Refreshments	6.18			6.18		
4		Stamps	1.82		1.82			
5		Cleaner	4.64				4.64	
		Serviceman	5.18				5.18	
			42.09		10.52	10.93	3.42	7.22
		Bal. c/d	57.91					
7	<u>100.00</u>		<u>100.00</u>					
8	57.91	Bal b/d						
8	42.09	Cash						

Postage and Stationery A/c

20__		\$
Mar. 7	Petty Cash	10.52

Refreshment A/c

20__			\$		
Mar. 7	Petty Cash	10.93			

Wages A/c

20__			\$		
Mar. 7	Petty Cash	13.42			

Travelling

20__			\$		
Mar. 7	Petty Cash	7.22			

2 (a)

Date	DR RECEIPTS	DETAILS	CR PAYMENTS	VOUCHER NO.	STATIONERY	REFRESHMENT	WAGES	OFFICE	CREDITORS		
									ACCOUNTS	REF	AMT
Aug. 1	\$ 26.00	Bal b/d	\$		\$						
1	99.00	Cash									
1		Telephone Repairs	8.90					8.90			
1		Writing material	9.34		9.34						
1		B. Manners	4.22							B. Manners	4.22
2		Refreshments	7.29			7.29					
2		Wages	5.80				5.80				
3		Pens and Ink	3.65		3.65						
3		Short- Pay	5.10				5.10				
3		Meal Allowance	4.95					4.95			
3		Brochures Sold									
3		Bus Fares Refund	2.50					2.50			
3		S. Blanca	3.75							S. Blanca	3.75
4		Refreshments	9.28			9.28					
4		Printing	6.82		6.82						
4		Serviceman	8.40				8.40				
4		Repairs	7.60					7.60			
5		Cleaner Wages	9.46				9.46				
5		Telephone call									
5		W. Little	3.89							W. Little	3.89
5		Refreshments	7.44			7.44					
6		Refreshments	3.70			3.70					
7		Erasers, pens, pencils	2.35		2.35						
			114.44		22.16	27.71	28.76	23.95			11.86
		Bal. c/d	18.15								
	132.59		132.59								
	18.15	Bal. b/d									
	106.85	Cash									

(b)

Brochures Sales A/c

20__			
August, 7.	Petty Cash		5.30

Telephone A/c

20__			
August, 7.	Petty Cash		2.29

Stationery A/c

20__		\$	
Aug. 7	Petty Cash	22.16	

Refreshment A/c

20__		\$	
Aug. 7	Petty Cash	27.71	

Wages A/c

20__		\$	
Aug. 7	Petty Cash	28.76	

Office Expense A/c

20__		\$	
Aug. 7	Petty Cash	23.95	

Creditor B. Manners A/c

20__		\$	20__		\$
Aug. 7	Petty Cash	<u>4.22</u>	Aug 1	Bal b/d	<u>4.22</u>

Creditor S. Blanco A/c

20__		\$	20__		\$
Aug. 7	Petty Cash	<u>3.75</u>	Aug 1	Bal b/d	<u>3.75</u>

Creditor W. Little A/c

20__		\$	20__		\$
Aug. 7	Petty Cash	<u>3.89</u>	Aug 1	Bal b/d	<u>3.89</u>

#3 (a)

Date	Dr Receipt	Details	CR. Payments	Donations	Travelling	Cleaning	Stationery	Creditors
May 1.	75	To Imprest						
May 1.	1.50	Telephone Call						
May 1.		Taxi Fares	4.50		4.50			
May 1.		Stamps	1.55				1.55	
May 2.		Donations	9.80	9.80				
May 2.		Brooms	3.53			3.53		
May 2.		Stamps	4.20				4.20	
May 3.	5.20	Bulletin						
May 3.		Bus Fares	1.50		1.50			
May 3.		Bins	4.28			4.28		
May 3.		M. Mark	2.74					Mark 2.74
May 3.		Travelling	3.75		3.75			
May 4.		Stamps	.90				.90	
May 4.		Polish	5.65			5.65		
May 4.		Red Cross	4.25	4.25				
May 4.		Sports Club	2.75	2.75				
May 6.		Cancer Society	9.80	9.80				
			59.20	26.60	9.75	13.46	6.65	2.74
May 6.		Bal cld	22.50					
	81.70		81.70					
May 7.	22.50	Bal bld						
	52.50	Imprest						

Telephone A/c

20__		\$			
May 6.	Petty Cash	1.50			

News Bulletin A/c

20__		\$			
May 6.	Petty Cash	5.20			

Donations A/c

20__		\$			
May 6	Petty Cash	30.60			

Travelling A/c

20__		\$			
May 6	Petty Cash	9.75			

Cleaning A/c

20__		\$			
May 6	Petty Cash	13.46			

Stationery A/c

20__		\$			
May 6	Petty Cash	6.65			

Creditor N. Mark A/c

20__		\$	20__		\$
May 6	Petty Cash	2.74	May 1	Bal b/d	2.74

4. (a) (i)

Dr. J. Hicks Petty Cash Book

RECEIPTS	DATE	PARTICULARS	VO. NO.	TOTAL PAYMENTS	TRAVELLING	POSTAGE	CLEANING	STATIONERY	SUNDRIES
75	Apr 1	Cash		\$	\$			\$	\$
	3	Servicing	1	12.00					12.00
	4	Postage	2	5.75		5.75			
	6	Donation	3	8.00					8.00
	9	Cleaning	4	15.00			15.00		
	10	Taxi Fare	5	6.25	6.25				
	11	Registered Mail	6	3.15		3.15			
	13	Paper/ Envelopes	7	4.30				4.30	
	16	Pens	8	7.80				7.80	
	20	Bus Fare	9	1.20	1.20				
	23	Refreshment	10	4.00					4.00
				67.45	7.45	8.90	15.00	12.10	24.00
		Bal. c/d		7.55					
75				75.00					
7.55	24	Bal. b/d							
67.45	24	Imprest							

(b)

VOUCHER NO. 1

Dr. J. Hicks
Petty Cash Voucher

PAYEE: DAVID KEYES

DATE: APRIL 3, 1986

DETAILS	ACCOUNT NUMBER	\$	\$
SERVICING TYPEWRITER		12	00
		12	00

PREPARED BY: GLORIA PARK

APPROVED BY: DR. J. HICKS

CASH RECEIVED BY: DAVID KEYES

5. (j & ii)

Sobos Insurance Agency Petty Cash Book

RECEIPTS	DATE	PARTICULARS	VO. NO.	TOTAL PAYMENTS	TRAVELLING	POSTAGE	CLEANING	STATIONERY	SUNDRIES
14.20	Apr 1	Bal. b/d							
85.75	1	Cash		\$	\$			\$	\$
	3	Cleaner	101	2.90			2.90		
	5	Bus fare	102	1.20	1.20				
	6	Paper	103	15.62				15.62	
	9	Repairs	104	20.00					20.00
	14	Stamps	105	8.50		8.50			
	19	Charity	106	25.00					25.00
	24	Polish	107	4.53			4.53		
	29	Taxi fare	108	6.75	6.75				
	30	Refreshments	109	5.20					5.20
		Total		89.70					
	30	Bal. c/d		10.70	7.95	8.50	7.43	15.62	50.20
100.00				100.00					
10.70	May 1	Bal. b/d							
89.70	1	Cash							

6.

Columnar Petty Cash Book

DATE	RECEIPTS		FOLIO	DATE	PARTICULARS	VO NO	TOTAL PAYMENTS	Total Expenses	Stationery	Postage			
	PARTICULARS	AMT											
1981		\$		1981			\$	\$					
Jan. 1	To Imprest	100											
				Jan. 1	EMS Parkways	1	25	25	-	-			
				2	Office Cleaner	2	10	-	-	-			
				3	W. Brown	3	15	-	-	-			
				4	Postage Stamps	4	5	-	-	5	5		
				4	Voice Publishers For Stationery	5	20		20				
							75	25	20	5	10	15	
Jan. 4	Bal. c/d						25						
		100					100						
Jan. 5	Bal. b/d	25											
5	To Imprest	75											

7. (a) (i) A petty cash fund may be established for the following reasons:

1. To maintain a record of small amounts spent on repetitive items like postage, stationery, cleaning, travelling etc.
2. The main cashbook need not be crowded with minute details.
3. To have better control over small items of expenses, since only the amount spent is reimbursed to make up the imprest, overspending is curtailed.

(ii) Imprest

7. (b) (i)

RECEIPTS	DATE	PARTICULARS	VOUCHER NO.	TOTAL PAYMENTS	TRAVELLING	POSTAGE	CLEANING	STATIONERY	SUNDRIES
350	Apr. 15	Cash		\$	\$	\$	\$	\$	\$
	16	Taxi fare		12.25	12.25				
	16	Paper & Envelopes		13.00				13.00	
	16	Parcel Post		35.25		35.25			
	19	Erasers, pens, pencils		8.00				8.00	
	19	Bus fees		6.50	6.50				
	19	Postage stamps		13.00		13.00			
	21	Soap Powder		3.50			3.50		
	21	Scrubbing Brush		2.50			2.50		
	21	1 Mop		7.00			7.00		
	22	Airmail Postage		5.00		5.00			
				106.00	18.75	53.25	13.00	21.00	
	23	Bal. c/d		244.00					
350				350.00					
244	May 1.	Bal. b/d							
106		Cash							

8. (a)

P. Merchant Cash Book

8		Disc All.	Cash	Bank	1988 July		Disc Rec.	Cash	Bank
	Bal b/d			563.25	1.	Petty Cash			197.47
	M. Hill	17.36		406.28	6.	Charges, Bank			5.28
	T. Valley	5.22		187.55	8.	G. Field	2.53		860.00
	C. Rivers			275.50	8.	Drawings			150.00
	E. Plain	5.83		670.00	11.	L. Gordon	3.21		168.52
					17.	Wages			350.00
					31.	Bal c/d			<u>371.31</u>
		<u>28.41</u>		<u>2,102.58</u>			<u>5.74</u>		<u>2,102.58</u>

RECEIPTS	DATE	PARTICULARS	VOUCHER NO.	TOTAL PAYMENTS	TRAVELLING	POSTAGE	CLEANING	STATIONERY	SUNDRIES
	Mar 1	Imprest							
450	Mar 1	Postage	PVC 25	6		6			
	Mar 9	Stationery	PVC 26	40				40	
	Mar 13	Taxi Fare	PVC 27	13					
	Mar 13	Office Cleaning	PVC 28	50			50		
	Mar 17	Stamps	PVC 29	9		9			
	Mar 19	Train Tickets	PVC 30	21					
	Mar 21	Envelopes	PVC 31	5				5	
	Mar 21	Taxi fares	PVC 32	24					
	Mar 23	Office cleaning	PVC 33	50			50		
	Mar 26	Office repairs	PVC 34	70					70
	Mar 28	Stamp pads	PVC 35	12				12	
		Total		300	58	15	100	57	70
		Bal c/d		150					
450				\$450					
150	Apr 1	Bal b/d		---					
300		Imprest							

RECEIPTS	DATE	PARTICULARS	VOUCHER NO.	TOTAL PAYMENTS	WAGES	STATIONERY	SUNDRY EXPENSES	OTHER OPERATING EXPENSES
	June 1	Bal b/d						
453	June 1	Imprest						
	June 2	Paid Wages		88	88			
	June 4	Postage stamps		30				
	June 8	Wages		91	91			
	June 13	Bought Envelopes		23		23		
	June 17	Paid wages		88	88			
	June 23	Gift Voucher		42				
	June 26	Stationery		28		28		
	June 30	Wages		85	85			
		Total		475	352	51	30	42
	June 30	Bal c/d		25				
500				\$500				
25	July 1	Bal b/d						
475	1	Imprest						

11.

Receipts	DATE	PARTICULARS	VOUCHER NO.	TOTAL PAYMENTS	WAGES	POSTAGE	STATIONERY	TRAVELLING
86	2010 Oct 1	Bal b/d						
214	Oct 1	Imprest						
	Oct 1	Paid wages		32	32			
	Oct 7	Postage stamps		25		25		
	Oct 9	Postage for parcel		4		4		
	Oct 10	Paid wages		18	18			
	Oct 10	Fax paper		42			42	
	Oct 11	Taxi fare		12				12
	Oct 13	Envelopes		8			8	
	Oct 14	Transport		5				5
	Oct 17	Registered mail		13		13		
	Oct 23	Paid wages		21	21			
	Oct 24	Carbon paper		15			15	
	Oct 24	Voucher books		9			9	
	Oct 26	Taxi fare		15				15
	Oct 27	Paid wages		31	31			
	Oct 29	Transport		21				21
	Oct 31	Fax paper		11			11	
<u>\$300</u>		Total		282	102	42	85	53
		Bal c/d						
<u>300</u>	Oct 31.			<u>300</u>				
18	Nov 1	Bal b/d						
282		Imprest						

Chapter 10 Special Journals

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. c | 2. c | 3. b | 4. d | 5. c |
| 6. b | 7. c | 8. d | 9. a | 10. c |
| 11. b | 12. a | 13. a | 14. b | 15. c |
| 16. d | 17. d | 18. a | 19. b | 20. c |

1.

Pix Enterprise Sales Day Book

20__		\$	\$
May 1	B. Martin Goods		87
12	R. Newville Goods		214
17	D. Bennett Goods	300	
	Less: 20% Trade Discount	60	
			240
			541

Purchases Day Book

20__		\$	\$
May 7	Supplies Ltd Goods	900	
	Less: 33 1/3 % Trade Discount	300	
20	Big Bargain Ltd Goods	640	600
	Less: 25% Trade Discount	160	
			480
			1,080

b.

Sales Returns Day Book

20__		\$	\$
May 1	R. Newville Goods		20

Purchases Returns Day Book

20__		\$	\$
May 31	Big Bargains Ltd Goods		200
	Less: 25% Trade Discount		50
			150

(b)

B. Martin Account

20__		\$			
May 1	Sales	87			

R. Newville Account

20__		\$		20__		\$
May 12	Sales	214		May 14	Sales Return	20

D. Bennett Account

20__		\$			
May 17	Sales	240			

Supplies Ltd Account

				20__		\$
				May 7	Purchases	600

Big Bargain Ltd Account

20__		\$		20__		\$
May 31	Purchases	150		May 20	Purchases	480
	Returns					

Sales Account

				20__		\$
				May 31	Sundry Debtors	541

Purchases Account

20__		\$			
May 31	Sundry Creditors	1,080			

Sales Returns Account

20__		\$			
May 31	Sundry Debtors	20			

Purchases Return Account

				20__	\$
				May 31	Sundry Creditors
					150

(c)

Pix Enterprise
Trial Balance as at May 31, 20__

	\$	\$
Debtor: B. Martin	87	
R. Newville	194	
D. Bennett	240	
Suppliers Ltd		600
Big Bargain Ltd		330
Sales		541
Purchases	1,080	
Sales Return	20	
Purchases Returns		150
	\$1,621	\$1,621
	\$1,621	\$1,621

2. (a)

Ester Jenkins Account

20__		\$	20__		\$
Jan. 1	Sales	400	Jan. 8	Sales Returns	40
			31	Balance c/d	360
		<u>400</u>			<u>400</u>

Derek James Account

20__		\$			
Jan. 5	Sales	200.50			

Eco Mc. Linden Account

20__		\$			
Jan. 14	Sales	100.50			

Albert Booth Account

20__		\$			
Jan. 22	Sales	150			

Sam Heinz Account

20__		\$	
Jan. 31	Sales	350	

Sales Account

20__		\$	
Jan. 31	Sundry Debtors		1,201

Sales Returns Accounts

20__		\$	
Jan. 8	E. Jenkins	40	

(ii) To record goods returned to the supplier

(iii) Goods may be of the wrong type

(c) (i) Purchases and Consumer Co. Ltd Accounts

(ii) \$4,000

(iii) \$3,960

(iv) Creditors and Discount Received Accounts

3.

Sales Day Book

20_			\$
Apr. 3	White	L 14	72
	Goods		
14	Black	L 18	120
	Goods		
20	Green	L 22	70
	Goods		
25	Black	L 18	
	Goods		30
	Sales	L 08	<hr/> 292

Purchases Day Book

20_			\$
Apr. 2	Grey	L 34	
	Goods		200
10	Red	L 36	
	Goods		120
24	Brown	L 38	
	Goods		115
	Purchases	L 10	<hr/> 435

Sales Returns Book

20_			\$
Apr. 23	Grey	L 22	
	Goods		12
29	Red	L 18	
	Goods		20
	Sales Return	L 12	<hr/> 32

Purchases Returns Book

20_			\$
Apr. 10	Grey	L 34	
	Goods		60
26	Brown	L 38	
	Goods		40
	Purchases Returns	L 13	<hr/> 100

White Account

20_		\$			
Apr. 3	Sales SDB	72			

Black Account

20_		\$		20_	\$	
Apr. 14	Sales SDB	120		Apr. 29	Sales Returns SDB	20
25	Sales SDB	30				

Greene Account

20_		\$		20_	\$	
Apr. 20	Sales SDB	70		Apr. 23	Sales Returns SDB	12

Grey Account

20_		\$		20_	\$	
Apr. 10	Purchases	60		Apr. 2	Purchases PDB	200
	Returns PRB					

Red Account

			20__		\$
			Apr. 10	Purchases PDB	120

Brown Account

20__		\$	20__		\$
Apr. 26	Purchases	40	Apr. 24	Purchases PDB	115
	Returns PRB				

Sales Account

			20__		\$
			Apr. 30	Sundry Debtors SDB	292

Purchases Account

20__		\$			
Apr. 30	Sundry Creditors PDB	435			

Sales Returns Account

20__		\$	
Apr. 30	Sundry	32	

Purchases Return Account

		20__	\$
	Apr. 30	Sundry	292
		Creditors PRB	

4. (a) General Journal
 (b) Purchases Day Book
 (c) General Journal
 (d) General Journal
 (e) General Journal
 (f) Sales Day Book
 (g) Purchases Day Book
 (h) Purchases Returns Book

5. **Purchases Journal**

20__				
Jan, 3	Camel Enterprise Goods Less: 10% Discount	B1214	1,800 180	1,620
12	Northern Co Goods Less: 15 % Discount	9,875	900 135	765
20	Mandal Supplies Goods Less: 20% Discount	334C	750 150	600
31	Razima Company Goods Less: 20% Discount	M475	480 96	384
	To Purchase			<u>\$3,369</u>

Camel Enterprise A/c

20__			\$
Jan, 3	Purchases	1,620	

Northern Co A/c

20__			\$
Jan, 12	Purchases	765	

Mandal Supplies A/c

20__			\$
Jan, 20	Purchases	600	

Razima Company A/c

20__			\$
Jan, 31	Purchases	384	

Purchases A/c

20__		\$	
Jan, 3	Sundry Creditors	3,369	

6.

Purchases Journal

20__ Feb, 2	Mural Fifi Goods		510
5	Molly: Goods Less 20% Discount	600 <u>120</u>	550
8	Mural Fifi Goods Less: 15% Discount	1,000 <u>150</u>	850
9	Risaltal Goods To Purchases A/c		<u>550</u> <u>2,490</u>

Mural Fifi A/c

20__		\$
Feb, 2	Purchases	570
8	Purchases	850

Molly Supplies A/c

20__		\$
Feb, 5	Purchases	580

Risaltal A/c

				20__					\$
				Feb, 9	Purchases				550

Purchases A/c

				20__					\$
	Feb, 28	Sundry Creditors	2,490						

7.

Purchases Journal

				20__					
	June, 6	Danz Co Ltd Goods						800	
	9	Yusni Co. Goods			800				
		Less: 20% Discount			160				
								640	
	17	Danz Co Ltd. Goods			400				
		Less: 5% Discount			20				
								380	
	22	Yusni Co Goods						250	
		To Purchase A/c					\$	2,070	

Danz Co Ltd

				20__					\$
				June 6	Purchases			800	
				June 8	Purchases			380	

Yusni Co.

				20__					\$
				June 9	Purchases			640	
				June 22	Purchases			250	

Purchases A/c

20__		\$	
June 30	Sundry Creditors	2,070	

8.

Sales Journal

		Inv		
20__				
May 3	Stamford Co. Invoice Less: Trade Discount 20%	504	7,800 <u>1,560</u>	6,240
May 17	Julina Invoice Less: 30% Trade Discount	505	7,000 <u>2,100</u>	4,900
May 24	Siti Jamilah Invoice Less: 35% Trade Discount	506	3,700 <u>1,295</u>	2,405
	To Sales A/c		\$	<u><u>13,545</u></u>

Stamford Co A/c

20__		\$	
May 3	Sales	6,240	

Julina A/c

20__		\$	
May 17	Sales	4,900	

Siti Jamilah A/c

		20__	\$		
May 17	Sales			2,405	

Sales A/c

		20__	\$		
May 31	Sundry Debtors			13,545	

9.

Sales Journal

Feb 7	Duke Goods			600
Feb 12	Hansa Goods Less: 5% Trade Discount		560 28	
Feb 17	Liyana Invoice Andrika Goods Less: 15% Trade Discount		2,800 420	532 880 2,380
	To Sales A/c		\$	4,392

Duke A/c

		\$			
Feb 7	Sales			600	

Hansa A/c

		\$			
Feb 12	Sales			532	

10.

Sales Journal

Feb 5	Lizzam Goods Less: 10% Trade Discount	1,500 150	1,350
Feb 13	Ezra Corner Goods Less: 10% Trade Discount	720 72	648
Feb 18	Hendry Goods		150
Feb 25	Ezra Corner Goods		90
	To Sales A/c		\$ 2,238

Lizzan A/c

		\$
Feb 5	Sales	1,350

Ezra Corner A/c

		\$
Feb 13	Sales	648
25	Sales	90

11.

Return Outwards Journal

20__		#		
Nov 15	Western Supplies Credit Note Less: 25% Trade Discount	27	400 <u>100</u>	300
Nov 24	Boston Co. Credit Note Less: 20% Trade Discount	112	540 <u>108</u>	432
Nov 30	Gadget Shop Credit Note	78	350 <u>105</u>	245
	To Return Outwards A/c		\$	<u>977</u>

Western Supplies A/c

20__		\$
Nov 15	Return Outwards	300

Boston Co A/c

20__		\$
Nov 24	Return Outwards	432

Gadget A/c

20__		\$
Nov 30	Return Outwards	245

Return Outwards A/c

20__		\$
Nov 30	Sundry Creditors	977

12.

Return Outwards Journal

June 8	Syarikat Rudiman Goods			580
June 13	Gems Company Credit Note			450
June 22	Cherry Enterprise Goods		600	
	Less: 15% Trade Discount		90	
				510
June 27	Syarikat Radiman Credit Note			
	Ezra Corner Goods			75
	To Return Outwards A/c			1,615
			\$	

Syarikat Rudiman A/c

		\$
June 8	Return Outwards	580
June 27	Return Outwards	75

Gems Co A/c

		\$
June 13	Return Outwards	450

Cherry Enterprise A/c

		\$
June 22	Return Outwards	510

Return Outwards A/c

			\$	
	June 30	Sundry Creditors	1,615	

13.

Purchases Journal

July 4	Nikasa Company Goods Less: 15% Trade Discount		600 <u>90</u>	510
July 7	Hima Pte Ltd Invoice Less: 20% Trade Discount		3,000 <u>600</u>	2,400
	To Purchase A/c		\$	<u>2,910</u>
	Return Outwards Journal			
July 7	Hikasa Company Goods Less: 15% Trade Discount		80 <u>12</u>	68
July 9	Hima Pte Ltd Goods Less: 20% Trade Discount		400 <u>80</u>	320
	To Return Outwards A/c		\$	<u>388</u>

Nikasa Company A/c

		\$		\$	
July 7	Return Outwards	68	July 4	Purchases	510

Hima Pte Ltd.

		\$			\$
July 9	Return Outwards	320		July 7	Purchases 2,400

Purchases A/c

		\$			
July 31	Sundry Creditors	2,910			

Return Outwards A/c

					\$
				July 31	Sundry Creditors 388

14.

Return Inwards Journal

		#		
20_				
Apr 12	Troika Credit Note Less: 40% Trade Discount	158	1,200 480	720
Apr 23	Herman Credit Note Less: 30% Trade Discount	159	1,500 450	1,050
Apr 30	Ken Credit Note Less: 35% Trade Discount	160	2,000 720	1,280
	To Return Inwards A/c		\$ 3,050	

Troika A/c

					\$
		20_		Apr 12	Returns Inwards 720

Herman A/c

	20__		\$
	Apr 23	Returns Inwards	1,050

Ken A/c

	20__		\$
	Apr 30	Returns Inwards	1,280

Return Inwards A/c

20__		\$	
Apr 30	Sundry Debtors	3,050	

15.

Return Inwards Journal

Jan 3	Ryan Goods			250
Jan 8	Ellan Goods			150
Jan 11	Syarikat Mezra Credit Note			24
Jan 14	Amiya Credit Note Less: 5% Trade Discount		80 4	76
	To Return Inwards A/c		\$	1,615

Ryan A/c

			\$
	Jan 3	Returns Inwards	250

Ellan A/c

			\$
	Jan 8	Returns Inwards	150

Syarikat A/c

			\$
	Jan 11	Returns Inwards	24

Amiya A/c

			\$
	Jan 14	Returns Inwards	76

Return Inwards A/c

		\$	
Jan 31	Sundry Debtors	500	

16.

Sales Journal

Sept 4	Joel 6 Tables at \$300 each 30 Chairs @ \$50 each		1,800 1,500 <u>3,300</u>	
	Less: 10% Trade Discount		<u>330</u>	2,970
Sept 18	Joel 20 Chairs @ \$55 each			<u>1,100</u>
	To Sales A/c		\$	<u><u>4,070</u></u>

Return Inwards Journal

Sept 8	Joel 4 Chairs @ 50 each Less: 10% Trade Discount		200 <u>20</u>	180
	To Return Outwards A/c		\$	<u><u>180</u></u>

17.

Orvie Elwin
Sales Day Book

Date	Details	Folio	Amount
2015			\$
Apr 11	Jack Long	SL 2	6,000
Apr 18	Mary King	SL 5	2,600
Apr 24	June Phillip	SL 6	3,800
Apr 30	Transferred to Sales Account	GL 3	<u>12,400</u>

**Orvie Elwin
Purchases Day Book**

Date	Details	Folio	Amount
2015			\$
Apr 5	Up Top Ltd	PL 5	2,500
Apr 19	Harry & Sons	PL 7	3,800
Apr 27	Sealy's Ltd	PL 10	4,250
Apr 30	Transferred to Purchases Account	GL 15	10,550

**Orvie Elwin
Return Inwards Day Book**

Date	Details	Folio	Amount
2015			\$
Apr 28	Jack Long	SL 2	300
Apr 30	June Phillips	SL 6	150
Apr 30	Transferred to Returns Inwards Account	GL 4	450

Chapter 11 General Journal

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. d | 2. c | 3. c | 4. a | 5. d |
| 6. b | 7. d | 8. b | 9. c | 10. c |
| 11. a | 12. a | 13. a | 14. b | 15. d |

1.

DATE	PARTICULARS	DEBIT	CREDIT
20__		\$	\$
Aug. 1	Cash	4,000	
	Bank	7,000	
	Typewriter	1,300	
	To R. Campden Capital Account (being the assets that R. Campden started his business with)		12,300
4	Furniture	1,800	
	To Cash (being purchase of a fixed asset - office equipment)		1,800
7	Equipment	2,000	
	To Bank (being purchase of a fixed asset- office equipment)		2,000

Cash Account

20__		\$		20__	\$
Aug. 1	R. Campden Capital	4,000		Aug. 1	Furniture 1,800

Bank Account

20__		\$		20__	\$
Aug. 1	R. Campden Capital	7,000		Aug. 1	Equipment 2,000

General Journal

DATE	PARTICULARS	DEBIT	CREDIT
20__ Dec. 1	Stock To I. Frank Account (being commencement of business of I. Frank)	\$ 9,000	\$ 9,000
7	Vehicles To Cash (being the purchase of vehicles for business use)	2,800	2,800
16	Vehicles To T. Chung (being the purchase of vehicles for business use)	1,300	1,300

Stock Account

20__		\$	
Dec. 1	I. Frank Capital	9,000	

I. Frank Capital

	20__		\$
	Dec. 1	Stock	9,000

Sales Account

	20__		\$
	Dec. 4	Cash	3,000

Cash Account

20__		\$		20__		\$
Dec. 4	Sales	3,000		Dec. 7	Vehicles	2,800
10	Rent Received	700		14	Purchases	1,800

Vehicle Alc.

20__		\$				
Dec. 7	Cash	2800				
16	T. Chung	1300				

Rent Received Alc.

				20__		\$
				Dec. 10	Cash	700

Purchases Alc.

20__		\$				
Dec. 14	Cash	1800				

T. Chung Alc.

				20__		\$
				Dec. 16	Vehicles	1300

3.

General Journal

DATE	PARTICULARS	DEBIT	CREDIT
20__ Apr. 3	Cash Premises To W. Harry To T. Ghany, Capital (being the assets and liabilities of T. Ghany at that date)	\$ 3,000 9,000	\$ 2,300 9,700
8	Drawings To Cash (being withdrawals for private use)	1,900	1,900
16	Bank To Loan Account (being a loan obtained from a bank)	10,000	10,000
24	Premises To Bank (being renovation to premises)	6,000	6,000

Cash Account

20__		\$	20__		\$
Aug. 3	Balance b/d	3,000	Aug. 8	Drawings	1,900

Premises Account

20__		\$			
Apr. 3	Balance b/d	9,000			
24	Bank	6,000			

Creditor W. Harry Account

		20__		\$
		Apr.3	Balance b/d	2,300

T. Ghany Capital Account

		20__		\$
		Apr. 3	Balance b/d	9,700

Drawings Account

20__		\$		
Apr. 8	Cash	1,900		

Bank Account

20__		\$	20__		\$
Aug. 16	Loan	10,000	Aug. 24	Premises	6,000

Loan Account

		20__		\$
		Apr.16	Bank	10,000

4.

General Journal

DATE	PARTICULARS	DEBIT	CREDIT
20__ Mar. 2	Bank P. Ling To H. Lowe To S. Charles Capital (being the assets and liabilities at that date)	\$ 7,000 3,100	\$ 1,200 8,900
10	Drawings To Bank (being withdrawals for private use)	2,000	2,000
14	Bank Discount Allowed To Debtor P. Ling (being settlement of Debtors account and allowance of 25% discount)	2,325 775	3,100
20	Creditor H. Lowe To Bank (being settlement of an account)	1,200	1,200

Bank Account

20__		\$	20__		\$
Mar. 2	Balance b/d	7,000	Mar. 10	Drawings	2,000
14	P. Ling	2,325	20	H. Lowe	1,200

Debtor P. Ling Account

20__		\$	20__		\$
Mar. 2	Balance b/d	3,100	Mar. 14	Bank	2,325
				Discount	775
				Allowed	

Creditor H. Lowe Account

20__		\$	20__		\$
Mar. 20	Bank	1,200	Mar. 2	Balance b/d	1,200

Discounts Allowed Alc.

20__		\$			
Mar. 14	Debtor P.ling	775			

Drawings Alc.

20__					
Mar. 10	Bank	2,000			

S. Charles Capital Account

			20__		\$
			Mar. 2	Balance b/d	8,900

5. (a) (i) Capital =

Assets	-	Liabilities	
Cash at bank	2,812	Creditors	980
Debtors	400		
Stock	3,960		
Shop Fittings & Equipment	<u>2,000</u>		
	<u>9,172</u>		<u>980</u>
	<u> </u>		<u> </u>
	= \$8,172		

(ii)

General Journal

DATE	PARTICULARS	DEBIT	CREDIT
20__		\$	\$
Jan. 1	Cash at Bank	2,812	
	C. Blake	400	
	Stock	3,960	
	Shop Fittings & Equipment	2,000	
	To Fine Furniture Ltd		980
	To Scanty City Variety Store Capital		8,192
	(being the assets and liabilities at that date)		

(ii)

Bank Account

20__		\$		20__	\$
Jan. 1	Balance b/d	2,812			

Debtor C. Blake Account

20__		\$		20__	\$
Jan. 1	Balance b/d	400			

Stock Account

20__		\$			
Jan. 1	Balance b/d	3,960			

Shop Fittings & Equipment Account

20__		\$			
Jan. 1	Balance b/d	2,000			

Fine Furniture Account

20__		\$		20__	\$
				Jan. 1	Balance b/d
					980

Scanty City Variety Store Capital Account

				20__	\$
				Jan. 1	Balance b/d
					8,192

6. (i)

General Journal

DATE	PARTICULARS	DEBIT	CREDIT
20__		\$	\$
July 1	Stock	3,600	
	P. Plummer	460	
	Telephone Prepaid	180	
	Plant & Machinery	400	
	Bank	300	
	To Gemini Engineering Co.		490
	To Caribbean Telephone Ltd		250
	To C. Austin Capital		4,200
	(being assets and liabilities at that date)		

(ii) Capital = Assets - Liabilities
= 4,940 - 740
= \$4,200

(iii)

Stock Account

20__		\$	
July 1	Balance b/d	3,600	

P. Plummer

20_		\$	
July 1	Balance b/d	460	

Telephone Expense Account (PREPAID)

20_		\$	
July 1	Balance b/d	180	

Plant and Machinery Account

20_		\$	
July 1	Balance b/d	400	

Bank Account

20_		\$	
July 1	Balance b/d	300	

Gemini Engineering Co. Account

		20_	\$	
		July 1	Balance b/d	490

Caribbean Telephone Ltd

		20_	\$	
		July 1	Balance b/d	250

C. Austin Capital Account

		20_	\$	
		July 1	Balance b/d	4,200

(b) (i)

General Journal

DATE	PARTICULARS	DEBIT	CREDIT
20__ July 8	Plant and Machinery To Gemini Engineering Co. (being the purchase of Plant & Machinery)	\$ 10,000	\$ 10,000
24	Bank To P. Plummer (being settlement of an account)	460	460
31	Telephone Expense To Caribbean Telephone Ltd (being telephone bill received)	120	120

(ii)

Stock Account

		\$			\$
20__ July 1	Balance b/d	3,600	20__ July 31	Trading Account	3,600

P. Plummer Account

		\$			\$
20__ July 1	Balance b/d	460	20__ July 24	Bank	460

Telephone Expense Account

		\$			\$
20__ July 1	Balance b/d	180	20__ July 31	Profit and Loss A/c	300
31	Caribbean Telephone Co.	120			
		<u>300</u>			<u>300</u>
		<u> </u>			<u> </u>

Plant and Machinery Account

20__			20__		
July 1	Balance b/d	\$ 400	July 31	Balance c/d	\$ 10,400
8	Gemini Engineering Co.	10,000			
		<u>10,400</u>			<u>10,400</u>

Bank Account

20__			20__		
July 1	Balance b/d	\$ 300	July 31	Balance c/d	\$ 760
	P. Plummer	460			
		<u>760</u>			<u>760</u>

Gemini Engineering Co.

20__			20__		
July 31	Balance c/d	\$ 400	July 1	Balance b/d	\$ 490
			8	Plant & Machinery	10,000
		<u>10,490</u>			<u>10,490</u>

Caribbean Telephone Ltd Account

20__			20__		
July 1	Balance c/d	\$ 370	July 1	Balance b/d	\$ 250
			31	Telephone Prepaid	120
		<u>370</u>			<u>370</u>

C. Austin Capital

20__			20__		
July 31	Balance c/d	\$ 4,200	July 1	Balance b/d	\$ 4,200

7. (a) & (b)

(a) Purchases Day Book (7th)

(19th) Cash Book and General Journal

(21st) Cash Book

(b)

20__ June, 1	Bank				
	Debtor, W. Eric	Dr	4,000		
		Dr	1,000		
	To Creditor S. Ian				400
	To W. Sandy Capital				4,600
	Being W. Sandy's balances at that date.				

Bank A/c

20__		\$			
June 1	Balance b/d	4,000			

Debtor, W. Eric A/c

20__		\$			
June 1	Balance b/d	1,000			

Creditor S. Ian A/c

			\$		
20__	July 1	Balance b/d	400		

W. Sandy Capital

			\$		
20__	July 1	Balance b/d	4,600		

8.

- (a) July 6 Cash Book
- July 17 Purchases Return Book
- July 22 Sales Return Book

20__				
	July 1	Cash	6,000	
		Bank	10,000	
		Debtor, R. Wills	1,600	
		Debtor, T. Moon	2,400	
		To Creditor V. Townsend		1,000
		To Creditor Allen		500
		To Creditor T. Andy		900
		To H. Dread Capital		18,600
		Being P. Bread's balances at the beginning of the period		
	July 12	Plant and Equipment	4,600	
		To Bank		4,600
		Being the purchase of plant and equipment paying by cheque		

Cash A/c

20__		\$			
	July 1	Balance b/d	6,000		

Bank A/c

20__		\$		20__		\$
	July 1	Balance b/d	10,000	July 12	Plant and Equipment	4,600

Debtor, R Wills A/c

20__		\$	
	July 1	Balance b/d	1,600

Debtor T. Moon A/c

20__		\$	
	July 1	Balance b/d	2,400

Creditor V. Townsend

20__			\$
July 1	Balance b/d		1,000

Creditor Allen A/c

20__			\$
July 1	Balance b/d		500

Creditor T. Andy A/c

20__			\$
July 1	Balance b/d		900

H. Dread Capital A/c

20__			\$
July 1	Balance b/d		18,600

Plant & Equipment A/c

20__		\$	
July 12	Bank	4,600	

9.
 (a) August, 1 General Journal
 August, 8 General Journal
 August, 12 General Journal
 August, 18 Purchase Day Book

(b) General Journal

20__	Aug. 8	Vehicles To Cash Being purchase of vehicles for business use	Dr.	50,000	50,000
	Aug. 12	Vehicles To Bank Being purchase of vehicles for business use	Dr.	20,000	20,000

Vehicles A/c

20__		\$	
Aug. 8	Cash	50,000	
Aug 12	Bank	20,000	

Cash A/c

	20__		\$
	Aug 8	Vehicles	50,000

Bank A/c

	20__		\$
	Aug 12	Vehicles	20,000

10. General Journal

(a)	Drawings To Calculate Being calculator taken for private use	Dr.	30	30
(b)	Computer To Newtech Ltd Being purchase of computers on credit	Dr.	5,000	5,000
(c)	Newtech Ltd To Computer Being computer returned for refund	Dr.	2,500	2,500
(d)	Motorcycle To Debtor Syahzami Being settlement of \$100 debt using the motorcycle	Dr.	1,000	1,000
(e)	Supplies To Good Stationery Co. Being stationery supplies bought on credit	Dr.	120	120

11. General Journal

(a)	Vehicle To Hassan Capital Being the investment of a vehicle by Hassan	Dr.	35,000	35,000
(b)	Drawings To Bank Being payment of holding expensez using the business bank account	Dr.	4,000	4,000
(c) #13	Drawings To Purchase Being goods withdrawn for non business use	Dr.	400	400
(d)	Wages Expense To Bank Being payment of wages by cheque	Dr.	800	800
(e)	Creditor Juminah To Bank To Discount Received Being settlement of a debt and receipt of a discount	Dr.	1,500	1,450 50

12.

General Journal

2010 June 1 #15	Cash In Hand	2,345	
	Cash In Bank	7,800	
	Trade Renewables - Honey	4,400	
	- Billy	3,200	
	Inventory	60,000	
	Delivery Van	17,000	
	Office Equipment	6,000	
	Premises	90,000	
	To Bank Overdraft		5,235
	To Trade Payables:		
	To Rahim		6,500
	To Munamin		2,800
To Mortgage on Premises		30,000	
To Hani Capital		146,210	
	190,745	190,745	

13.

General Journal

	Premises	30,000	
	Fixtures	4,500	
	Inventory	570	
	Cash	400	
	Receivables: Elvis	360	
	Elton	336	
	To Maham's Capital		33,072
	To Bank Overdraft		2,500
	To Trade Payables: Jackson		334
	Michael		260
	Being the assets and liabilities of Mahani at that date		
		36,166	36,166

Chapter 12 Classes of Accounts

Multiple Choice Answers

1. c 2. c 3. a 4. a 5. b
 6. b 7. c 8. a 9. d 10. a
 11. a 12. d

Structured Questions

1. (i) Nominal – Sales and Purchases
 (ii) Real – Machinery and Freehold Property
 (iii) Personal – Debtors and Creditors

2.(a) (i)

G. Green Account

20__		\$	20__		\$
Sep. 1	Balance b/d	750	Sep. 4	Bank	700
3	Sales	1,080	4	Discount Allowed	50
9	Sales	250	6	Returns Inwards	270
14	Bank (dishonoured cheque)	300	7	Bank	300
(ii) 16	Balance c/d	140	15	Cash	1,200
		<u>2,520</u>			<u>2,520</u>

(iii) Creditor

3.

N. Steers Capital Account

20__		\$
Jan. 1	Bank	50,000
	Cash	40,000

(a)

Cash Account

20__		\$	20__		\$
Jan. 1	M. Steers	40,000	Jan. 2	Purchases	38,000
19	Sales	35,000	23	Delivery Expenses	350
			29	Trade Expenses	200
			30	H. Field	7,000
				Balance c/d	29,450
		<u>75,000</u>			<u>75,000</u>

(b)

Bank Account

20__		\$	20__		\$
Jan. 1	N. Steers Capital	50,000	Jan. 1	Furniture/ Fittings	15,000
21	L. Park	6,000	25	Telephone Expenses	250
				Balance c/d	40,750
		<u>56,000</u>			<u>56,000</u>

Furniture and Fittings Account

20__		\$
Jan 1	Bank	15,000

Purchases Account

20__		\$
Jan. 2	Cash	38,000
2	H. Field	12,000
		<u>50,000</u>

H. Field Account

20__		\$	20__		\$
Jan. 5	Purchases Returns	1,000	Jan. 2	Purchases	12,000
30	Cash	7,000			

Purchases Returns Account

20__		\$
Jan. 5	H. Field	1,000

Sales Account

<hr/>			
		20__	\$
	Jan. 19	Cash	35,000
		19	L. Park
			<u>18,000</u>
			<u>53,000</u>
			<u> </u>

L. Park Account

<hr/>					
20__		\$	20__		\$
Jan. 19	Sales	18,000	Jan. 21	Bank	6,000

Delivery Expenses Account

<hr/>					
20__		\$			
Jan. 23	Cash	350			

Telephone Expenses Account

<hr/>					
20__		\$			
Jan. 25	Bank	250			

Trade Expenses Account

<hr/>					
20__		\$			
Jan. 29	Cash	200			

(a) Cash Balance	\$29,450	
(b) Bank balance	\$40,750	
(c) Sales		53,000
Purchases	50,000	
Less: Purchases Returns	<u>1,000</u>	
	49,000	
Less: Closing Stock	3,000	
		<u>46,000</u>
Gross Profit		<u>\$7,000</u>
(d) Gross Profit		
Less: Delivery Expenses	350	
Telephone Expenses	250	
Trade Expenses	<u>200</u>	
		800
Net Profit		<u>\$6,200</u>
(e) Capital at start	90,000	
Add: Net Profit	<u>6,200</u>	
	<u>\$96,200</u>	

4. (a)
(i) and (ii)

Bank Account

20__		\$	20__		\$
Apr. 1	H. Rather Capital	8,000	Apr. 15	Purchases	500
8	J. Jones	400	25	Rent	300
12	Sales	300	30	Balance c/d	7,900
		8,700			8,700
		8,700			8,700

Cash Account

20__		\$	20__		\$
Apr. 1	H. Rather Capital	2,000	Apr. 4	Stationery	40
			28	Salary	450
			30	Balance c/d	1,510
		2,000			2,000
		2,000			2,000

H. Rather Capital Account

20__		\$	20__		\$
Apr. 30	Drawings	100	Apr. 1	Bank	8,000
30	Net Loss	2,090	1	Cash	2,000
30	Balance c/d	7,810			
		10,000			10,000
		10,000			10,000

Purchases Account

20__		\$	20__		\$
Apr. 4	M. Morrison	1,800	Apr. 6	Drawings	100
15	Bank	500	30	To Trading Account	2,200
		2,300			2,300
		2,300			2,300

M. Morris Account

20__		\$		20__		\$
Apr. 30	Balance c/d	1,800		Apr. 4	Purchases	1,800
		<u>1,800</u>				<u>1,800</u>

J. Jones Account

20__		\$		20__		\$
Apr. 6	Sales	600		Apr. 8	Bank	400
				30	Balance c/d	200
		<u>600</u>				<u>600</u>

Stationery Account

20__		\$		20__		\$
Apr. 4	Cash	40		Apr. 30	To Profit & Loss	40

Sales Account

20__		\$		20__		\$
Apr. 30	To Trading Account	900		Apr. 6	J. Jones	600
				25	Bank	300
		<u>900</u>				<u>900</u>

Drawings Account

20__		\$	20__		\$
Apr. 6	Purchases	100	Apr. 30	H. Rather Capital	100

Rent Account

20__		\$	20__		\$
Apr. 25	Bank	300	Apr. 30	To Profit & Loss	300

Salary Account

20__		\$	20__		\$
Apr. 28	Cash	450	Apr. 30	To Profit and Loss	450

(b) The value of the capital will not change but the composition will. Current assets will decrease by \$5,000 and fixed assets will increase by \$5,000.

5. (a) (i) PQR

(ii)		ABC Account			
20__		\$	20__	\$	
July. 16	Bank	2,000	July. 15	Balance b/d	2,750
18	Sales	3,750	21	Return Inwards	200
26	Return Outwards	60	23	Purchases	440
			27	Bank	2,000
31	Equipment	500	31	Balance c/d	920
		<u>\$6,310</u>			<u>\$6,310</u>
Aug. 1	Balance b/d	920			

(iv) ABC owed PQR
(c) (i) \$1,700

(ii)		John Stone's Cash Account			
20__		\$	20__	\$	
July. 1	Balance b/d	750	July 4	Equipment	500
3	Sales	1,500	5	E. Clark	250
7	M. Black	200	7	Bank	1,700
		<u>\$2,450</u>			<u>\$2,450</u>

(iii) On July 3 Mr. Stone received \$1,500 from sales and on July 4, he bought equipment paying \$500 cash.

(iv) You cannot spend more than you have.

6.

(a) Items of Revenue Expenditures are:

- Rent
- Electricity bill
- Factory wages
- Salary

Item of Capital expenditure is:

- Packaging machine

(b) (i)

**Barcolet Gray
Purchases Ledger**

S. Francis A/c

20__		\$	20__		\$
22 - Jan	Bank	22,900	1 - Jan	Purchases	13,300
31 - Jan	Bank	4,850	15 - Jan	Purchases	9,600
31 - Jan	Discount Received	150	29 - Jan	Purchases	7,100
31 - Jan	Balance C/d	2,100			
		30,000			30,000
			1 - Feb	Balance B/d	2,100

**Barcolet Gray
Purchases Ledger**

V. Taylor A/c

20__		\$	20__		\$
8 - Jan	Sales	14,300	10 - Jan	Returns Outwards	13,390
16 - Jan	Sales	10,090	30 - Jan	Bank	22,540
27 - Jan	Sales	15,800	30 - Jan	Discount Allowed	460
			31 - Jan	Balance C/d	15,800
		40,190			40,190
1 - Feb	Balance B/d	15,800			

(ii)

**Barcolet Gray
General Ledger**

Bank A/c

20__		\$	20__		\$
1 - Jan	Capital	31,890	22 - Jan	S Francis	22,900
30 - Jan	V. Taylor	22,540	31 - Jan	S Francis	4,850
31 - Jan	Balance C/d	3,080	31 - Jan	Factory Wages	8,000
			31 - Jan	Factory Manager Salary	3,500
			31 - Jan	Electricity	1,040
			31 - Jan	Rent	2,600
			31 - Jan	Packaging Machine	13,620
			31 - Jan	Credit Union Loan	1,000
		<u>57,510</u>			<u>57,510</u>
			1 - Feb	Balance B/d	3,080

7. (a)

**Len Hanson
Capital A/C**

Date	Details	\$	Date	Details	\$
20__ Apr 31	Balance C/d	7,800	20__ Apr 1	Bank	7,800
			May 1	Balance B/d	7,800

Bank A/c

Date	Details	\$	Date	Details	\$
20__ Apr 1	Capital	7,800	20__ Apr 25	Yazmin Company	1,402
Apr 6	Sales	120	Apr 28	Equipo Company	3,200
		7,920	Apr 30	Balance C/d	3,318
					7,920
May 1	Balance B/d	3,318			

Purchases A/c

Date	Details	\$	Date	Details	\$
20__ Apr 5	Yazmin Company	1,620	20__ Apr 10	Drawings	60
		1,620	Apr 30	Balance C/d	1,560
					1,620
May 1	Balance B/d	1,560			

Yasmin Company A/c

Date	Details	\$	Date	Details	\$
20__ Apr 16	Return Outwards	114	20__ Apr 5	Purchases	1,620
Apr 25	Bank	1,402			
Apr 25	Discount Received	74			1,620
		1,620			

Sales A/c

Date	Details	\$	Date	Details	\$
20__ Apr 30	Balance C/d	290	20__ Apr 6	Bank	120
			Apr 6	Jon	170
		290			290
			May 1	Balance B/d	290

Jon A/c

Date	Details	\$	Date	Details	\$
20__ Apr 6	Sales	170	20__ Apr 10	Drawings	170
May 1	Balance B/d	170			

Drawings A/c

Date	Details	\$	Date	Details	\$
20__ Apr 10	Purchases	60	20__ Apr 30	Balance C/d	60
May 1	Balance B/d	60			

Equipment A/c

Date	Details	\$	Date	Details	\$
20__ Apr 15	Equipo Company	3,500	20__ Apr 20	Equipo Company	250
			Apr 30	Balance C/d	3,250
		3,500			3,500
May 1	Balance B/d	3,250			

Equipment Company A/c

Date	Details	\$	Date	Details	\$
20__ Apr 20	Equipment	250	20__ Apr 15	Equipment	3,500
	Bank	3,200			
	Discount Received	50			
		3,500			3,500

Return Outwards

Date	Details	\$	Date	Details	\$
20__ Apr 30	Balance C/d	144	20__ Apr 16	Equipo Company	144
			May 1	Balance B/d	144

Discount Received A/c

Date	Details	\$	Date	Details	\$
20__ Apr 15	Equipo Company	124	20__ Apr 25	Yazmin Company	74
			Apr 30	Equipo Company	50
		124			124
				Balance B/c	124

(b)

Len Hanson
Trial Balance as at 30 April 20__

	DR \$	CR \$
Capital		7,800
Bank	3,318	
Purchases	1,560	
Sales		290
Debtor – Jon	170	
Drawings	60	
Equipment	3,250	
Returns Outwards		144
Discount Received		124
	8,358	8,358

Chapter 13 Types of Ledgers

Multiple Choice

1. a 2. d 3. b 4. c 5. a
6. b 7. c 8. a 9. a 10. c

6. **Cash Book**

		Cash A/c	Bank A/c			Cash A/c	Bank A/c
20__ Oct, 1	B Ginger Capital	7,000		20__ Oct 2	Purchases	2,000	
				Oct 7	Wages	950	

Sales Day Book

20__ Oct, 5	T Sorrel Good D Mauby	2,750
		1,450
		4,200

Purchases Day Book

20__			
Oct 6	E. Appleton Goods	6,300	
	Less 2% Trade Discount	<u>126</u>	6,174
	F. Grapette Goods	5,700	
	Less 5% Trade Discount	<u>285</u>	5,415
26	E. Appleton Invoice		<u>7,000</u>
			<u>18,589</u>

Sales Return Book

20__			
Oct 10	C. Sorrel Goods		150
	D. Mauby Goods		250
			<u>400</u>

Purchases Return Book

20__			
Oct 27	F. Grapette Credit Note		700

B Ginger Capital A/c

	20__		\$
	Oct. 1	Cash	7,000

Purchases A/c

20__		\$			
Oct. 2	Cash	2,000			
Oct. 31	Sundry Creditors	18,589			

Debtor T. Sorrel A/c

20__		\$		20__	\$
Oct. 5	Sales	2,750		Oct. 10	Sales Return 150

Debtor, D Mauby A/c

20__		\$		20__	\$
Oct. 5	Sales	1,450		Oct. 10	Sales Return 250

Creditor E. Appleton A/c

				20__	\$
				Oct. 6	Purchases 6,174
				Oct 26	Purchases 7,000

Creditor F. Grapette A/c

20__		\$		20__	\$
Oct. 27	Purchases Returns	700		Oct. 6	Purchases 5,415

Wages A/c

20__		\$			
Oct. 7	Cash	950			

Sales A/c

20__					\$
Oct. 31		Sundry Debtors	4,200		

Sales Return A/c

20__					\$
Oct. 31		Sundry Debtors	400		

Purchases Return A/c

20__					\$
Oct. 31		Sundry Creditors	700		

7. Cash A/c

20__					\$
Mar. 1		Bal b/d	3,000		

Bank A/c

20__					\$
Mar. 1		Bal b/d	5,000		
Mar. 3		Bank Loan	10,000		
20__					\$
Mar. 2		Furniture	1,000		
Mar. 5		Premises	8,000		
Mar. 8		Premises	1,800		

Stock A/c

20__					\$
Mar. 1		Bal b/d	2,500		

Debtor R. Taylor A/c

20__					\$
Mar. 1		Bal b/d	1,400		

Furniture A/c

20__		\$	
Mar. 1	Bal b/d	2,100	

Creditor C. Tang A/c

20__			\$
Mar. 1	Bal b/d		1,600

Teler Capital A/c

20__			\$
Mar.1	Bal b/d		12,400

Furniture A/c

20__		\$	
Mar. 2	Bank	1,000	

Bank Loan A/c

20__			\$
Mar. 3	Bank		10,000

Premises A/c

20__		\$	
Mar. 5	Bank	8,000	
Mar. 8	Bank	1,800	

8.

Creditor T. Thomas A/c

20__		\$		20__		\$
Mar. 19	Purchases Returns	588		Mar. 10	Purchases	5880

Creditor C Tang A/c

20__		\$		20__		\$
Mar. 27	Purchases Return	1,400		Mar 12	Purchases	8,750

Purchases A/c

20__		\$				
Mar. 31	Sundry Creditors	14,630				

Debtor U. Toya A/c

20__		\$				
Mar. 13	Sales	4,500				

Debtor R. Taylor A/c

20__		\$				
Mar. 14	Sales	5,880				

Sales A/c

				20__		\$
				Mar.31	Sundry Debtors	10,380

Purchases Return A/c

	20__		\$
	Mar. 31	Sundry Creditors	1,988

Sales Return A/c

	20__		\$
	Mar. 31	Sundry Debtors	750

9.

Cash Book

20__		Cash A/c	Bank A/c			Cash A/c	Bank A/c
Aug 2	Bank Loan		6,000	Aug 5	Cash		2,000
Aug 5	Bank	2,000		Aug 19	Furniture	700	

General Journal

20__		700	
Aug. 19	Furniture To Cash Being purchase of office chairs for cash		700

Purchase Day Book

20__			
Aug. 7	E. Cabral Goods Less 1% Discount	5,500 550	
Aug. 9	F. Campbell		4,950 3,900
Aug 12	E. Cabral Debit Note		500

Purchase Return Book

20__ Aug. 17	F. Campbell Credit Note		400
Aug. 29	E. Cabral Goods Less: 1% Discount	100 <u>10</u>	90

Bank Loan A/c

20__ Aug 2	Bank	\$ 6,000
---------------	------	-------------

Furniture A/c

20__ Aug. 19	Cash	\$ 700
-----------------	------	-----------

E. Cabral A/c

20__ Aug. 31	Purchases Returns	\$ 90	20__ Aug. 7	Purchases	\$ 4,950
			Aug 12	Purchases	500

F. Campbell A/c

20__ Aug. 17	Purchases Return	\$ 400	20__ Aug 9	Purchases	\$ 3,900
-----------------	------------------	-----------	---------------	-----------	-------------

Purchases A/c

20__		\$	
Aug. 31	Sundry Creditors	9,350	

Purchases Return A/c

			20__	\$	
			Aug 31	Sundry Creditors	490

10. **Cash Book**

				Sep		Cash A/c	Bank A/c
				25	Purchases		1,000
				30	C. Weekes		6,830

Purchases Day Book

20__			
Sept. 30	C. Weekes Goods		7,600

Purchases Return Day Book

20__			
Sept. 17	C. Weekes Goods		200
Sept. 20	C. Weekes Goods		570

Sales Day Book

20__			
Sept. 5	L. Welch Ltd Goods		4,400
Sept. 30	L. Welch Ltd Goods		200
Sept. 15	S. Parker Ltd Goods		1,000

2.

Corrected:

Trial Balance as at 31 December 20__

	Debit	Credit
Capital		19,800
Sales		190,00
Purchases	130,000	
Cash in Hand	11,500	
Bank Overdraft		1,200
Returns Inwards	420	
Return Outwards		300
Carriage Inwards	990	
Carriage Outwards	560	
Electricity	1,740	
Insurance	600	
Bank Charges	200	
Discount Allowed	640	
Discount Received		530
Stock 1.1. 2009	6,300	
Debtors	14,200	
Creditors		15,500
Drawings	10,000	
Rent Income		5,100
Salaries	25,000	
Motor Vehicle	50,000	
Loan from Bank (due in 2009)		19,500
	252,150	252,150

3.

Luiz's Trial Balance as at 3 January, 20__

	Debit	Credit
Sales		30,000
Purchases	14,300	
Sales Returns	1,000	
Purchases Returns		800
Carriage Outwards	880	
Office Equipment	15,300	
Premises	18,200	
Wages	7,000	
Drawings	2,000	
Loan from BIBD		9,400
Discount Received		380
Inventory 01.01. 2010	3,900	
Capital		22,000
	\$62,580	\$62,580

4. Trial Balance as at 30 June 20__

	Debit	Credit
Sales		
Purchases	9,000	18,000
Carriage Inwards	700	
Carriage Outwards	600	
Return Inwards	1,000	
Return Outwards		500
Discount Received		400
Discount Allowed	200	
Opening Inventory	4,000	
Trade Receivables	900	
Trade Payables		300
Rent Received		1,100
Cash	18,900	
Capital		15,000
	35,300	35,300
Closing Inventory \$5000		

5. A Trial Balance is a list of balances of accounts in the ledger prepared to prove the equality of debits and credits.
6. If discounts appears on the credit side of the trial balance, it indicates Discounts Received.
7. If bank appears on the credit side of the trial balance, it indicates an Overdraft.
8. The balance of Ilham and Ikhwana accounts are shown on the debit and credit sides respectively of the trial balance, Hence, Ilham is a Debtor while Ikhwana is a Creditor of the business.
9. The balance in the Returns Outwards Account is shown on the Credit side of the trial balance while the balance of the Returns Inwards Account is shown on the Debit side of the trial balance.
10. The item 'Inventory' shown in the trial balance is the Beginning inventory and the 'Capital' is the capital at the Beginning of the accounting period.

11. J. Hornet Trial Balance as at May 31, 20__

	Dr \$	Cr \$
Furniture	820.00	
Opening Stock	1,269.00	
Debtor A. Mosley	40.00	
Creditor H. Tyson		20
Capital J. Hornet		2,508.00
Purchases	80.00	
Sales		180.00
Discount Received		2.80
Purchases Returns		20.00
Cash	25.00	
Bank	496.80	
	\$2,710.80	\$2,710.80

12. A. Trump Trial Balance as at January 31, 20__

	Dr \$	Cr \$
Capital		4,194
Cash	30	
Bank	104	
Creditors		344
Premises	1,390	
Office Furniture	316	
Stocking Opening	2,048	
Debtors	600	
Wages	50	
	\$4,538	\$4,538

13. Brown Trial Balance as at February 28, 20__

	Dr \$	Cr \$
Premises	5,000	
Motor Van	2,150	
Cash	70	
Bank	1,845	
Debtor R. Smithson	145	
Creditor R.		375
Capital		6,865
Sales		320
Creditor T. Jones		1,650
	\$9,210	\$9,210

14. D. M Trial Balance as at March 31, 20__

	Dr \$	Cr \$
Opening Stock	3,400	
Furniture	2,300	
Premises	4,700	
Cash	1,300	
Capital		9,700
E. Creditor		5,845
F. Creditor		3,500
Purchases	9,845	
Purchases Returns		500
Bank Loan	4,000	
Bank		6,000
	\$25,545	\$25,545

15. B Teller Trial Balances as at April, 30, 20__

Cash	3000	
Bank	4200	
Inventory	2500	
Debtor, A.T.	7080	
Furniture	3100	
Creditor, C. Tang		8950
S. Teller, Capital		12,400
Bank Loan		10,000
Premises	9800	
Creditor T.		5292
Purchases	1460	
Debtor, U. Taylor	4050	
Sales		10,380
Purchases Returns		1988
Sales Returns	650	
	49,010	49,010

16. S. Fox Trial Balance as at September 30, 20__

	Dr \$	Cr \$
Bank		2,830
Stock	2,000	
Debtor C. Cole	4,000	
F. Fox Capital		11,000
Purchases	8,600	
Sales		5,600
Debtor W.W	4,110	
Purchases Returns		770
Sales Returns	590	
Debtor Parker	900	
	<u>\$20,200</u>	<u>\$20,200</u>

17. Trial Balance as at April 20, 20__

	Dr \$	Cr \$
Capital		11,400
Cash	185	
Bank Overdraft		500
Stock on January 1, 1990	1,800	
Equipment	4,350	
Machinery	10,000	
Purchases	3,815	
Return Inwards	300	
Carriage Outward	700	
Sales		7,700
Debtors	1,500	
Creditor		3,100
Discount Received		1,200
Salaries	1,250	
	\$23,900	\$23,900

Stock December, 31, 20__ \$2,000

(ii) To check the arithmetical accuracy of the debit and credit entries.

Chapter 15 Interpreting Account Entries and Balances

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. c | 2. a | 3. b | 4. d | 5. b |
| 6. b | 7. c | 8. b | 9. d | 10. a |
| 11. c | 12. b | 13. a | 14. d | 15. b |
| 16. a | 17. a | 18. b | 19. c | 20. d |
| 21. a | 22. b | 23. c | 24. c | 25. a |

1. (Structured Questions)

(i)	Dec 31	Prepaid Insurance To Insurance Being insurance paid in advance	32	32
	Dec 31	Profit + Loss A/c To Insurance Expense Being Insurance expense for the year. Transferred to the profit + loss account	125	125
(ii)	Dec 31	Prepaid Electricity To Electricity Being electricity paid in advance	115	115
	Dec 31	Profit + Loss A/c To Electricity Expense Being electricity expense for the year transferred to the Profit + Loss account	670	670
(iii)	Dec 31	Prepaid Rent To Rent Account Being rent paid in advance	162.50	162.50
	Dec 31	Profit + Loss A/c To Rent Expense Being rent expense for the period transferred to the profit + loss account	595.50	595.50
(iv)	Dec 31	Prepaid Rates To Rates A/c Being rates paid in advance	70	70
	Dec 31	Profit + Loss A/c To Rates Expense A/c Being rates expense transferred to the profit + loss account	270	270

(b) Insurance A/c					
Jan,1	Bal b/d	37	Dec,31	To P + LA/c	125
Sept 15	Bank	120	Dec 11	Bal c/d	32
		<u>157</u>			<u>157</u>

Electricity A/c					
March 3	Bank	280	Jan 1	Bal b/d	85
June 10	Bank	230	Dec 31	To P + L	670
Aug 28	Bank	150	Dec 31	Bal c/d	115
Dec	Bank	210			<u>870</u>
		<u>870</u>			<u>870</u>

Rent A/c					
Jan 1	Bal b/d	108	Dec 31	To P + L	595.50
Mar 31	Bank	162.50	Dec 31	Bal c/d	162.50
June 30	Bank	162.50			<u>162.50</u>
Sept 30	Bank	162.50			<u>758.00</u>
Dec 31	Bank	162.50			<u>758.00</u>
		<u>758.00</u>			<u>758.00</u>

Rates A/c					
Jan 1	Bal b/d	60	Dec 31	To P + L	270
Mar 31	Bank	140	Dec 31	Bal c/d	70
Sept 30	Bank	140			<u>340</u>
		<u>340</u>			<u>340</u>

(c) A debit balance at the beginning and end of the period will indicate that the amount was a payment in advance.

A credit balance at the beginning and at the end of the period will indicate that the amount was outstanding.

2. Expense A/c			
Prepayments brought forward	2,000	Accruals b/f	600
Accruals end of period	200	Prepayments carried forward	1,000
Payment for expenses	3,000	To Profit + Loss A/c	3,600
	<u>\$5,200</u>		<u>\$5,200</u>

3. Fees Received			
Accrued fees b/f	8,000	Deferred fees b/f	1,600
Deferred fees c/f	1,200	Collection of Cash	14,000
Income Earned	6,900	Accrued fees c/f	500
	<u>\$16,100</u>		<u>\$16,100</u>

4. Debtor's Control A/c			
Bal b/f	300	Settlement with Debtors	6,000
Credit Sales	9,000		
Debtor's Overpayment	1,500		
		Debtors at End of period	100

Creditor's Control A/c			
Settlement with Creditors	5,000	Bal b/f	400
		Credit Purchases	7,000
Creditors at end of period	500		

Amount owed by debtors \$100

Amount owed to creditors $500 + 1,500 = \$2,000$

5.		
	Opening balance	20,000
	Add: Net Profit	<u>16,000</u>
		36,000
	Less: Drawings	<u>11,000</u>
		25,000
	Add: Additional Investments	<u>10,000</u>
	Capital at the end of period	<u><u>\$35,000</u></u>

6.	Assets A/c	
	Bal b/f	80,000
	Bought	25,000
		<u>105,000</u>
		<u><u>\$105,000</u></u>
	Sold	14,000
	∴ Depreciation	31,000
	Bal c/d	<u>60,000</u>
		<u><u>\$105,000</u></u>

7.	Bank A/c	
	Total Receipts	21,000
		<u>21,000</u>
		<u><u>\$21,000</u></u>
	Overdraft	1,700
	Total Payments	18,000
	∴ Bal c/d	<u>1,300</u>
		<u><u>\$21,000</u></u>

8. Cash A/c			
∴ Bal b/f	28,000	Total Payments	12,000
Total Receipts	26,000	Overstated Receipts	2,000
		Understated Payments	
		Bal c/d	<u>40,000</u>
	<u>\$54,000</u>		<u>\$54,000</u>

9. Opening Capital			
Assets	3,200	Liabilities	
Utilities	800	Insurance	1,000
Fees Expense	2,000	Rent	5,000
	<u>\$6,000</u>		<u>\$6,000</u>

Opening Capital = \$3,200

10. Utility			
1 st Quarter	6,600	Deferred fees b/f	1,600
2 nd Quarter	4,200	Cost of Services	15,000
3 rd Quarter	2,800	Bal c/d	400
4 th Quarter	3,700		
	<u>\$17,300</u>		<u>\$17,300</u>

Prepayments = \$400

Chapter 16 Preparation of Financial Statements

Multiple Choice Answers

Trading Accounts

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. d | 2. d | 3. c | 4. a | 5. c |
| 6. d | 7. d | 8. c | 9. c | 10. b |
| 11. a | 12. c | 13. d | 14. a | 15. b |
| 16. c | 17. a | 18. d | 19. a | 20. c |

Multiple Choice Answers

Profit and Loss Account

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. c | 2. b | 3. d | 4. c | 5. c |
| 6. d | 7. a | 8. a | 9. b | 10. b |
| 11. c | 12. c | 13. a | 14. c | 15. b |

Multiple Choice Answers

Balance Sheet

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. a | 2. b | 3. a | 4. c | 5. d |
| 6. d | 7. a | 8. b | 9. c | 10. a |
| 11. d | 12. c | 13. a | 14. b | 15. b |
| 16. a | 17. b | 18. d | 19. c | 20. b |

Trading A/c

Structured Questions

1. Purchases	7,000
Add: Carriage Inwards	<u>200</u>
	7,200
Less: Purchases Returns	<u>500</u>
Net Purchases	<u>\$6,700</u>

2. Opening Stock	12,000
Add: Purchases	<u>4,000</u>
Goods Available for Sale	<u>\$16,000</u>

3. Opening Stock	300
Purchases	9,000
Add: Carriage Inwards	<u>400</u>
	9,400
Less: Returns Outwards	<u>100</u>
Net Purchases	<u>9,300</u>
Goods Available for Sale	<u>\$9,600</u>

4. Opening Stock	700
Add: Purchases	12,000
Add: Carriage Inwards	<u>500</u>
	12,500
Less: Returns Outwards	<u>NIL</u>
Net Purchases	<u>12,500</u>
Goods Available for Sale	<u>13,200</u>
Less: Closing Stock	<u>900</u>
Cost of Goods Sold	<u>\$12,300</u>

5. Sales	10,000
Opening Stock	5,000
Purchases	<u>3,000</u>
	8,000
Closing Stock	<u>1,000</u>
Cost of Goods Sold	<u>7,000</u>
Gross Profit	<u>\$3,000</u>

6. Sales	7,600
Less: Cost of Goods Sold	<u>(9,000)</u>
Gross Loss	<u>(\$1,400)</u>

7. Net Sales	4,000
Less: Cost of Goods Sold	<u>(5,200)</u>
	<u><u>\$(1,200)</u></u>

8. (a) Nominal A/cs	Real A/cs	Personal A/cs
Sales Returns	Cash	Capital
Purchases	Bank	Creditors
Purchases Returns	Closing Stock	Debtors
Sales		
Opening Stock		

(b) **M. Rolle Trial Balance as at May 31, 20__**

	Dr \$	Cr \$
Cash	3,720	
Bank	2,800	
Sales Returns	1,080	
Purchases	8,700	
Capital		3,450
Creditors		3,700
Purchases Returns		150
Sales		14,500
Opening Stock	900	
Debtors	4,600	
	<u>\$21,800</u>	<u>\$21,800</u>

Closing Stock \$1,400

(c)

**M. Rolle Trading Account
for the period ended May 31, 20__**

	\$		\$
Opening Stock	900	Sales	14,500
Purchases	8,700	Less: Sales Returns	1,080
Less: Returns	<u>150</u>		
Out			
Net Purchases	<u>7,550</u>		
Goods Available	<u>8,450</u>		
For sale			
Less: Closing Stock	<u>1,400</u>		
Cost of Goods Sold	7,050		
Gross Profit	<u>6,370</u>		
	<u>\$13,420</u>		<u>\$13,420</u>

9. (a)

N. Leon Trial Balance as at October 31, 20__

	Dr \$	Cr \$
Return Inwards	200	
Purchases	4,500	
Opening Stock	4,100	
Sales		7,100
Capital		1,300
Returns Outwards		400
	<u>\$8,800</u>	<u>\$8,800</u>

Closing Stock \$300

(b).

**N. Leon Trading Account
for the period ended October 31, 20__**

	\$		\$
Opening Stock	4,100	Sales	7,100
Purchases 4,500		Less: Sales Returns	200
Less: Returns 400	<u>400</u>		<u>6900</u>
Out		Gross Loss	1000
Net Purchases	4,100		
Goods Available	<u>8,200</u>		
For sale			
Less: Closing Stock	300		
	<u>300</u>		
Cost of Goods Sold	7,900		
Gross Profit	NIL		
	<u>\$7,900</u>		<u>\$7,900</u>
	<u>\$7,900</u>		<u>\$7,900</u>

10.

**T. Smith Trading Account
for the month of January 20__**

	\$		\$
Opening Stock	2,000	Sales	30,000
Purchases 20,000		Less: Returns In	800
Add: Carriage In NIL		Net Sales	<u>29,200</u>
	<u>20,000</u>		
Less: Returns Out 700	700		
Net Purchases	<u>19,300</u>		
Goods Available	<u>21,300</u>		
For sale			
Less: Closing Stock	9,000		
	<u>9,000</u>		
Cost of Goods Sold	12,300		
Add: Warehouse Wages	1,500		
	<u>1,500</u>		
Cost of Sales	13,800		
Gross Profit	15,400		
	<u>\$29,200</u>		<u>\$29,200</u>
	<u>\$29,200</u>		<u>\$29,200</u>

11. (a)

G. Drake Trial Balance as at June 30, 20__

	Dr \$	Cr \$
Opening Stock	1,000	
Capital G. Drake		9,000
Cash	1,800	
Bank	2,100	
Purchases Returns		300
Sales		8,000
Creditor M. Rose		2,400
Debtor I. Jackman	5,600	
Carriage Inwards	200	
Purchases	4,600	
Discount Allowed	400	
Discount Received		100
Sales Returns	300	
Rent Expense	700	
Fees Received		600
Drawings	3,700	
	\$20,400	\$20,400
	\$20,400	\$20,400

(b)

**G. Drake Trading Account
for the period ended June 30, 20__**

	\$		\$
Opening Stock	1,000	Sales	8,000
Purchases	4,600	Less: Returns In	300
Add: Carriage In	200	Net Sales	7,700
	4,800		
Less: Returns Out	300		
Net Purchases	4,500		
Goods Available	5,500		
For sale			
Less: Closing Stock	1,400		
	4,100		
Cost of Goods Sold	4,100		
Gross Profit	3,600		
	\$7,700		\$7,700
	\$7,700		\$7,700

12 (a)

J. Shaw Trial Balance as at November 30, 20__

	Dr \$	Cr \$
J. Shaw Capital		7,900
Sales		8,400
Purchases	9,200	
Debtor K. Allum	6,000	
Creditor L. Warren		6,000
Discount Received		400
Discount Allowed	500	
Bank Overdraft		100
Cash	2,100	
Insurance Expense	200	
Rent Received		600
Wages	700	
Sales Returns	300	
Purchases Returns		400
Stock Mar. 1, 20__	4,800	
	\$23,800	\$23,800
	\$23,800	\$23,800

Closing Stock \$1,900

(b) Personal	Nominal	Real
J. Shaw Capital	Sales	Cash
Debtor K. Allum	Purchases	Closing Stock
Creditor L. Warren	Discount Received	
Bank Overdraft	Discount Allowed	
	Insurance Expense	
	Rent Received	
	Wages	
	Sales Returns	
	Purchases Returns	
	Stock Nov. 1, 20	

(c) **J. Shaw Trading Account**
for the period ended November 30, 20__

	\$		\$
Opening Stock	4,800	Sales	8,400
Purchases	9,200	Less: Returns In	300
Add: Carriage In	<u>NIL</u>	Net Sales	<u>8,100</u>
	9,200	Gross Loss	3,600
Less: Returns	400		
Returns	<u> </u>		
Net Purchases	8,800		
Goods Available	<u>13,600</u>		
For sale			
Less: Closing Stock	1,900		
	<u>\$11,700</u>		<u>\$11,700</u>
	<u> </u>		<u> </u>

13. (a) **Cash Account**

		\$			\$
20__			20__		
July 1	A. Harem	8,000	July 2	Purchases	1,600
	Capital		6	Carriage Inwards	50
12	Purchases Return	200	9	Wages	800
			15	Wages	600

A. Harem Capital Account

		\$
	20__	
July 1	Cash	8,000

Purchases Account

20_		\$	
July	Cash	1,600	
	Creditor B. Moore	2,500	

Wages Account

20_		\$	
July 9	Cash	800	
15	Cash	600	

Carriage Inwards Account

20_		\$	
July 6	Cash	50	

Sales Account

		20_	\$
	July 10	Bank	3,000
	20	Debtor C. Jarryd	4,000

Bank Account

20_		\$	
July 10	Sales	3,000	

Purchase Returns Account

		20_	\$	
		July 12	Cash	200

Creditor B. Moore Account

		20_	\$	
		July 19	Purchases	2,500

Debtor C. Jarryd

20_		\$	
July 20	Sales	4,000	

Bank Account

20_		\$	
July 10	Sales	3,000	

Purchase Returns Account

		20_	\$	
		July 12	Cash	200

Creditor B. Moore Account

		20_	\$	
		July 19	Purchases	2,500

Debtor C. Jarryd

20_		\$	
July 20	Sales	4,000	

(b)

A. Harem Trial Balance as at July 31, 20__

	Dr \$	Cr \$
Cash	5,150	
A. Harem Capital		8,000
Purchases	4,100	
Wages	1,400	
Carriage Inwards	50	
Sales		7,000
Bank	3,000	
Purchases Returns		200
Creditor B. Moore		2,500
Debtor C. Jarryd	4,000	
	\$17,700	\$17,700

(c) Real
Cash
Bank

Personal
A. Harem Capital
Creditor B. Moore
Debtor C. Jarryd

Nominal
Purchases
Wages
Carriage In
Sales
Purchases Returns

(d)

**A. Harem
Trading Account
for the period ended July 31, 20__**

	\$		\$
Opening Stock	NIL	Sales	7,000
Purchases	4,100	Less: Returns In	NIL
Add: Carriage In	50	Net Sales	7,000
	4,150		
Less: Returns Out	200		
Net Purchases	3,950		
	3,950		
Less: Closing Stock	NIL		
Cost of Goods Sold	3,950		
Gross Profit	3,050		
	\$7,000		\$7,000

14. (a) **Mr. Black Trading Account**
for the year ended February 28, 20__

	\$		\$
Opening Stock	1,200	Sales	4,000
Purchases	2,500		
Goods Available	<u>3,700</u>		
For sale			
Closing Stock	<u>500</u>		
Cost of Goods Sold	3,200		
Gross Profit	800		
	<u>\$4,000</u>		<u>\$4,000</u>
			<u>\$4,000</u>

(b) **Mr. Black Revised Trading Account**
for the year ended February 28, 20__

	\$		\$
Opening Stock	1,200	Sales	4,000
Purchases	3,400		
Goods Available	<u>4,600</u>		
For sale			
Closing Stock	<u>1,400</u>		
Cost of Goods Sold	3,200		
Gross Profit	800		
	<u>\$4,000</u>		<u>\$4,000</u>
			<u>\$4,000</u>

15.

**W. Easter
Trading Account
for the period ended November 30, 20__**

	\$		\$
Opening Stock	4,000	Sales	17,000
Purchases	14,000	Returns In	<u>100</u>
Carriage In	<u>900</u>	Net Turnover	<u>16,900</u>
	14,900		
Returns Out	200		
Net Purchases	<u>14,700</u>		
Goods Available	18,700		
For sale			
Closing Stock	<u>7,000</u>		
Cost of Goods Sold	11,700		
Gross Profit c/d	5,200		
	<u>\$16,900</u>		<u>\$16,900</u>
			<u>\$16,900</u>

**W. Easter Profit and Loss Account
for the period ended November 30, 20__**

	\$		\$
Carriage Out	400	Gross Profit b/d	5,200
Fees Expense	300	Rates Received	500
Telephone Expense	800		
	1,500		
Net Profit	4,200		
	<u>\$5,700</u>		<u>\$5,700</u>
			<u>\$5,700</u>

16.

R. West
Trading and Profit and Loss Account
for the period ended December 31, 20__

	\$		\$
Opening Stock	6,000	Sales	15,300
Purchases 29,000		Returns In	<u>400</u>
Carriage In <u>600</u>		Net Turnover	14,900
	29,600	Gross Loss c/d	9,500
Returns Out NIL			
Net Purchases	<u>29,600</u>		
Goods Available	35,600		
For sale			
Closing Stock	<u>12,600</u>		
Cost of Goods Sold	23,000		
Warehouse Wages	<u>1,400</u>		
Cost of Sales	<u>\$24,400</u>		<u>24,400</u>
Gross Loss b/d	9,500	Commission Received	700
Stationery Expense	200	Net Loss	14,100
Advertising Expense	2,300		
Travelling Expense	1,600		
Salaries	<u>1,200</u>		
	<u>\$14,800</u>		<u>\$14,800</u>

17. (a)

O. Valley Trial Balance as at June 30, 20__

	Dr \$	Cr \$
Opening Stock	280	
Fees Received		10
Insurance	90	
Discount Allowed	40	
Cash	250	
Furniture	400	
Office Wages	140	
Rates	40	30
Purchases Returns		
Debtors	100	
Carriage Inwards	50	
Sales		800
Sales Returns	70	
Rent Received		20
Purchases	500	
Creditors		35
Discount Received		25
Bank Overdraft		300
Vehicles	1,000	
Salaries	200	
Capital, O. Valley		1,940
	\$3,160	\$3,160
	\$3,160	\$3,160

(b) Nominal

Opening Stock
 Fees Received
 Insurance
 Purchases Returns
 Discount Allowed
 Office Wages
 Rates
 Carriage Inwards
 Sales
 Sales Returns
 Rent Received
 Purchases
 Discount Received
 Salaries

Real

Closing Stock
 Cash
 Furniture
 Vehicles

Personal

Debtors
 Creditors
 Bank
 Overdraft
 Capital

(c)

O. Valley
Trading and Profit and Loss Account
for the period ended June 30, 20__

	\$		\$
Opening Stock	280	Sales	800
Purchases	500	Sales Returns	<u>70</u>
Carriage In	<u>50</u>	Net Turnover	730
	550		
Purchases Returns	<u>30</u>		
Net Purchases	520		
	<hr/>		
Goods Available	800		
For sale			
Closing Stock	80		
	<hr/>		
Cost of Goods Sold	720		
Gross Profit c/d	10		
	<hr/>		
	\$730		<hr/>
	<hr/>		\$730
	<hr/>		<hr/>
Insurance	90	Gross Profit b/d	10
Discount Allowed	40	Fees Received	10
Office Wages	140	Discount Received	25
Rates	40	Rent Received	20
Salaries	<u>200</u>	Net Loss	<u>445</u>
	\$510		<hr/>
	<hr/>		\$510
	<hr/>		<hr/>

18. (a) **P. Walcott Trial Balance as at September 30, 20__**

	Dr \$	Cr \$
P. Walcott, Capital		16,180
Opening Stock	3,700	
Sales		5,800
Purchases	7,000	
Return Inwards	490	
Discount Received		900
Stationery	110	
Machinery	3,500	
Building	4,000	
Bank Loan		4,700
Warehouse wages	2,900	
Advertising	150	
Carriage Inwards	200	
Rent Expense	460	
Returns Outwards		710
Discount Allowed	400	
Carriage Outwards	600	
Wages and Salaries	3,080	
Cash	1,000	
Debtors	700	
	\$28,290	\$28,290
	\$28,290	\$28,290

(b) Personal	Nominal	Real
Capital	Sales	Machinery
Debtors	Purchases	Building

(c)

P. Walcott
Trading and Profit and Loss Account
for the period ended September 30, 20__

	\$		\$
Opening Stock	3,700	Sales	5,800
Purchases	7,000	Returns In	490
Carriage In	200	Net Turnover	5,310
	7,200	Gross Loss c/d	9,500
Returns Out	710		
Net Purchases	6,490		
Goods Available	10,190		
For sale			
Closing Stock	NIL		
Cost of Goods Sold.	10,190		
Warehouse Wages	2900		
Cost of Sales	13,090		13 090
Gross Loss b/d		Discount Received	900
Stationery	110	Net Loss	11,680
Rent Expense	460		
Discount Allowed	400		
Carriage Outwards	600		
Wages and Salaries	3,080		
	12,580		12,580

18 (c)

P. Walcott Balance Sheet
as at September 30, 20__

Fixed Assets		
Building		4,000
Machinery		3,500
		7,500
Current Assets		
Debtors	700	
Cash	1,000	
		1,700
		\$9,200
Current Liabilities		
Bank Loan		4,700
Financed by:		
Capital	16,180	
Less: Net Loss	11,680	
		4,500
		\$9,200

19. (a)

R. Zephrin
Trading and Profit and Loss Account
for the period ended July 31, 20__

	\$		\$
Opening Inventory	15,000	Sales	32,000
Purchases	20,000	Sales Returns	<u>650</u>
Carriage In	<u>NIL</u>	Net Turnover	31,350
	20,000	Gross Loss c/d	1,200
Return Outwards	<u>950</u>		
Net Purchases	<u>19,050</u>		
Goods Available	34,050		
For sale			
Closing Inventory	<u>1,500</u>		
Cost of Goods Sold	<u>\$32,550</u>		<u>\$32,550</u>
Gross Loss b/d	1,200	Commission Received	2,000
Discount Allowed	2,600	Discount Received	1,400
Rates	250	Rent Received	350
Electricity	900	Net Loss	3,800
Carriage Outwards	400		
Wages and Salaries	2,200		
	<u>\$7,550</u>		<u>\$7,550</u>

(b)

R. Zephrin
Balance Sheet
as at July 20, 20__

Current Assets	
Inventory	<u>\$1,500</u>
Financed by	
Capital	5,300
Less: Net Loss	<u>3,800</u>
	<u>\$1,500</u>

20.

Cash / Bank Account

Bal. b/d	1,540	Customs Duties	2,000
Loan	1,000	Truck Expenses	1,200
Sales	16,000	Electricity	300
		Drawings	2,000
		Wages	1,000

Inventory Account

Bal. b/d	1,800	To Trading A/c	1,800
----------	-------	----------------	-------

Truck Account

Bal. b/d	8,500		
----------	-------	--	--

Debtors Account

Bal. b/d	260		
Sales	4,000		

P. Goodrich Capital Account

	Bal b/d	12,100
--	---------	--------

Sales Account

	Cash/ Bank	16,000
	Debtors	4,000

Purchases Account

Creditors	15,000	
-----------	--------	--

Creditors Account

	Purchases	15,000
--	-----------	--------

Customs Duties

Cash/ Bank	2,000	
------------	-------	--

Electricity Owing Account

To Bal. c/d	55	Electricity	55
-------------	----	-------------	----

Truck Expenses

Cash/ Bank	1,200	
------------	-------	--

Electricity

Cash/ Bank	300	To P + L	245
		Bal c/d	55

Loan Account

		Cash/ Bank	1,000
--	--	------------	-------

Interest Outstanding Account

To Bal. c/d	150	Interest A/c	150
-------------	-----	--------------	-----

Depreciation Account

Truck	850		
-------	-----	--	--

Drawings Account

Cash/ Bank	2,000		
------------	-------	--	--

Wages Account

Cash/ Bank	1,000		
------------	-------	--	--

Interest Account

To Interest	150		P & L A/c	150
Outstanding A/c				

(ii) **P. Goodrich Trading and Profit and Loss Account
for the year ended December 31, 20__**

	\$	\$
Sales		20,000
Less: Cost of Goods Sold		
Opening Stock	1,800	
Purchases	15,000	
	16,800	
Less: Closing Stock	2,250	
Cost of Goods Sold	2,250	14,550
Gross Profit		5,450
Customs Duties	2,000	
Truck Expenses	1,200	
Electricity (300 + 55)	355	
Wages	1,000	
Interest	150	
Depreciation	850	5555
		< \$105 >

20. (iii)

P. Goodrich
Balance Sheet
as at December 31, 20__

Fixed Assets

Truck		8,500
Less: Depreciation		<u>850</u>
		7,650

Current Assets

Inventory	2,250	
Debtors	4,260	
Cash/ Bank	<u>12,040</u>	
		18,550
		<u>\$26,200</u>

Financed by

Capital		12,100
Less: Net Loss		<u>(105)</u>
		11,995
Less: Drawings		<u>2,000</u>
		9,995

Current Liabilities

Loan	1,000	
Creditors	15,000	
Electricity	55	
Interest	<u>150</u>	
		16,205
		<u>\$26,200</u>

21.

J. James
Profit and Loss Account
For the year ended December 31, 20__

	\$		\$
Carriage Outwards	300	Gross profit b/d	10,000
Salaries & Wages	2,600	Discount Received	200
(2,500 + 100)			
Motor Expenses	700		
Rent	550		
Sundry	1,050		
Electricity	80		
Discount Allowed	20		
Insurance	150		
Telephone	300		
Net profit	4,450		
	\$10,200		\$10,200
	\$10,200		\$10,200

22.

Seris Lann**Trading and Profit and Loss Account for the year ended 31 December 20__**

	\$	\$	\$
Sales			363,170
<u>Less Cost of Goods Sold</u>			
Cost of Goods Available for Sales		206,850	
Less: Closing Inventories		(24,550)	(182,300)
Gross Profit			180,870
<u>Less Expenses</u>			
Insurance	3,790		
Less Prepayments	(1,070)	2,720	
Interest expenses		9,360	
Salaries and wages		90,820	
Miscellaneous	4,880		
Add Owings	4,220	9,100	(112,000)
Net Profit			68,870

(b) (i) Total non- current (fixed) assets

Plant and Machinery	163,450
Motor Vehicles	37,000
Long term investments	38,580
	239,030
	239,030

(ii) Total current assets

Inventories	24,550
Accounts Receivables	8,070
Prepayments	1,070
	33,690
	33,690

(iii) Total current liabilities

Accounts Payable	3,910
Bank Overdraft	6,180
Accruals	4,220
	<hr/>
	14,310
	<hr/>

(c)

Current Asset Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{33,690}{14,310}$ $= 2.35:1$
Liquid/ Acid Test Ratio	$\frac{\text{Current Asset} - \text{Inventory}}{\text{Current Liabilities}} = \frac{33,690 - 24,550}{14,310}$ $= 0.64: 1$
Gross Profit Margin	$\frac{\text{Gross Profit} \times 100}{\text{Sales}} = \frac{180,870 \times 100}{363,170}$ $= 49.8\%$
Net Profit Margin	$\frac{\text{Net Profit} \times 100}{\text{Sales}} = \frac{68,870 \times 100}{363,170}$

= 18.96

23. Farizul Balance Sheet as of 31 December. 20__

Fixed Assets		
Premises		80 000
Furniture and Fittings		<u>10 000</u>
		90 000
Current Assets		
Inventory	23 500	
Trade Receivables	<u>3 900</u>	
		27 400
		<u>\$117 000</u>
Capital		
At Start		80 000
Add: Net Profit		<u>22 300</u>
		102 300
Less: Drawing		<u>7 000</u>
Long Term Liabilities		95 300
Mortgage on Premises		15 000
Current Liabilities		
Trade Payables	3 900	
Bank Overdraft	<u>3 200</u>	
		<u>7 100</u>
		<u>\$117 400</u>

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. a | 2. c | 3. b | 4. d | 5. a |
| 6. b | 7. c | 8. d | 9. a | 10. d |
| 11. a | 12. c | 13. d | 14. d | 15. d |
| 16. d | 17. b | 18. d | 19. b | 20. a |
| 21. d | 22. b | 23. d | 24. b | 25. a |
| 26. a | 27. b | 28. c | 29. d | 30. d |
| 31. b | 32. d | 33. a | 34. d | 35. c |
| 36. a | 37. c | 38. a | 39. d | 40. b |
| 41. d | 42. a | 43. b | 44. c | 45. d |
| 46. a | 47. c | 48. b | 49. d | 50. d |

1.

(a) Current Assets: Assets owned by a business that are constantly changing in value during the accounting period and which can be easily converted into cash.

Current Ratio: The ratio of current assets available to pay the current liabilities due.

(b)

TRANSACTION NO.	TOTAL CURRENT ASSETS	CURRENT RATIO	ULTIMATE EFFECT ON NET PROFIT
(i)	+	+	+
(iii)	+	+	-
(iv)	+	+	+
(v)	+	+	+
(vi)	+	0	0
(vii)	0	0	0
(viii)	0	0	0
(ix)	-	-	-

(2) (a)

Winward Plantation
Balance Sheet as at March 31, 20__

Fixed Assets

	Cost \$	Depreciation \$	\$
Tractors	12,000	2,400	9,600
Land / Building			80,000
			<u>89,600</u>

Current Assets

Stock		17,000	
Debtors		<u>4,800</u>	
		21,800	

Less: Current Liabilities

Creditors	2,500		
Overdraft	3,000		
Interest due	<u>500</u>		
		<u>6,000</u>	

15,800
105,400

Less: Long- term Liabilities

Loan			10,000
			<u>\$95,400</u>

Financed By

Capital			84,000
Add: Net Profit			14,600
[17,500 - (2,400 + 500)]			<u>98,600</u>

Less: Drawings			3,200
			<u>\$95,400</u>

(b) Working Capital = 21,800 - 6,000 = \$15,800

3. (i)

Kismo Hardware Co. Balance Sheet as at December 31, 20__

		\$		
Fixed Assets			Capital	
Land & Building		190,000	At Start	57,000
Furniture & Fittings	86,000		Add: Net Profits	2,700
Less: Provision	15,900			<u>59,000</u>
		70,100	Less: Drawings	<u>7,000</u>
		<u>260,100</u>		52,700
Current Assets			Long - term Liabilities	
Stock	42,000		Mortgage	110,000
Debtors	63,000			
Cash	600		Current Liabilities	
Insurance	<u>2,000</u>		12% Debentures	120,000
		107,600	Creditors	54,000
			Overdraft	<u>31,000</u>
				<u>205,000</u>
		<u>\$367,700</u>		<u>\$367,700</u>

(ii) The business is not financially healthy. It's unable to meet its current debts using its current assets.

4.

(i) Capital January 1, 20__		December 31, 20__	
Assets:			
Bank	370		100
Cash	130		400
Machinery	5,000		4,100
Debtors	850		1,000
Equipment	2,500		2,400
Stock	<u>2,000</u>		<u>2,500</u>
	<u>10,850</u>		<u>10,500</u>
Liabilities:			
Loan	400		200
Creditors	625		150
	<u>1,025</u>		<u>350</u>

Capital on Jan.1, 1989 = 10,850 + 1,025 = \$9,825
 Capital on Dec. 31 1989 = 10,500 - 350 = \$10,150

(ii) Capital, December 31, 1989	10,150
Capital, January 1, 1989	9,825
Net Profit	<u>325</u>
	<u> </u>

(iii) Total Fixed Assets December 31, 1989	
Machinery	4,100
Equipment	2,400
	<u>\$6,500</u>
	<u> </u>

(iv) Current Assets

(v) Creditors

(vi) Working Capital = Current Assets - Current Liabilities

(January 1, 1989)			
Bank	370	Creditors	625
Cash	130		
Debtors	850		
Stock	<u>2,000</u>		
	<u>3,350</u>		<u>625</u>
	<u> </u>		<u> </u>

= \$2,725

(vii) Order of Liquidity:

- Cash
- Bank
- Debtors
- Stock
- Equipment

(viii) Depreciation

(ix) \$1,000

(x) Solvent

5.

(a) Capital = Assets	-	Liabilities
Fixed 1,400		Long- term 1,200
Current <u>600</u>		Current <u>400</u>
<u>2,000</u>		<u>1,600</u>

= \$400

(b) (i) Total Fixed Assets

$$\begin{aligned} &= \text{Desks} + \text{Typewriter} + \text{Filing Cabinets} \\ &= 1,000 + 700 + 80 \\ &= \$1,780 \end{aligned}$$

(ii) Total Current Assets = Henry + Cash

$$= 90 + 120 = \$210$$

(iii) Total Long - term Liabilities = Long - term Loan

$$= \$1,000$$

(iv) Total Current Liabilities = Martha + Overdraft

$$\begin{aligned} &= 12 + 18 \\ &= \$30 \end{aligned}$$

(v) Capital = Total Assets - Total Liabilities

$$\begin{aligned} &= \{ (i) + (ii) \} - \{ (iii) + (iv) \} \\ &= (1,780 - 210) - (1,000 + 30) \\ &= 1,990 - 1,030 \\ &= \$960 \end{aligned}$$

(vi) Working Capital

$$\begin{aligned} &= \text{Current Assets} - \text{Current Liabilities} \\ &= (ii) - (iv) \\ &= 210 - 30 \\ &= \$180 \end{aligned}$$

6. (a) Errors in the Trading Account

1. Adding Opening Stock to Sales
2. Including the drawings account

Errors in the Balance Sheet

1. Showing cash on hand as a liability
2. Listing Capital as an asset

(b)

Smith & Sons
Trading and Profit and Loss Account
for the year ended March 31, 20__

	\$		\$
Opening Stock	475	Sales	8,345
Purchases	1,275		
	<hr/>		
Stock Available for Sale	1,750		
Less: Closing Stock	200		
Cost of Sales	1,550		
Gross Profit c/d	6,795		
	<hr/>		
	8,345		<hr/>
	<hr/>		8,345
Salary	1,000	Gross Profit b/d	6,795
General Expenses	670	Discount Received	275
Rent Expenses	1,500		
	<hr/>		
	3,170		
Net Profit	3,900		
	<hr/>		
	\$7,070		<hr/>
	<hr/>		\$7,070
	<hr/>		<hr/>

(c)

Smith & Sons
Balance Sheet as at March 31, 20

Fixed Assets			Capital		
Vehicle		11,300	At Start		2,700
			Net Profit		3,900
					<u>6,600</u>
Current Assets					
Stock	200		Drawings		300
Debtors	3,500				<u>6,300</u>
Cash	2,700		Long - term Liabilities		
Insurance	100		Loan		2,800
	<u>6,500</u>				
			Current Liabilities		
			Creditors	7,200	
			Rent Accrued	<u>1,500</u>	
					<u>8,700</u>
		<u>\$17,800</u>			<u>\$17,800</u>

(d) Working Capital = 6,500 - 8,700 = (2,200)

7.

(a) (i) Current Asset at June 30, 20__

$$\begin{aligned}\text{Current Ratio} &= 2:1 \\ \text{Current Liabilities} &= \$12,000\end{aligned}$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\begin{aligned}\text{Current Assets} &= 12,000 \times 2 \\ &= \$24,000\end{aligned}$$

(ii) Current liabilities as at 30 June 2012

$$\text{Current Ratio} = 4:1$$

$$\begin{aligned}\text{Current Ratio} &= \frac{\text{Current assets}}{\text{Current Liabilities}} \\ &= \frac{60,000}{\text{Current Liabilities}}\end{aligned}$$

$$\begin{aligned}\text{Current Liabilities} &= \frac{60,000}{4} \\ &= \$15,000\end{aligned}$$

(b) (i) Average Stock = $\frac{\text{Opening Stock} + \text{Closing Stock}}{2}$

$$= \frac{6,800 + 4,400}{2}$$

$$= \$5,600$$

(ii) Stock turn = $\frac{\text{Cost of Goods Sold}}{\text{Average stock}}$

$$= \frac{118,000}{5,600}$$

$$= 21.14 \text{ times}$$

(iii) Gross Profit percentage = $\frac{\text{Gross Profit} \times 100}{\text{Sales}}$

$$= \frac{131,600 \times 100}{250,000}$$

$$= 5\%$$

(c)

Reise Holdings
Balance Sheet as at 30 June 20__

	COST	DEPRECIATION	NBV
	\$	\$	\$
<u>Fixed Assets</u>	125,000	-	125,000
<u>Current Assets</u>		60,000	
Less Current Assets		(67,000)	
Working Capital			(7,400)
			117,600
<u>Financed By:</u>			
Share Capital			71,600
Add Net Profit			69,900
			141,5000
Less Drawings			(23,900)
			117,600

$$(d) \text{ Return on Capital Employed} = \frac{\text{Net Profit}}{\text{Capital Employed}} \times 100$$

$$\begin{aligned} \text{Capital Employed} &= \frac{(\text{Opening Capital} + \text{Closing Capital})}{2} \\ &= \frac{69,900 + 94,600}{2} \\ &= 74,600 \\ &= 74\% \end{aligned}$$

Or

Return on capital Employed

$$\begin{aligned} &= \frac{\text{Net Profit}}{\text{Closing Capital}} \times 100 \\ &= \frac{69,900}{117,600} \times 100 \\ &= 59\% \end{aligned}$$

(e) The current ratio for June 2012 is 4: 1 compared to June 2011 2:1 shows that the business is healthy and can manage to settle its short term debt in a timely manner.

8. (i) The ratio that measures control of cost is Expense to Sales ratio

(ii) The ratio that measures a firm ability to meet its short term debt is Current Ratio

(iii) **Current Ratio:** Cartel Vee has a current ratio of 12.5:1 while its competitor shows a 9.1:1 ratio, this shows that Cartel Vee is in a better position to meet its short term debt.

Expense to Sales Ratio: Cartel Vee shows a lower ratio of 28% compared to its competitor of 33% ratio, hence Cartel Vee controls its expense cost better than its competitor.

Chapter 18: Adjustment are Necessary

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. b | 2. d | 3. c | 4. d | 5. a |
| 6. d | 7. a | 8. d | 9. a | 10. c |
| 11. d | 12. a | 13. b | 14. c | 15. c |
| 16. b | 17. c | 18. d | 19. a | 20. d |
| 21. a | 22. b | 23. a | 24. c | 25. d |
| 26. c | 27. a | 28. d | 29. d | 30. a |

1. **J. James Profit and Loss Account**
for the year ended December 31, 20__

Carriage Outwards	300	Gross Profit b/d	10,000
Salaries & Wages (2,500 + 100)	2,600	Discount Received	200
Motor Expenses	700		
Rent (550 - 50)	500		
Sundry	1,050		
Electricity	80		
Discount Allowed	20		
Insurance	150		
Telephone	300		
Net Profit	4,500		
	<u>\$10,200</u>		<u>\$10,200</u>

General Journal

Prepaid Rent	Dr.	50	
To Rent Expense			50
Being rent in advance			
Salaries Expense	Dr.	100	
To Salaries Accrued			100
Being outstanding salaries for the period.			
Telephone Expense	Dr.	300	
To Telephone Accrued			300
Being telephone bill unpaid			

2.

**R. Higgs Trading Profit and Loss Account
for the year ended June 30, 20__**

<table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">Opening Stock</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: right;">13,200</td> <td style="width: 5%;"></td> </tr> <tr> <td>Purchases (26500 - 1,500)</td> <td style="text-align: right;">25,000</td> <td></td> <td></td> </tr> <tr> <td>Add: Carriage In</td> <td style="text-align: right;">1,200</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black;"></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">26,200</td> <td></td> <td></td> </tr> <tr> <td>Less: Returns</td> <td style="text-align: right;">4,100</td> <td></td> <td></td> </tr> <tr> <td>Net Purchases</td> <td></td> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">22,100</td> <td></td> </tr> <tr> <td>Goods Available for Sale</td> <td></td> <td style="border-bottom: 1px solid black;">35,300</td> <td></td> </tr> <tr> <td>Less: Closing Stock</td> <td></td> <td style="border-bottom: 1px solid black;">15,000</td> <td></td> </tr> <tr> <td>Cost of Goods Sold</td> <td></td> <td style="border-bottom: 1px solid black;">20,300</td> <td></td> </tr> <tr> <td>Gross Profit</td> <td></td> <td style="border-bottom: 1px solid black;">71,460</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="border-bottom: 1px solid black; border-top: 1px solid black;">\$91,760</td> <td></td> </tr> </table>	Opening Stock		13,200		Purchases (26500 - 1,500)	25,000			Add: Carriage In	1,200								26,200			Less: Returns	4,100			Net Purchases		22,100		Goods Available for Sale		35,300		Less: Closing Stock		15,000		Cost of Goods Sold		20,300		Gross Profit		71,460				\$91,760			<table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">Sales</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: right;">96,760</td> <td style="width: 5%;"></td> </tr> <tr> <td>Less: Returns</td> <td></td> <td style="text-align: right;">5,000</td> <td></td> </tr> <tr> <td>Net Sales</td> <td></td> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">91,760</td> <td></td> </tr> <tr> <td colspan="4"> </td> </tr> <tr> <td>Gross Profit b/d</td> <td></td> <td style="text-align: right;">71,460</td> <td></td> </tr> <tr> <td>Discount Received</td> <td></td> <td style="text-align: right;">2,930</td> <td></td> </tr> <tr> <td>Commission Received</td> <td></td> <td style="text-align: right;">970</td> <td></td> </tr> <tr> <td>Net Loss</td> <td></td> <td style="text-align: right;">2,205</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">\$77,565</td> <td></td> </tr> </table>	Sales		96,760		Less: Returns		5,000		Net Sales		91,760						Gross Profit b/d		71,460		Discount Received		2,930		Commission Received		970		Net Loss		2,205				\$77,565	
Opening Stock		13,200																																																																																				
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		\$77,565																																																																																				

(b) **General Journal**

	Prepaid Rent	Dr.	420	
	To Rent Rates Expense			420
	Being rent paid in advance			
	Wages and Salaries Expense	Dr.	100	
	To Wages Accrued			100
	Being outstanding wages			

3.(a)

Working Capital = Current Assets		-	Current Liabilities
= Cash at bank	290		Accruals
Trade Debtors	1,850		Trade Creditors
Stock	2,500		
	4,640		1,650
			1,650
	= \$2,990		

(b)

Transaction	Effect on Working Capital	Reason
(i)	Increase	Bank A/c was increased
(ii)	Decrease	Creditor increased
(iii)	Decrease	That decrease in current assets by \$50
(iv)	Decrease	Bank account was decreased
(v)	No effect	Capital and machinery increased
(vi)	Decrease	Current liabilities increased

General Journal

(iv)	Drawings Dr. To Bank A/c Being withdrawal for private use	200	
			200
(v)	Sewing Machine Dr. To D. Marks Capital Being additional capital brought in by D. Marks	60	
			60
(vi)	Expense Dr. To Accruals Being accrued expense not yet recorded	210	
			210

4. **Farah Asman**
Trading and Profit + Loss A/c
for the year ended 30 June, 20__

Revenue			
Less: Returns Inwards	2,000		156,000
Advanced Income	<u>3,000</u>		<u>5,000</u>
			151,000
Opening Inventory		17,200	
Purchases	94,000		
Add: Carriage Inwards (1,200 + 200)	<u>1,400</u>		
	<u>95,400</u>		
Less: Returns Outwards	<u>NIL</u>		
Net Purchases		<u>95,400</u>	
Goods Available for Sale		112,600	
Less: Closing Inventory		<u>17,600</u>	
Cost of Goods Sold			<u>95,000</u>
Gross Profit			56,000
Add: Discount Received		1,800	<u>3,400</u>
		11,000	59,400
Less: Carriage Outwards			
Wages + Salaries		6,000	
Rent 9,800		600	
Other Operating Expenses		100	
Provision for Doubtful debts			
Bank charges			
Total Operating Expenses			<u>29,300</u>
Net Profit			<u><u>\$30,100</u></u>

**Farah Asman
Balance Sheet
As at 30 June 20__**

Fixed Assets			
Fixtures and Fittings			28,000
Current Assets			
Inventory		17,600	
Trade Receivables	30,000		
Less: Provision for DD	600		
	<u> </u>	29,400	
Cash at Bank		13,600	
		<u>60,600</u>	
Less: Current Liabilities			
Trade Payables	18,000		
Advanced Income	3,000		
Accrued Carriage In	200		
Accrued Wages + Salaries	1,500		
Bank Charges	100		
	<u> </u>	<u>22,800</u>	
			37,800
			<u>\$65,800</u>
			<u> </u>
Financed by			
Capital			55,700
Add: Net Profit			<u>30,100</u>
			85,800
Less: Drawings			<u>20,000</u>
			<u>\$65,800</u>
			<u> </u>

General Journal

(v)	Revenue	Dr	3,000	3,000
	To Advanced Income Being income received in advance			
	Wages and Salaries Expense	Dr.	1,500	1,500
	To Accrued Wages + Salaries Being wages and salaries owing			

5. **Morbey Trading and Profit and Loss Account
for the year ended December 31, 20__**

Opening Stock	2,501	Sales	74,454
Purchases	55,306		
Carriage In	<u>300</u>		
Net Purchases	<u>55,606</u>		
Goods Available			
For sale	58,107		
Closing Stock	<u>2,603</u>		
Cost of Goods Sold	55,504		
Gross Profit c/d	<u>18,950</u>		
	<u>\$74,454</u>		<u>74,454</u>
*Provision for bad debts	349	Gross profit	18,950
Office expenses	2,845	Discount Received	1,200
Bad Debts	453		
Travelling/ Accommodation (5,781 - 3,750)	2,031		
Salaries and Wages	6,480		
Advertising	740		
Interest	600		
*Depreciation	<u>4,800</u>		
	18,298		
	<u>1,852</u>		
Net profit	<u>\$20,150</u>		<u>\$20,150</u>

* Provision for bad debts (1,805 - 1,456) = 349

Provision for depreciation: 12,250 + 3,750 = 16,000

$$\frac{30}{100} \times 16,000 = 4800$$

Morbey Balance Sheet as at December 31, 20__

Fixed Assets			
Premises			30,900
Motor Vehicles		16,000	
Less: Depreciation		<u>4,800</u>	
			<u>11,200</u>
			42,100
Current Assets			
Stock		2,603	
Debtors	18,050		
Less: Provision	<u>1,805</u>		
		16,245	
Bank		10,818	
Cash		36	
		<u>29,702</u>	
Current Liabilities			
Creditors	9,700		
Accruals (Advertising)	<u>250</u>		
		<u>9,950</u>	
			<u>19,752</u>
			61,852
Long – term Liabilities			
Mortgage			<u>10,000</u>
			<u>\$51,852</u>
Financed By			
Capital			52,549
Net Profit			1,852
			54,401
Drawings			<u>2,549</u>
			<u>\$51,852</u>

General Journal

(i)	Motor Vehicles Dr. To Travelling and Accommodation Being correction to the travelling and accommodation account	3,750	
			3,750

6.

	ITEM	ADJUSTMENT REQUIRED	
		TREATMENT	AMOUNT
1	Advertising	Subtract prepayment of	\$800
2	Bank Interest	Add accrual of	\$480
3	Commission Received	Subtract prepayment of	\$300
4	Accounts Receivable	Subtract bad debts of	\$900
5	Depreciation on Premises	Add depreciation of	\$9,800
6	Depreciation on Fixtures and fixtures	Add depreciation of	\$15,280
7	Provision for Bad Debts	Less Provision for Doubtful debt	\$200

(b)

B.C YEN

Balance Sheet as at December 2010

	Cost	Depreciation	NBV
	\$	\$	\$
<u>Fixed Assets</u>			
Premises	196,000	49,000	147,000
Fixtures and Fittings	110,000	48,880	61,120
	306,000	97,880	208,120
<u>Current Assets</u>			
Inventory		19,030	
Accounts Receivable (20,500 – 900)	19,600		
Less Provision for Doubtful debts	(2,100)	17,500	
Prepayments		800	
Cash		2,700	
Total Current Assets			40,030
Total Assets			248,150

7. (i) One reason why adjustments are made to financial statements is to align with the accrual concept that is the revenue and expense account must reflect the correct amount for the correct accounting period.

(iii) Accrual concept

(iii) The accrual concept adjustments will reflect the correct expenses incurred and revenues earned in the income statement for the specific accounting period in which it was incurred or earned.

8. (a)

ConEct
Profit and Loss Account for the year ended 31 January 2012

	\$	\$	\$
Sales commission received		115,500	
Add Sales commission owing		14,100	129,600
<u>Less Expenses</u>			
Provision for depreciation on van		9,600	
Rent	13,300		
Add Accruals	<u>3,000</u>	16,300	
Delivery expenses		11,500	
Insurance	7,100		
Less Prepayments	<u>(1,800)</u>	5,300	
Salesmen's wages		46,700	
Loan interest		5,500	(94,900)
Net Profit			<u>34,700</u>

(b)

ConEct
Classified Balance Sheet as at 31 January 2012

	Cost	Depreciation	NBV
	\$	\$	\$
<u>Fixed Assets</u>			
Delivery van	60,000	21,600	38,400
<u>Current Assets</u>			
Accrued sales commissions		14,100	
Prepayments		1,800	
Bank		121,400	
		137,300	
<u>Less Current Liabilities</u>			
Accruals		(3,000)	
Working Capital			134,300
			172,700
<u>Less Long term Liabilities</u>			
Bank Loan			(50,000)
			122,700
			122,700
Financed By:			
Capital			88,000
Add Net Profit			34,700
			122,700
			122,700

Chapter 19: Bad Debts and Provision for Doubtful Debts

Multiple Choice Answers

- | | | | | |
|------|------|------|------|-------|
| 1. a | 2. c | 3. b | 4. c | 5. b |
| 6. a | 7. b | 8. b | 9. a | 10. d |

1. (i)

Provision for Doubtful Debts A/c

20__			20__
Dec, 31	Bal c/d	250	To Profit and Loss A/c
			250
20__			20__
Dec, 31	Bal c/d	480	Jan, 1 Bal b/d
			250
		\$480	Dec, 31 To Profit + Loss A/c
			230
			\$480
20__			20__
Dec, 31	Bal c/d	900	Jan, 1 Bal b/d
			480
		\$900	Dec, 31 To Profit + Loss A/c
			420
			900

(ii) Amount Owed by Sam Brown	300
Payment Brown can make, 75%	225
Bad Debts Expense	\$75

General Journal

Bank	Dr.	225	
Bad Debts	Dr.	75	
To Sam Brown A/c			300
Being bad debts settlement of an account			

(iii) The uncollected debt may not materialize. The Prudence Principle suggests that it is better for a business to not overstock its revenue and assets.

2.	Total Debtors	10,000	
	Bad Debts to be written off	1,000	
		<u>9,000</u>	
	Provision for Doubtful Debts 10%	900	
		<u>\$8,100</u>	

General Journal

Bad Debts Expense	Dr.	1,000	
To Debtors			1,000
Being bad debts written off			
Profit + Loss A/c	Dr.	900	
To Provision Doubtful Debts			900
Being creation of a provision for doubtful debts 10% of debtors			

Balance Sheet Extract

<u>Current Assets</u>			
Debtors		9,000	
Less: Provision for Doubtful Debts		<u>900</u>	
			8,100

3.	Old Provision for Doubtful Debts	800
	New Provision for Doubtful Debts	1,200
	Change – An increase of	\$400

The amount to be placed in the Profit + Loss Account is \$400.

Profit will be reduced by \$400.

4. (a) (i)

**JJ's Paradise
General Journal**

Date	Details	Folio	Dr	Cr
20_			\$	\$
31 - Dec	Nat Lewis Bad Debts	SL GL	850	850
	Bad debts written off for Nat Lewis			
31 - Dec	Jeb Steven Bad debts	SL GL	3,600	3,600
	Debtors amount written off as bad debts			
31 - Dec	Anna Tomas Bad debts	SL GL	450	450
	Debtors amount written off as bad debts			
(ii) 31- Dec	Profit and Loss Provision for doubtful debts	GL	2,832	2,832
	10% of outstanding receivables created for provision for doubtful debts			
			7,732	7,732

(iii)

**JJ's Paradise
Provision for Doubtful Debts A/c**

2010		\$		
31 - Dec	Balance c/d	2,832	2010	31 - Dec Profit and Loss 2,832
2011			2011	
31 - Dec	Profit and Loss	332	1 - Jan	Balance B/d 2,832
31 - Dec	Balance c/d	2,500		
		2,832		2,832
			2012	
			1 - Jan	Balance B/d 2,500

Chapter 20: Depreciation

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. a | 2. b | 3. b | 4. c | 5. d |
| 6. b | 7. d | 8. a | 9. d | 10. c |
| 11. c | 12. d | 13. b | 14. a | 15. b |
| 16. d | 17. a | 18. d | 19. b | 20. a |

1.

(a) Straight Line Method:

Cost of Lorry	84,000
Depreciation Rate	20%
Annual Expense	= $Y5 \times 84,000$
	= 16,800
First 3 years: $3 \times 16,800$	= \$50,400

(b) Reducing Balanced Method:

Cost	84,000	Total
Rate 20%	<u>16,800</u>	16,800
	67,200	
Less: Rate 20%	<u>13,440</u>	13,440
	53,760	
Less: Rate 20%	<u>10,752</u>	10,752
	<u>43,008</u>	
Total for first 3 years		<u><u>\$40,992</u></u>

2. (a) Straight Line Method

Motor Van A/c

20__1			20__1		
Jan, 1	Bank	<u>68,000</u>	Dec,31	Bal c/d	<u>68,000</u>
20__2			20__2		
Jan, 1	Bal b/d	<u>68,000</u>	Dec, 31	Bal c/d	<u>68,000</u>
20__3			20__3		
Jan,1	Bal b/d	<u>68,000</u>	Dec, 31	Bal c/d	<u>68,000</u>

Depreciation Expense A/c

20__1 Dec, 31 Provision for Depreciation <u>13,600</u>	20__1 Dec,31 To Profit + Loss <u>13,600</u>
20__2 Dec, 31 Provision for Depreciation <u>13,600</u>	20__2 Dec,31 To Profit + Loss <u>13,600</u>
20__3 Dec, 31 Provision for Depreciation <u>13,600</u>	20__3 Dec,31 To Profit + Loss <u>13,600</u>

3. Purchase price of machine	48,000
Transportation cost	2,000
Installation Cost	<u>6,000</u>
Value of machine	<u>56,000</u>

Annual Depreciation Expense
 = $\frac{\text{Cost} - \text{Scrap Value}}{\text{Useful Life}}$

 = $\frac{56,000 - 4,000}{8}$
 = \$6,500

Machine A/c

20__1 July, 1 Bank <u>56,000</u>	20__1 Dec,31 Bal c/d <u>56,000</u>
20__2 Jan, 1 Bal b/d <u>56,000</u>	20__2 Dec,31 Bal c/ds <u>56,000</u>
20__3 Jan, 1 Bal b/d <u>56,000</u>	20__3 Dec,31 Bal c/d <u>56,000</u>

Depreciation Expense A/c

20__1	;20__1
Dec, 31 Provision for Depreciation <u>3,250</u>	Dec,31 To Profit + Loss <u>3,250</u>
20__2	;20__2
Dec, 31 Provision for Depreciation <u>6,520</u>	Dec,31 To Profit + Loss <u>6,520</u>
20__3	;20__3
Dec, 31 Provision for Depreciation <u>6,500</u>	Dec,31 To Profit + Loss <u>6,500</u>

4. **Motor Lorry A/c**

20__1	;20__1
Jan, 1 Bank <u>120,000</u>	Dec,31 Bal c/d <u>120,000</u>
20__2	;20__2
Jan, 1 Bal b/d <u>120,000</u>	Dec,31 Bal c/ds <u>120,000</u>

Depreciation Expense A/c

20__1	;20__1
Dec, 31 Provision for Depreciation <u>24,000</u>	Dec,31 To Profit + Loss <u>24,000</u>

Provision for Depreciation A/c

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5.

Motor Van A/c

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(b)

Provision for Depreciation A/c

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(c)

Depreciation Expense A/c

20__1		20__1	
Dec, 31	Provision for Depreciation	Dec,31	To Profit + Loss
	<u>2,000</u>		<u>2,000</u>
20__2		20__2	
Dec, 31	Provision for Depreciation	Dec,31	To Profit + Loss
	<u>4,000</u>		<u>4,000</u>

(d)

Disposal of Motor Van A/c

20__3		20__3	
Mar, 31	Motor Van	Mar,31	Provision for Depreciation
	24,000		6,000
			Bank
			10,000
			Gain
			8,000
	<u>\$24,000</u>		<u>\$24,000</u>

1. (a) Depreciation Expense per year = $\frac{16,000}{10} = \$1,600$

Accumulated Depreciation = $1,600 \times 4 = \$6,400$
after 4 years

(b) Accumulated Depreciation – $1,600 \times 6$
after 6 year

∴ Net Book Value after 6 years = $16,000 - 9,600$
= $\$6,400$

(c) **Profit and Loss Account at end of 7th year**

Depreciation	\$1,600
--------------	---------

Balance Sheet as at end of 7th year

Fixed Assets	Cost	Accumulated Depreciation	Net Book Value
Building	16,000	11,200	4,800

2.(a) Office Equipment	18,000
Less: Depreciation Expense Year 1	3,600
	<hr/>
	14,400
Less: Depreciation Expense Year 2	2,880
Net Book Value at end of Year 2	<hr/>
	\$11,520
	<hr/>

(b) Net Book Value at end of Year 2	11,520
Less: Depreciation Expense Year 3	2,304
	<hr/>
	9,216
Less: Depreciation Expense Year 4	1,843
	<hr/>
	\$7,373
	<hr/>

(c) **Balance Sheet as at end of 4th year**

Fixed Assets	Cost	Accumulated Depreciation	Net Book Value
Office Equipment	18,000	*10,627	7,373
* Accumulated Depreciation: Year 1		3,600	
	2	2,880	
	3	2,304	
	4	1,843	
		<u>10,627</u>	

(d) Net Book Value of Assets after 4 years	7,373
Gain on Disposal	1,000
∴ Selling Price of Equipment	<u>\$8,373</u>

4. Depreciation Expense per year
= $\frac{\text{Cost} - \text{Residual Value}}{\text{Life Span}}$

= $\frac{10,000 - \$2,000}{10}$
= 800

(a) Accumulated Depreciation at end of 6th year:
 $6 \times 800 = \$4,800$

(b) Net Book Value at end of 6th year:
 $10,000 - 4,800 = \$5,200$
Selling Price = 6,000
Net Book Value = 5,200
Profit on Disposal = 800

5. (a) Reducing Balance Method

(b) Cost	16,000
Less: Year 1 Depreciation	<u>4,000</u>
	12,000
Less: Year 2 Depreciation	<u>3,000</u>
Net Book Value after 2 Years	<u>\$9,000</u>

(c) Net Book Value after 2 years	9,000
Less: Year 3 Depreciation	<u>2,250</u>
Net Book Value after 3 years	6,750
Add: Profit to be made	<u>1,500</u>
∴ Selling Price	<u>\$8,250</u>

(d) **Balance Sheet as at the end of 3rd year**

Fixed Assets	Cost	Accumulated Depreciation	Net Book Value
Vehicles	16,000	*9,250	6,750
* Accumulated Depreciation: Year 1		4,000	
	2	3,000	
	3	<u>2,250</u>	
		<u>\$9,250</u>	

6. (a) Depreciation Expenses for the 3rd year:

$$\frac{1}{6} \times 6,000 = \$1,000$$

(b) Accumulated Depreciation at the end of the 4th year: $1000 \times 4 = \$4,000$

(c) **Balance Sheet as at the end of 4th year**

Fixed Assets	Cost	Accumulated Depreciation	Net Book Value
Typewriter	6,000	4,000	2,000

7. Straight Line Method

Vehicle A/c

20__1		20__1	
July, 1 Bal b/d	<u>20,000</u>	Dec,31 Bal c/d	<u>20,000</u>
20__2		20__2	
Jan, 1 Bal b/d	<u>20,000</u>	Dec,31 Bal c/ds	<u>20,000</u>
20__3		20__3	
Jan, 1 Bal b/d	<u>20,000</u>	Dec,31 Bal c/d	<u>20,000</u>

Provision for Depreciation A/c

20__1		20__1	
Mar, 31 Bal c/d	<u>4,000</u>	Mar,31 Depreciation	<u>4,000</u>
20__2		20__2	
Mar, 31 Bal b/d	8,000	Apr,1 Bal b/d	4,000
		1982	
	<u>8,000</u>	Mar,31 Depreciation	<u>4,000</u>
			<u>8,000</u>
20__3		20__3	
Mar, 31 Bal c/d	12,000	Apr,1 Bal b/d	8,000
		20__3	
		Mar, 31 Depreciation	<u>4,000</u>
	<u>\$12,000</u>		<u>\$12,000</u>

Depreciation Expense A/c

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The Diminishing Balance Method

Vehicle A/c

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Provision for Depreciation A/c

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Depreciation Expense A/c

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8.(a) (i) **Fixed Assets** – are assets of long life, that are to be used in the business and were not bought for the purpose of resale.

(ii) **Useful Life** – is how long the assets would remain on the books of the business

(iii) **Net Book Value** – is the cost price of fixed assets less accumulated depreciation to date of balance sheet

(b) (i) Depreciation charge on Delivery van for year ended 30 April 20__ is

$$\begin{aligned}
 &= \text{Cost} \times 30\% \\
 &= 200,000 \times 30\% \\
 &= 60,000
 \end{aligned}$$

(ii) **Farley Caterers**
Balance Sheet Extract as at 30 April 20__

	Cost	Depreciation	NBV
	\$	\$	\$
<u>Fixed Assets</u>			
Delivery van	200,000	120,000	80,000

(iii) Depreciation charge for industrial stove

$$\begin{aligned}
 &\text{Using the reducing balance method} \\
 &= 20\% \text{ of NBV} \\
 &= 38,400 \times 20\% \\
 &= 7,680
 \end{aligned}$$

(iv) **Farley Caterers**
Provision for Depreciation A/c - Industrial Stove

April 30 20__	Balance C/d	\$	29,280	May 1 20__	Balance B/d	\$	21,600
				April 30 20__	Profit and Loss		7,680
			<u>29,280</u>				<u>29,280</u>
				May 1 20__	Balance B/d		29,280

9.
 (a) Seven (7) years
 (b) \$5,000
 (c) \$7,000

(d) **Depreciation Expense A/c**

20__ July, 31	Provision for Depreciation	<u>1,000</u>	20__ July,31	To Profit + Loss	<u>1,000</u>
	Provision for Depreciation	<u>1,000</u>		To Profit + Loss	<u>1,000</u>
	Provision for Depreciation	<u>1,000</u>		To Profit + Loss	<u>1,000</u>
	Provision for Depreciation	<u>1,000</u>		To Profit + Loss	<u>1,000</u>
	Provision for Depreciation	<u>1,000</u>		To Profit + Loss	<u>1,000</u>

Provision for Depreciation A/c

20__ July, 31	Bal c/d	<u>1,000</u>	20__ July,31	Depreciation Expense	<u>1,000</u>
Mar, 31	Bal b/d	2,000	Aug,1	Bal b/d	1,000
		<u>\$2,000</u>	July,31	Depreciation Expense	<u>1,000</u>
					<u>\$2,000</u>
July, 31	Bal c/d	3,000	Aug,1	Bal b/d	2,000
		<u>\$3,000</u>	July, 31	Depreciation Expense	<u>1,000</u>
					<u>\$3,000</u>
July, 31	Bal c/d	4,000	Aug,1	Bal b/d	3,000
		<u>\$4,000</u>	July, 31	Depreciation Expense	<u>1,000</u>
					<u>\$4,000</u>
July, 31	Bal c/d	5,000	Aug,1	Bal b/d	4,000
		<u>\$5,000</u>	July, 31	Depreciation Expense	<u>1,000</u>
					<u>\$5,000</u>

10.

Depreciation Expense A/c

20__		20__	
July, 31		July, 31	
Provision for Depreciation	<u>20,000</u>	To Profit + Loss	<u>20,000</u>
Provision for Depreciation	<u>16,000</u>	To Profit + Loss	<u>16,000</u>
Provision for Depreciation	<u>12,800</u>	To Profit + Loss	<u>12,800</u>
Provision for Depreciation	<u>10,240</u>	To Profit + Loss	<u>10,240</u>

Provision for Depreciation A/c

Bal c/d	<u>20,000</u>	Depreciation Expense	<u>20,000</u>
Bal b/d	36,000	Bal b/d	20,000
	<u>\$36,000</u>	Depreciation Expense	<u>16,000</u>
			<u>\$36,000</u>
Bal c/d	<u>48,800</u>	Bal b/d	36,000
		Depreciation Expense	<u>12,800</u>
	<u>\$48,800</u>		<u>\$48,800</u>
Bal c/d	<u>59,040</u>	Bal b/d	48,800
		Depreciation Expense	<u>10,240</u>
	<u>\$59,040</u>		<u>\$59,040</u>

Calculated Original Cost \$10,000

Year	Depreciation Expense	(Accumulated) Provision for Depreciation	Net Book Value
1	20,000	20,000	80,000
2	16,000	36,000	64,000
3	12,800	48,800	51,200
4	10,240	59,040	40,960

11.

(a) Method I – Straight Line Method
Method II – Diminishing Balance Method

(b) Method I:

$$\frac{20}{100} \times 500,000 = \$100,000 \text{ annually}$$

∴ Year 2 Depreciation Expense = \$100,000

Method II:

$$\text{Year 1: } \frac{20}{100} \times 500,000 = \$100,000$$

$$\begin{aligned} \text{Year 2: } \frac{20}{100} \times (500,000 - \$100,000) \\ = \frac{1}{5} \times 400,000 \\ = \$80,000 \end{aligned}$$

(c) Accumulated Depreciation, End of Year 4:

Method I : Annual Depreciation = \$100,000
End of year four $100,000 \times 4 = \$400,000$

Method II:

Depreciation Expense Year		Accumulated Depreciation
	500,000	
Yr 1 Expense	<u>100,000</u>	100,000
	400,000	
Yr 2 Expense	<u>80,000</u>	<u>80,000</u>
	320,000	180,000
Yr 3 Expense	<u>64,000</u>	<u>64,000</u>
	256,000	244,000
Yr 4 Expense	<u>51,200</u>	<u>51,200</u>
	204,800	<u>295,200</u>

(d) Method I:

Accumulated Depreciation

	Method I	Method II
Y 1	100,000	100,000
Y 2	100,000	80,000
Y 3	100,000	64,000
Y 4	100,000	51,200
Total	<u>\$400,000</u>	<u>\$295,200</u>

12.

Heavy Metal Enterprise

(e)

Trial Balance as at 31 December 2011

DETAILS	DR	CR
	\$	\$
Bank Overdraft		26,500
Cash in hand	3,200	
Provision for bad debts		8,200
Bad debts	5,000	
Accounts receivable	49,100	
Accounts payable		54,200
Long - term loan		75,000
Carriage inwards	3,600	
Carriage outwards	4,500	
Commission received		6,200
Rent paid	12,000	
Equipment at cost	90,000	
Accumulated depreciation (equipment)		30,500
Motor vehicle at cost	68,000	
Accumulated depreciation (motor vehicle)		15,400
Salaries	40,000	
Inventories	16,800	
Purchases	74,600	
Sales		125,000
Miscellaneous expenses	36,400	
Return outwards		3,600
Return inwards	2,800	
Capital		61,400
	406,000	406,000

Chapter 21: Worksheet

Multiple Choice Answers

1. d 2. a 3. d 4. b 5. a

1 (a)

	TRIAL BALANCE		ADJUSTMENTS		ADJUSTED TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET	
	DR	CR	DR	CR	DR	CR	EXPENSES	REVENUE	ASSETS	LIAB + D.E.
SALES		100,000				100,000		100,000		
PURCHASES	40,000				40,000		40,000			
OPENING INVENTORY	16,000				16,000		16,000			
RENT EXPENSE	6,000		(2) 1,000		7,000		7,000			
TELEPHONE EXPENSE	3,000				3,000		3,000			
FEES RECEIVED		7,000	(3) 1,000			6,000		6,000		
EQUIPMENT	90,000				90,000				90,000	
ACCUMULATED DEPRECIATION		50,000		(4) 4,000		54,000				54,000
TRADE RECEIVABLE	8,000				8,000				8,000	
PROVISION FOR DOUBTFUL DEBTS		5,000	(5) 1,000			4,000				4,000
BANK	12,000				12,000				12,000	
TRADE PAYABLE		4,000			4,000	4,000				4,000
CAPITAL		9,000				9,000				9,000
	\$175,000	175,000								
CLOSING INVENTORY								19,000	19,000	
RENT ACCRUED				(2) 1,000		1,000				1,000
FEES UNEARNED				(3) 1,000		1,000				1,000
DEPRECIATION EXPENSE			(4) 4,000		4,000		4,000			
EXCESS PROVISION				(5) 1,000		1,000	1,000			
NET PROFIT							56,000			56,000
			7,000	7,000	180,000	180,000	125,000	126,000	129,000	129,000

1. (b)

R. Lopez
Income Statement
for the year ended 31 December 2014

Sales		100,000
Opening Stock Inventory	16,000	
Purchases	<u>40,000</u>	
Goods Available for Sale	56,000	
Less: Closing Inventory	<u>19,000</u>	
Cost of Goods Sold		<u>37,000</u>
Gross Profit		63,000
Fees Received		6,000
Excess Provision		<u>1,000</u>
		70,000
Rent Expense	7,000	
Telephone Expense	3,000	
Depreciation Expense	<u>4,000</u>	
		<u>14,000</u>
Net Profit		<u>\$56,000</u>

1 (c)

R. Lopez
Balance Sheet
as at 31, December 2014

Fixed Assets			
Equipment			90,000
Less: Accumulated Depreciation			<u>54,000</u>
			36,000
Current Assets			
Closing Inventory		19,000	
Trade Receivables	8,000		
Less: Provision	<u>4,000</u>		
		4,000	
Bank		<u>12,000</u>	
		35,000	
Less: Current Liabilities			
Trade Payables	4,000		
Rent Received	1,000		
Fees	<u>1,000</u>		
		6,000	
			<u>29,000</u>
			<u>\$65,000</u>
Financed by			
Capital			9,000
Add: Net Profit			<u>56,000</u>
			<u>\$65,000</u>

2. (a)

PARTICULARS	TRIAL BALANCE		ADJUSTMENTS		ADJUSTED TRIAL BALANCE		TRADING & PROFIT & LOSS (OR INCOME STATEMENT)		BALANCE SHEET	
	DR	CR	DR	CR	DR	CR	DR	CR	ASSETS	LIABILITIES
CASH	5,440				5,440				5,440	
DEBTORS	12,600				12,600				12,600	
PURCHASES	10,720				10,720		10,720			
STORE SUPPLIES	680			(a) 410	270				270	
PREMISES	19,000				19,000				19,000	
PROVISION FOR DEPRECIATION PREMISES		8,000		(c) 1,500		9,500				9,500
DELIVERY TRUCKS	23,000				23,000				23,000	
CREDITORS		13,170				13,170				13,170
BANK LOAN PAYABLE		10,000				10,000				10,000
CAPITAL	8,200	26,470				26,470				26,470
DRAWINGS					8,200				8,200	
SALES		33,000				33,000		33,000		
COMMISSION RECEIVED		5,000	(d) 2,800			2,200		2,200		
WAGES EXPENSE	12,000		(b) 1,600		13,600		13,600			
SUPPLIES EXPENSE	4,000		(a) 410		4,410		4,410			
	95,640	95,640								
WAGES PAYABLE				(b) 1,600		1,600				1,600
COMMISSION RECEIVED IN ADVANCE				(d) 2,800		2,800				2,800
DEPRECIATION EXPENSE PREMISES			(c) 1,500		1,500			1,500		
NET PROFIT								4,970		4,970
			\$6,310	\$6,310	\$98,740	\$98,740	\$35,200	\$35,200	\$68,510	\$68,510

2.
(b)

- (1) Stores supplies used up
- (2) Depreciation expense for the period
- (3) Commission received in advance
- (4) Wages owing

(c) The total Provision for Depreciation of \$9,500 shows the amount of depreciation written off premises.

#3 (a)

	TRIAL BALANCE		ADJUSTMENTS		ADJUSTED TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET	
	DR	CR	DR	CR	DR	CR	EXPENSES	REVENUE	ASSETS	LIAB + D.E.
REVENUE		74,400				74,400		74,400		
PURCHASES	46,224				46,224		46,224			
INVENTORY 1 JANUARY 2009	15,104				15,104		15,104			
CARRIAGE INWARDS	2,240				2,240		2,240			
SALES RETURNS	1,760				1,760		1,760			
PURCHASES RETURNS		1,420				1,420		1,420		
SALARIES	9,788		(b) 870		10,658		10,658			
MOTOR EXPENSES	2,656		(c) 316		2,972		2,972			
INSURANCE	4,000			(a) 350	3,400		3,400			
RENT	2,304				2,304		2,304			
WATER AND ELECTRICITY	2,500				2,500		2,500			
STATIONERY	2,308				2,308		2,308			
OFFICE EQUIPMENT	9,600				9,600				9,600	
FURNITURE	2,400				2,400				2,400	
TRADE RECEIVABLES	14,308				13,958				13,958	
TRADE PAYABLES		12,180				12,180				12,180
BANK	15,504				15,504				15,504	
CASH	480				480				480	
DRAWINGS	8,200				8,200				8,200	
BANK LOAN		10,000				10,000				10,000
CAPITAL		41,376				41,376				41,376
	<u>139,376</u>	<u>139,376</u>								
INSURANCE PREPAID			(a) 600		600				600	
SALARIES ACCRUED				(b) 870		870				870
MOTOR EXPENSES ACCRUED				(c) 316		316				316
BAD DEBT EXPENSE			(d) 350		350		350			
CLOSING INVENTORY								(e) 10,198	(e) 10,198	
NET LOSS								3,802	3,802	
							89,820	89,820	64,742	64,742
			2,136	2,136	140,652	140,652				

3 (b)

Rashidah
Income Statement
for the period ending 31 December, 2009

Revenue		74,400
Less: Sales Returns		<u>1,760</u>
Net Turnover		72,640
Opening Inventory	15,104	
Purchases	46,224	
Add: Carriage In	<u>2,240</u>	
	48,464	
Less: Purchases Returns	<u>1,420</u>	
Net Purchases	47,044	
Goods Available for sale	<u>62,148</u>	
Less: Closing Inventory	<u>10,198</u>	
		<u>51,950</u>
Gross Profit		20,690
Salaries	10,658	
Motor Expenses	2,972	
Insurance	3,400	
Rent	2,304	
Water + Electricity	2,500	
Stationery	2,308	
Bad Debts		<u>24,492</u>
Net Loss		<u>\$3,802</u>

3 (c)

**Rashidah
Balance Sheet
as at 31 December, 2009**

Fixed Assets		
Office Equipment		9,600
Furniture		<u>2,400</u>
		12,000
Current Assets		
Closing Inventory	10,198	
Trade Receivables	13,958	
Bank	15,504	
Cash	480	
Prepaid Insurance	600	
	<u>40,740</u>	
Less: Current Liabilities		
Trade Payables	12,180	
Bank Loan	10,000	
Salaries Accrued	870	
Motor Expenses Accrued	<u>316</u>	
	<u>23,366</u>	
		<u>17,374</u>
		<u>\$29,374</u>
Financed by:		
Capital		41,376
Less Net Loss	3,802	
Drawings	<u>8,200</u>	
		<u>12,002</u>
		<u>\$29,374</u>

4 (a)

	TRIAL BALANCE		ADJUSTMENTS		ADJUSTED TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET	
	DR	CR	DR	CR	DR	CR	EXPENSES	REVENUE	ASSETS	LIAB + D.E.
CAPITAL (1 JULY 2009)		35,000				35,000				35,000
DRAWINGS	1,000		(iii) 550		1,550				1,550	
MOTOR VEHICLES (AT COST)	30,000				30,000				30,000	
OFFICE EQUIPMENT (AT COST)	7,500				7,500				7,500	
INVENTORY (1 JULY 2009)	16,750				16,750		16,750			
TRADE RECEIVABLES	4,500				4,500		4,500		4,500	
TRADE PAYABLES		5,050				5,050				5,050
BANK	6,750				6,750		6,750		6,750	
RENT	4,550				4,550		4,550			
REPAIRS	680				680		680			
CARRIAGE OUTWARDS	540				540		540			
CARRIAGE INWARDS	3,310		(ii) 600		3,910		3,910			
PURCHASES RETURNS		1,050				1,050		1,050		
SALES RETURNS	300				300		300			
PURCHASES	21,600			(iii) 500	21,050		21,050			
REVENUE		45,300				45,300		45,300		
PROVISION FOR DEPRECIATION OF MOTOR VEHICLES		9,000		(iv) 4,200		13,200				13,200
PROVISION FOR DOUBTFUL DEBTS		300	(v) 75			225				225
DISCOUNT RECEIVED		280				280		280		
BAD DEBTS	300				300		300			
COMMISSION		1,800	(vi) 400			1,400		1,400		
	97,780	97,780								
INVENTORY (30 JUNE 2010)								(i) 18,000	(i) 18,000	
ACCRUED CARRIAGE INWARDS				(ii) 600		600				600
DEPRECIATION (MOTOR VEHICLE)			(iv) 4,200		4,200		4,200			
EXCESS PROVISION				(v) 75		75		75		
COMMISSION IN ADVANCE				(vi) 400		400				400
NET PROFIT							13,725			13,725
			5,825	5,825	102,580	102,580	66,105	66,105	68,300	68,300

4. (b)

Rizun
Income Statement
For the year ended 31 December 2009

Revenue		45,300
Less: Sales Returns		<u>300</u>
Net Turnover		45,000
Opening Inventory	16,750	
Purchases	21,050	
Add: Carriage Inwards	<u>3,910</u>	
	24,960	
Less: Purchases Returns	<u>1,050</u>	
Net Purchases	23,901	
Goods Available for Sale	<u>40,660</u>	
Less: Closing Inventory	18,000	
Cost of Goods Sold		<u>22,660</u>
Gross Profit		22,340
Add: Discount Received	280	
Commission Earned	1,400	
	<u>75</u>	
		<u>1,755</u>
Excess Provision		22,340
Rent	4,550	
Repairs	680	
Carriage Outwards	40	
Bad Debts	300	
Depreciation Expense	<u>4,200</u>	
		<u>10,270</u>
Net Profit		<u>13,825</u>

4. (c)

Rizun
Balance Sheet
As at 31 December 2009

Fixed Assets			
Motor Vehicle			30,000
Less: Provision for Depreciation			<u>13,200</u>
			16,800
Office Equipment			<u>7,500</u>
			24,300
Current Assets			
Closing Inventory		18,000	
Trade Receivables	4,500		
Less: Provision	<u>225</u>		
Bank		4,275	
		<u>6,750</u>	
		29,025	
Less: Current Liabilities			
Trade Payables	5,050		
Accrued Carriage In	600		
Commission In Advance	<u>400</u>		
		<u>6,050</u>	
			<u>22,975</u>
			<u>\$47,275</u>
Financed by			
Capital			35,000
Add: Net Profit			<u>13,825</u>
			48,825
Less: Drawings			<u>1,550</u>
			<u>\$47,275</u>

5 (a)

	TRIAL BALANCE		ADJUSTMENTS		ADJUSTED TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET	
	DR	CR	DR	CR	DR	CR	EXPENSES	REVENUE	ASSETS	LIAB + D.E.
CAPITAL		35,000				35,000				35,000
DRAWINGS	1,800				1,800				1,800	
MOTOR VEHICLES (AT COST)	28,000				28,000				28,000	
FURNITURE (AT COST)	5,000				5,000				5,000	
INVENTORY	15,985				15,985		15,985			
TRADE RECEIVABLES	3,500				3,500				3,500	
TRADE PAYABLES		3,990				3,990				3,990
BANK	6,765				6,765				6,765	
SALARIES	6,000				6,000		6,000			
RENT	3,600			(iii) 400	3,600		3,600			
DISCOUNT ALLOWED	115				115		115			
CARRIAGE INWARDS	2,345				2,345		2,345			
PURCHASES	43,455				43,455		43,455			
REVENUE		72,560				72,560		72,560		
SALES RETURNS	680				680		680			
FEES RECEIVED		1,635		(iv) 250		1,885		1,885		
PROVISION FOR DEPRECIATION - VEHICLES		10,080		(50,40)		15,120				15,120
PROVISION FOR DOUBTFUL DEBTS		130		(vi) 50		180				180
BAD DEBTS	150				150		150			
ADVERTISING	6,000		(ii) 1,000		7,000		7,000			
	123,395	123,395								
(i) INVENTORY								16,800	16,800	
ADVERTISING ACCRUED				(ii) 1,000		1,000				1,000
PREPAID RENT			(iii) 400		400				400	
FEES OWING			(iv) 250		250				250	
DEPRECIATION EXPENSE			(v) 5,040		5,040		5,040			
INCREASED PROVISION FOR DOUBTFUL DEBTS			(vi) 50		50		50			
NET PROFIT							7,225			7,225
			6,740	6,740	129,735	129,735	91,245	91,245	62,515	62,515

5 (b)

Rahman
Income Statement
For the year ended 31 December, 20__

Revenue		72,560
Less: Sales Returns		<u>680</u>
Net Turnover		71,880
Opening Inventory	15,985	
Purchases	43,455	
Add: Carriage Inwards	<u>2,345</u>	
	45,800	
Less: Purchases Returns	<u>NIL</u>	
Net Purchases	45,800	
Goods Available for Sale	<u>61,785</u>	
Less: Closing Inventory	16,800	
Cost of Goods Sold		<u>44,985</u>
Gross Profit		26,895
Add: Fees Received		<u>1,885</u>
		28,780
Salaries	6,000	
Rent	3,200	
Discount Allowed	115	
Bad Debts	150	
Advertising 7,000depreciation	5,040	
Increased Provision for Doubtful Debts	<u>50</u>	
		<u>21,555</u>
Net Profit		<u>\$7,225</u>

5 (c)

Rahman
Balance Sheet
As at 31 December, 20__

Fixed Assets			
Motor Vehicle			28,000
Less: Provision for Depreciation			<u>15,120</u>
			12,880
Furniture			<u>5,000</u>
			17,880
Current Assets			
Closing Inventory		16,800	
Trade Receivables	3,500		
Less: Provision	<u>180</u>		
		3,320	
Bank		6,765	
Prepaid Rent		400	
Fees Owing		<u>250</u>	
		27,535	
Less: Current Liabilities			
Trade Payables	3,990		
Accrued Advertising	<u>1,000</u>		
		<u>4,990</u>	
			<u>22,545</u>
			<u>\$40,425</u>
Financed by			
Capital			35,000
Add: Net Profit			<u>7,225</u>
			42,225
Less Drawings			<u>1,800</u>
			<u>\$40,425</u>

Chapter 22: Control System

Multiple Choice Answers

1. a 2. d 3. c 4. b 5. d
6. b 7. b 8. c 9. a 10. d
11. c 12. b 13. d 14. b 15. d
23. (i) and (d)
 (ii) and (c)
 (iii) and (h)
 (iv) and (e)
 (v) and (g)
 (vi) and (f)
 (vii) and (b)
 (viii) and (a)

Chapter 23: Errors Suspense Accounts

Multiple Choice Answers

1. d 2. b 3. c 4. b 5. a
6. d 7. c 8. a 9. a 10. a
11. b 12. b 13. a 14. b 15. c 16. d

Structured Questions

1.

ITEM	NO EFFECT	DEBIT SIDE EXCEEDS CREDIT SIDE BY THE AMOUNT OF	CREDIT SIDE EXCEEDS DEBIT SIDE BY THE AMOUNT OF
(i)	✓	1,600	400
(ii)	✓		
(iii)	✓		
(iv)	✓		

2. (a) (i) The main purpose of the trial Balance is to locate numerical errors in the double entries in the ledger.

(ii) **General Journal**

PARTICULARS	CREDIT	DEBIT
	\$	\$
Furniture A/c To Purchases A/c	165	165
Suspense A/c To Discount Received A/c	224	224
Sales A/c To Suspense A/c	57	57
Suspense A/c To Pee Gee's A/c	54	54
Jay Kay's A/c To Kay Jay's A/c	15	15
Suspense A/c To M. Long's A/c	157	157

(iii) **Suspense Account**

Discount Received	224	Bal. b/d	378
Pee Gee	54	Sales	57
M. Long	157		
	\$435		\$435

(b) The errors have all been corrected.

(c) No 1 and 5 respectively

(d) Error of Principle - the error is made in the different classes of accounts

Errors of Commission - the error is made in the same class of accounts

3. (a) **General Journal**

PARTICULARS	DEBIT	CREDIT
(i) Building Repairs A/c To General Expenses A/c (being an amount wrongly recorded as general expenses)	\$ 100	\$ 100
(ii) Office Furniture A/c To Purchases A/c (being office furniture wrongly recorded as purchases)	600	600
(iii) R. Hayward's A/c To R. Hayworth A/c (being an amount paid by Hayworth wrongly credited to R. Hayward's account)	60	60
(iv) Suspense A/c To Discount received A/c (being the amount recorded on the wrong side of the discount account)	60	60
Discount Allowed A/c To Suspense A/c (being the amount recorded on the wrong side of the discount account)	120	120
(v) J. Williams A/c To Suspense A/c (being sales credited to J. Williams account)	1,000	1,000
(vi) Sales Return A/c To Carriage in A/c (being sales returns wrongly recorded as carriage inwards)	150	150

(b) **Suspense Account**

(iv) Balance in trial balance (bal. fig.)	1,060	(iv) Discount Allowed	120
Discount Received	60	(v) J. Williams	1,000
	\$1,120		\$1, 120
	\$1,120		\$1, 120

The trial balance will disagree by \$1,060 and this will appear on the credit side.

4. (a)

General Journal

PARTICULARS	DEBIT	CREDIT
(i) Sales To J. Chase (being payment by J. Chase recorded in the Sales account)	\$ 200	\$ 200
(ii) Discount Allowed To Suspense A/c (being discount allowed omitted from the ledger)	500	500
(iii) Sales Trade - In - Allowance To Suspense A/c (being trade - in allowance wrongly in the sales account)	300 300	600
(iv) Debtors To Sales A/c (being the amount by which the sales day book was undercast)	250	250
(v) Suspense A/c To R. Wong Ltd (being the amount omitted from R. Wong Ltd account)	2,000	2,000
(vi) Suspense A/c To C. Harris (being an amount not posted to C. Harris' account)	150	150

(b) Net Profit	22,000
(i) Less: Sales Overcast	<u>200</u>
	21,800
(ii) Less: Discount Allowed	<u>500</u>
	21,300
(iii) Less: Sales Overcast	<u>300</u>
	21,000
(iv) Add: Sales Undercast	<u>250</u>
Corrected Net profit	<u>\$21,250</u>

5.

TRANSACTION	EFFECT ON NET PROFIT
(i)	-
(ii)	+
(iii)	-
(iv)	zero
(v)	+

6. (a) 1. To record opening balances

Stock	10	
Debtors	<u>20</u>	
Cash	<u>30</u>	
To Creditors		<u>15</u>
To X. Capital		<u>45</u>

(being the assets and liabilities at that date)

2. Purchase of a Fixed Asset

Vehicle	10,000	
To Neal & Marry		10,000

(being the purchase of a fixed asset on credit)

3. To close an account

Trade A/c	500	
To Sales Returns		500

(being the closure of the sales returns account)

(b) General Journal

DATE	PARTICULARS	DEBIT	CREDIT
20__ Mar, 31	Machinery To Purchases (being machinery previously recorded as purchases)	\$ 5,000	\$ 5,000
20__ Mar. 31	S. Scampish To Bank (being a dishonoured cheque)	700	700
20__ Mar. 31	Discount Received To David Bacchus (being debts to Bacchus recorded as a discount)	50	50
20__ Mar. 31	Sales To Purchases (being goods taken for private use recorded as sales)	720	720

(c) (i) 20__

General Journal

DATE	PARTICULARS	DEBIT	CREDIT
Mar. 31	Creditors To Purchases (being the correction of an overstated in the purchases journal)	\$ 100	\$ 100
31	Suspense A/c (being the wrong placement of prepaid insurance in the trial balance)		270

(ii) Transaction 1 - will not affect the Suspense A/c

Transaction 2 - will increase the balance (the credit side) by \$270

(iii) The remaining balance in the suspense account is the result of other errors in the books of Just Careless.

7. (a) (i)
1. No effect on the totals
 2. Credit total overstated by \$174
 3. Both totals understated by \$18
 4. No effect on the totals
 5. Credit total overstated by \$30

(ii) No.5

- (iii) Error of Commission - No.4
Error of Principle - No.1
Error of Original Entry - No.3

(iv) General Journal

PARTICULARS	DEBIT	CREDIT
Furniture To Purchases (being correction purchase of fixed assets recorded as purchases)	\$ 1,500	\$ 1,500
L Grant To Suspense (being removal of an incorrect credit made to L. Grant's account)	174	174
Machine To Cash (being the amount by which the original entry was understated)	18	18
G. Smith To C. Smith (being the removal of the error on C. Smith's account)	75	75
Discount Received To Suspense a/c (being the amount by which discount was overstated)	30	30

8.

General Journal

(a)	Vernon's A/c	Dr	90	
	To Sales A/c			90
(b)	Motor Van Repairs A/c	Dr	370	
	To Motor Van A/c			370
(c)	Purchases A/c	Dr	4,100	
	To Sales A/c			4,100
(d)	Creditor, Janet A/c	Dr	320	
	To Jenny's A/c			320
(e)	Purchases A/c	Dr	640	
	To Ekhwan Co			640
(f)	Typewriter A/c	Dr	685	
	To Purchases A/c			685
(g)	Insurance A/c	Dr	760	
	To Utilities A/c			760
(h)	Drawings	Dr	800	
	To Salaries A/c			800

9. General Journal

(a)	Suspense A/c	Dr	120	
	To Bahrom's A/c			120
(b)	Wahidatul's A/c	Dr	50	
	To Suspense A/c			50
(c)	Creditor, Euno's A/c	Dr	80	
	To Suspense A/c			80
(d)	Sales A/c	Dr	2,000	
	To Suspense A/c			2,000

10.

General Journal

(i)	Suspense A/c To Radi's A/c	Dr	900	900
(ii)	Suspense A/c To Discount Allowed To Discount Received	Dr	3,000	1,500 1,500
(iii)	Suspense A/c To Return Outwards	Dr	600	600
(iv)	Suspense A/c To Hisham A/c	Dr	90	90
(v)	Petty Cash Book A/c To Suspense A/c	Dr	80	80

11.

General Journal

(i)	Purchases A/c To Suspense A/c Being the amount by which purchase account was undercast	Dr	550	550
(ii)	Suspense A/c To Return Inwards To Return Outwards Being returns outwards wrongly recorded as return inwards	Dr	140	70 70
(iii)	Suspense A/c To Ikhwana A/c To Ekhwan Being sales wrongly credited to Ikhwana's instead of being debited to Ekhwan	Dr	890	445 445
(iv)	Discount Allowed A/c To Hatiz A/c Being unrecorded discount allowed		80	80
(v)	Motor Vehicle Expenses To Main Vehicles A/c Being motor vehicle expenses wrongly recorded in the motor vehicle account		235	235

11. (b)

Suspense Account

		∴ Bal b/d	480
		Purchases (i)	550
(ii) Returns Inwards	70		
Return Outwards	70		
(iii) Ikhwana	445		
Ekhwan	<u>445</u>		
	<u>\$1,030</u>		<u>\$1,030</u>

11 (c) Statement of Corrected Net Profit

Original Net Profit	23,456
Deduct: Undercast Cost of Sales (Purchases)	<u>550</u>
	22,906
Add: Understated Sales (Returns Inwards)	70
Overstated Cost of Sales (Returns Outwards)	<u>70</u>
	23,046
Less: Understated Discount Allowed	<u>80</u>
	22,966
Less: Understated Motor Vehicles expense	<u>235</u>
Corrected Net Profit	<u>\$22,731</u>

Analysis: for (c)

Item	Cost of Revenue	Gross Profit	Net Profit	Treatment
Increased / Decreased	Sales			
(i) Increased Purchases	Higher	Lower	Lower	Deduct
(ii) Increased Returns Inwards	Higher	-	Higher	Add
(iii) Increased Return Outwards	Lower	Higher	Higher	Add
(iv) Increased Discount Allowed	-	-	Lower	Deduct
(v) Increased motor vehicle expense	-	-	Lower	Deduct

12(a)

(i)	Trade Receivables To Suspense A/c	90	90
(ii)	Returns Inwards Return Outwards To Suspense A/c	350 350	700
(iii)	Discount Allowed To Trade Receivables	100	100
(iv)	Suspense A/c To Sales	1,000	1,000
(v)	Suspense A/c To General Expense	250	250
(vi)	Bank A/c To Expense A/c	800	800

12 (b)

Suspense Account

		(i) Trade Receivables	90
		(ii) Return Inwards	350
		(iii) Discount Allowed	100
(iv) Sales	1,000		
(v) General Expenses	250	(vi) Bank	800
	<u>1,690</u>		<u>1,690</u>

13. (a) **Corrected Trial Balance**

Capital		30,000
Drawings	2,350	
Purchases	65,785	
Revenue		81,695
Inventory	12,345	
Motor Vehicles	35,000	
Provision for Depreciation: Motor Vehicles		7,000
General Expenses	680	
Provision for Doubtful Debts		480
Trade Receivables	5,970	
Trade Payables		2,800
Bank Overdraft		1,600
Suspense Account		1,445

13 (b) **General Journal**

(i)	Purchases A/c	1,090	
	To Suspense A/c		1,090
(ii)	Drawings A/c	300	
	To Purchases		300
(iii)	Suspense A/c	18	
	To General Expenses		18
(iv)	Drawings	900	
	To Cash A/c		900
(v)	Kamal A/c	327	
	To Suspense		327

13 (c) **Suspense Account**

(iii) General Expenses	18	Bal b/d	1,445
		(i) Purchases	1,090
		(v) Kamal A/c	327

14.

Item Omitted	Gross Profit		Net profit For the Year	
	Increase \$	Decrease \$	Increase \$	Decrease \$
(i) Bad Debts written off \$80	No Effect	No Effect	\$80	
(ii) Returns Outwards \$100		\$100		100
(iii) Electricity Expense \$400	No Effect	No Effect	\$400	
(iv) Unsold inventory on balance day \$50		\$50		\$50
(v) Insurance paid in advance, \$68		\$68		\$68

15. (a)

Suspense Account

(i) Operating Expenses	120	Bal b/d	460
(ii) Purple	90	Sales (iii)	200
(vi) Bank	480	Drawings (v)	100
(vii) Purchases	70		
	<u>\$760</u>		<u>\$760</u>

(b)

Corrected Trial Balance

Capital		25,000
+ 100 Drawings	11,300	
Equipment	12,600	
- 90 Trade Receivables	11,810	
Trade Payables		5,340
Inventory, 1 January 2009	9,900	
- 480 Cash at Bank	4,120	
- 200 Revenue		120,700
- 70 Purchases	94,230	
- 120 Operating Expenses	7,080	
	<u>151,040</u>	<u>151,040</u>

Chapter 24: Control Accounts

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. b | 2. a | 3. c | 4. d | 5. c |
| 6. d | 7. a | 8. b | 9. d | 10. a |
| 11. b | 12. a | 13. d | 14. b | 15. b |
| 16. a | 17. b | 18. b | 19. b | 20. a |
| 21. d | 22. b | 23. a | 24. a | 25. c |
| 26. a | 27. b | 28. b | 29. d | 30. a |

1 (a)

Sales Ledger Control Account

		\$			\$
July 1	Bal b/d	6,000	Returns		150
	Sales	5,000	Cash		4,500
			Discount		80
			Bad Debts		30
			Debit Transfer		45
			Bal. c/d		<u>6,195</u>
		<u>\$11,000</u>			<u>\$11,000</u>
(b)		\$			\$
Aug. 1	Bal. b/d	6,195	Cash		4,000
	∴ Sales	2,740	Discount		60
	(Bal. fig)		Sett off		45
			Bad Debts		30
			Aug. 25 Bal. c/d		<u>4,800</u>
		<u>\$8,935</u>			<u>\$8,935</u>

(b) An error may have been made in a customer's account or the customer overpaid an account.

(c)

		\$			\$
Opening Stock		3,000	Sales		13,438
Purchases		<u>8,000</u>	(Bal. fig.)		
		11,000			
Closing Stock		250			
		<u>10,750</u>			
Gross Profit		<u>2,688</u>			
		<u>\$13,438</u>			<u>\$13,438</u>

The compensation is too low. The goods stolen cost approximately \$10,750.

(d) Self-balancing ledgers are adopted when there is a large number of debtor and creditor accounts.

2. (a)

Sales Ledger Control Account

	\$		\$
Bal b/d	4,491	Receipts from customers	54,642
Sales	58,127	Returns Inwards	863
Bal. c/d	82	Bad Debts (1041 - 76)	965
	<u>62,700</u>	Bal. c/d	<u>6,230</u>
			<u>\$62,700</u>

Purchases Ledger Control Account

	\$		\$
Payment to Suppliers	38,496	Bal. b/d	3,217
Purchases Return (Outwards)	425	Purchases	41,742
Bal. c/d	6,086	Refund	48
	<u>\$45,007</u>		<u>\$45,007</u>

(b) An error may have been made in a customer's account or the customer overpaid an account.

3. (a) (i)

Sales Ledger Control Account

	\$		\$
20__			
Apr. 1 Bal b/d	19,440	Receipts from Debtors	52,435
30 Sales	69,570	Returns Inwards	312
30 Dishonoured Cheques	160	Discount Allowed	823
	<u>\$89,170</u>	Bad Debts	175
		Bal. c/d	<u>35,425</u>
			<u>\$89,170</u>

Purchases Ledger Control Account

	\$		\$
20__		20__	
Apr. 30 Payment to Suppliers	38,250	Apr. 1 Bal. b/d	26,980
Return Out	266	30 Purchases	45,730
Discount Received	1,534		
Bal. c/d	32,660		
	<u>\$72,710</u>		<u>\$72,710</u>

(b) (i) It checks the accuracy of the entries in the debtors' ledger.

(ii) The balance in the sales ledger control account tell the amount of debtors in the sales ledger.

(c) Debit the purchases account with \$90 and credit the purchases ledger control account with \$90.

(CXC – General 1987, No.2)

4. (a)

Bank Account

Debtors	\$ 16,000	Bal. b/d	\$ 500
		Creditors	9,000
		Interest	20
		Drawings	1,000
		Bal. c/d	5,000
	<u>\$16,000</u>		<u>\$16,000</u>

(b)

Debtors Control Account

Bal. b/d	\$ 1,200	Cash	\$ 16,000
∴ Sales (Bal. fig.)	18,600	Discount Allowed	300
		Bal. c/d	3,500
	<u>\$19,800</u>		<u>\$19,800</u>

Creditors Control Account

Bank	\$ 9,000	Bal b/d	\$ 800
Return Outwards	780	∴ Purchases	
Bal. c/d	620	(Bal. fig.)	9,600
	<u>\$10,400</u>		<u>\$10,400</u>

(c)

J. Littleman
Trading and Profit and Loss Account
For the year December 31, 1986

	\$		\$
Opening Stock	3,800	Sales	18,600
Purchases	9,600		
Less: Returns	<u>780</u>		
Net Purchases	8,820		
Goods Available for Sale	12,620		
Less: Closing Stock	<u>3,000</u>		
Cost of Goods Sold	9,620		
Gross Profit c/d	<u>8,980</u>		
	<u>\$18,600</u>		<u>\$18,600</u>
Discount Allowed	300	Gross Profit b/d	8,980
Interest	200		
Depreciation	1,500		
Electricity	<u>180</u>		
	2,180		
Net Profit	<u>6,800</u>		
	<u>\$8,980</u>		<u>\$8,980</u>

5. (a) (i)

Debtors Control Account

	\$		\$
Bal. b/d	3,050	Bal. b/d	150
Sales	10,050	Cash/ Bank	7,100
Dishonoured Cheques	700	Bad Debts	375
		Discounts	250
		Returns Inwards	500
		Bal. c/d	<u>5,425</u>
	<u>\$13,800</u>		<u>\$13,800</u>

Creditors Control Account

	\$		\$
Bal. b/d	925	Bal. b/d	12,500
Bank	17,500	Purchases	15,750
Discount Received	870		
Returns Outwards	300		
Bal. c/d	8,655		
	\$28,250		\$28,250

- (ii) Sales - Sales Day Book
 Discount Allowed - Cash Book
 Returns Inwards - Sales Returns and Allowances Book

(b) Bad Debts and Receipts from debtors will increase by \$100 and \$400 respectively reduce debtors' balance in the debtors' control account by \$500.

6. Sales Ledger Control A/c

June 1 Bal. b/d	8,880	Cash and Cheques	14,760
June 30 Sales	14,240	Returns Inwards	350
Interest Charged	170	Discount Allowed	150
Overpayment	210	Bad Debts Written Off	300
	\$23,500	Bal c/d	7,840
			\$23,500

7. **Sales Ledger Control A/c**

Aug,1 Bal b/d	6,040	Sales Return	725
Sales	67,750	Discount Allowed	512
Dishonoured Cheques	217	Bad Debts	580
		Bad Debts Provision	320
		Total Receipts	60,850
		Set Off	315
		Bal. c/d	14,705
	<u>\$74,007</u>		<u>\$74,007</u>

Purchases Ledger Control A/c

Purchases Return	410	Aug, 1 Bal. b/d	4,630
Discount Received	350	Aug 31 Purchases	48,805
Total Payment	41,770		
Set Off	315		
Bal. c/d	10,590		
	<u>\$53,435</u>		<u>\$53,435</u>

8. **Purchases Ledger Control A/c**

Returns Outwards	600	May, 1 Bal. b/d	11,400
Bank (16,200 - 1,220)	14,980	Purchases	17,180
Discount Received	700	Carriage In	500
Bal. c/d	12,800		
	<u>\$29,080</u>		<u>\$29,080</u>

9. **Sales Ledger Control A/c**

Bal b/d	6,875	Receipts	20,985
Sales	23,465	Discount Allowed	450
Dishonoured cheques	1,350	Sales Returns	770
Bal. c/d	345	Bad Debts	590
		Increased Provision	200
		Set off	680
		Bal c/d	8,660
	<u>\$32,035</u>		<u>\$32,035</u>

Purchases Ledger Control A/c

Payments	14,850	Bal b/d	8,435
Discount Received	380	Purchases	16,860
Purchases Returns	690	Carriage Inwards	400
Set Off	680	Bal c/d	270
Bal. c/d	9,365		
	<u>\$25,965</u>		<u>\$25,965</u>

10. **Sales Ledger Control A/c**

Oct,1 Bal b/d	9,230	Sales Returns	1,070
Sales	46,300	Bank	41,900
Internet Charged	50	Discount Allowed	1,060
		Set off	120
		Bal c/d	11,430
	<u>\$55,580</u>		<u>\$55,580</u>

Purchases Ledger Control A/c

Purchases Return	830	Oct,1 Bal b/d	5,430
Bank	27,900	Purchases	31,600
Discount Received	710	Interest Charged	30
Set off	120		
Bal c/d	7,500		
	<u>\$37,060</u>		<u>\$37,060</u>

11.

Sales Ledger Control A/c

Jan,1 Bal b/d	17,900	Receipts	87,600
∴ Credit Sales	85,440	Discount Allowed	3,460
		Return Inwards	1,770
		Bad Debts	750
		Bal c/d	9,760
	<u>\$103,340</u>		<u>\$103,340</u>

Purchases Ledger Control A/c

Payments	28,900	Jan,1 Bal b/d	9,600
Discount Received	1,850	∴ Credit Purchases	30,760
Purchases Returns	630		
Bal c/d	8,980		
	<u>\$40,360</u>		<u>\$40,360</u>

12 (a)

Source of Information	Books of Original Entry
Total Refunds to Debtors	Cash Book
Total Dishonoured cheques	Cash Book
Total Credit Sales	Sales Journal
Total Returns Inwards	Returns Inwards Journal
Receipt from Debtors	Cash Book
Total Discounts Allowed	Cash Book
Total Bad Debts	General Journal

(b)

**L Somerset
Purchases Ledger Control Account**

2012		2012	
\$		\$	
Bal. b/d	3,050	Bal. b/d	12,500
Return Outwards	1,200	Credit Purchases	123,900
Bank	100,300	Refunds for damaged items	1,180
Discount Received	2,500		
Sales Ledger set off	620		
Balance C/d	<u>47,994</u>		
	<u>154,064</u>		<u>154,064</u>
		Balance B/d	47,994

(c)

L Somerset
General Journal

DATE	DETAILS	FOLIO	DR	CR
2012			\$	\$
1 - Nov	Equipment	GL	2,100	
	Purchases	GL		2,100
	Error of Principles – purchases A/c debited instead of equipment A/c			
1 - Nov	Bank	CB	270	
	Suspense	GL		270
	Creditors amount overstated in bank A/c by \$270			

13 (a) Control accounts would be useful to I.T. enterprises because it provides easy reference for information and decision making.

13 (b) (i)

**J.T Enterprises
Purchases Ledger Control Account**

	\$		\$
Bal. b/d	310	Bal. b/d	5,100
Purchases Returns	620	Credit Purchases	63,720
Bank	59,970	Late payment charges	45
Discount Received	1,200	Balance C/d	270
Prepayment	3,450		
Sales Ledger set off	375		
Balance C/d	<u>3,210</u>		
	<u>69,135</u>		<u>69,135</u>
Balance B/d	270	Balance B/d	270

(b) (ii)

**J.T Enterprises
Sales Ledger Control Account**

	\$		\$
Bal. b/d	9,360	Bal. b/d	470
Credit Sales	87,890	Sales Returns	1,330
Dishonoured Cheques	970	Bank	69,110
Balance C/d	550	Discount Allowed	1,200
		Bad Debts	1,320
		Purchases Ledger set off	375
		Balance C/d	<u>24,965</u>
	<u>98,770</u>		<u>98,770</u>
Balance B/d	24,965	Balance B/d	550

14. (a) (i)

**Cav Crafts
Accounts Receivable Control Accounts
for the year ended 31 August 2014**

	\$		\$
Balance B/d	5,010	Cash Received	257,800
Credit Sales	262,920	Discount Allowed	1,040
Interest on late Payment	660	Sales Returns	1,290
		Interest received on late payment	660
		Balance C/d	7,800
	<u>268,590</u>		<u>268,590</u>
Balance B/d	7,800		

(ii)

Cav Crafts
Accounts Payable Control Accounts
for the year ended 31 August 2014

	\$		\$
Cash Paid	194,400	Balance B/d	3,950
Discount Received	3,560	Credit Purchases	196,700
Purchases Returns	1,740	Refunds for over payment	1,880
Balance C/d	2,830		
	202,530		202,530
		Balance B/d	2,830

Chapter 25: Bank Reconciliation

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. c | 2. d | 3. b | 4. c | 5. a |
| 6. a | 7. d | 8. a | 9. a | 10. b |
| 11. a | 12. d | 13. b | 14. c | 15. d |
| 16. a | 17. b | 18. c | 19. a | 20. a |

1.(a)

Cash Book

(iii) Payment to creditor overstated	18	Bal. b/d	38.0
Bal. c/d	2,088	(i) Dishonoured cheques	1,680
		(ii) Customer payment overstated	6
		(v) Interest and charges	40
	<u>\$2,106</u>		<u>\$2,106</u>

(b)

**James Reconciliation Statement
as at January 31, 20__**

Adjusted Cash Book balance	2,088
Less: Unpresented cheques	<u>1,037</u>
Bank Statement balance	<u>\$1,051</u>

2. (a)

Cash Book

20__	\$	20__	\$
Dec. 21 Bal b/d	151	Dec. Standing Order	3
Dividends - ABC	10	Bank Charges	2
		Bal. c/d	<u>156</u>
	<u>\$161</u>		<u>\$161</u>

(b)

M. Cashier
Reconciliation Statement
as at December 20, 20__

Bank Statement balance		142	Cr
Add: Deposits in Transit (Sales)		<u>65</u>	Cr
		207	
Less: Unpresented Cheques Shelton	7		
	Crosbie	30	
	Young	<u>14</u>	
		51	
Adjusted Cash Book Balance		<u>\$156</u>	

3. (a) The purpose of a bank reconciliation statement is to explain why the cash book balance is different from the bank statement balance.

(b)

Cotton Tree Co. Ltd
Bank Reconciliation Statement
as at June 30, 20__

Bank Statement balance		960	Dr
Add: Unpresented Cheques		<u>614</u>	Dr
Bank Statement balance		1,574	Dr
Less: Bank Charges	35		
Dishonoured cheques	18		
Bank Lodgements	<u>1,542</u>		
		1,595	Cr
Cash Book Balance		<u>\$21</u>	

4. (a) (i)

J. Watts Cash Book

Jan. 31	Bal b/d	1,935	Jan. 31	Insurance	500
18	J. Jackson	80	31	Bank Charges	20
			31	Bal. c/d	1,495
		<u>\$2,015</u>			<u>\$2,015</u>

**J. Watts
Reconciliation Statement
As at December 31, 20__**

Adjusted Cash Book Balance		1,495
Add: Unpresented Cheque: M. Mansion		<u>150</u>
		1,645
Less: Lodgements: L. Lambard	75	
A. Babbs	<u>220</u>	
		295
Bank Statement balance		<u>\$1,350</u>

5. (a)

John and James Ltd Cash Book

DATE	DETAILS	CASH	BANK	DATE	DETAILS	CASH	BANK
Apr. 10	Sales	2,000		Apr. 1	Bal. b/d		700
10	Cash		2,000	3	Machinery		400
25	Bank	256		10	Bank	2,000	
30	A. Genteel		101	15	A. Redwood		200
	B. B. Stew		345	20	Cash		256
				20	Wages	256	
				30	Bal. c/d	NIL	890
		<u>\$2,256</u>	<u>\$2,446</u>			<u>\$2,256</u>	<u>\$2,446</u>

(b) (i)		Bank Account	
Bal b/d	890	Dishonoured Cheques	35
Interest Received	45	Standing Order	250
		Bal. c/d	650
	<u>935</u>		<u>935</u>

(ii)		John & James. Ltd	
Reconciliation Statement as at April 30, 20__			
Adjusted Cash Book balance	650		
Add: Unpresented Cheques	420		
Error by Bank	90		
	<u>1,160</u>		
Less: Lodgement	345		
Bank Statement balance	<u>\$815</u>		

(iii) To explain why the cash book and bank statement show different balances.

6 (a)

TRANSACTION	EFFECT: (Increase or Decrease)	BALANCE
Balance b/d		650
(i) Withdrawal (example)	Decrease	550
(ii) Interest on Overdraft	Decrease	525
(iii) Standing Order Payment	Decrease	475
(iv) Credit Transfer	Increase	575
(v) Bank Charges	Decrease	545
(vi) Interest on Deposit	Increase	995
(vii) Dishonoured cheque	Decrease	695

6. (b) (i)		B. Beckford's Cash Book	
Bal b/d	2,450	Bank Charges	70
I. Sam	300	Standing Order	200
J. Jones	200	Dishonoured Cheques	400
		Error	100
		Bal c/d	2,180
	<u>\$2,950</u>		<u>\$2,950</u>

(ii)

B. Beckford
Reconciliation Statement
As at December 31, 1981

Adjusted Cash Book Balance	2,180
Add: Unpresented Cheque	<u>550</u>
	2,730
Less: Lodgement	<u>2,500</u>

Bank Statement balance	<u>\$230</u>

7. (a)

1. A cheque was received from R. Morris for \$150 and recorded in the cash book but not on the bank statement.
2. A cheque was used to pay for stationery, recorded in the cashbook but has not yet reached the bank for cashing.
3. The bank deducted bank charges from the account which does not appear in the cash book.
4. The bank deducted a standing order payment from the account that does not appear in the cash book.
5. The bank received a credit transfer of \$50 which has not yet been recorded by the business.

(b)

		Cash Book	
Bal b/d	400	Bank Charges	10
Credit Transfer	50	Standing Order	40
	<u>450</u>	Bal c/d	<u>400</u>
	_____		<u>\$450</u>
	_____		_____

(c)

**G & P Traders
Reconciliation Statement
As at October 15, 20__**

Bank Statement balance		500
Add: Deposits – In – Transit		
L. Cummings	500	
R. Morris	150	
	<u> </u>	650
		1,150
Less: Unpresented Cheques		
C. Lively	200	
Harper and Co.	<u>550</u>	
		750
		<u>\$400</u>
		<u> </u>

(d) (i) \$500 Cr less \$150 Dr = \$350 Cr
(ii) \$900 Cr less \$550 Dr = \$350 Cr

8.

Cash Book

Bal b/d	7,635	Standing Order	270
		Bank Charges	66
		Dishonoured Cheque	132
		Adjusted balance	<u>7,167</u>
	<u>7,635</u>		<u>7,635</u>
	<u> </u>		<u> </u>

**Healthy Company
Reconciliation Statement
As at 31 January 20__**

Adjusted Cash Book Balance	7,167
Add: Unpresented Cheque	<u>380</u>
	7,547
Less: Bank Lodgement	<u>125</u>
Balance as per bank statement	<u>\$7,422</u>

9. Cash Book			
Bal b/d	1,677	Standing Order	450
Dividends	1,250	Bank Charges	62
	<u>2,927</u>	Adjusted balance	<u>2,415</u>
	<u><u>\$2,927</u></u>		<u><u>\$2,927</u></u>

**Hadi Sulardin's
Reconciliation Statement
As at 31 December 20__**

Adjusted Cash Book Balance		2,415
Add: Unpresented Cheque		
Bravo Ltd	2,642	
Hanun Dam	<u>1,750</u>	
		<u>4,392</u>
		6,807
Less: Bank Lodgement		<u>965</u>
Balance as per bank statement		<u><u>\$5,842</u></u>

10. Cash Book			
A.B Dabi	7,956	Bal b/d	3,540
		Bank Charges	201
		Standing Order	1,645
		Adjusted balance	2,570
	<u>\$7,956</u>		<u>\$7,956</u>

**Ramulah's
Reconciliation Statement
As at 31 August 20__**

Adjusted Cash Book Balance		2,570
Add: Unpresented Cheques		
#12301	2,810	
#12323	<u>3,335</u>	
		<u>6,145</u>
		8,715
Less: Bank Lodgement		
#57605	1,200	
#90786	1,231	
#91405	<u>1,793</u>	
		<u>4,224</u>
Balance as per bank statement		<u>\$4,491</u>

11.

Cash Book

Bal. b/	3,839	Bank Charges	20
Beautitree	750	Standing Order	285
Interest	50	Adjusted balance	4,334
	<u>4,639</u>		<u>4,639</u>

**Look at Reality Company
Reconciliation Statement
As at 31 May 20__**

Adjusted Cash Book Balance		4,334
Add: Unpresented Cheques		
Refreshment Charges	282	
Liza Florist	<u>324</u>	
		<u>606</u>
		4,940
Less: Bank Lodgement: Susan		<u>410</u>
Bank Statement balance		<u>\$4,530</u>

12. (a)
(i)

**V. Cheeseman
General Journal**

Date	Details	Folio	DR	CR
20__ 31- Aug	Bank Purchases Purchases at \$303 was incorrectly posted as 330 in both accounts	CB GL	27	27
31 - Aug	Suspense Bank Amount was omitted from the bank account only	GL CB	467	467
31 - Aug	Bank C. Samnah A cheque of \$290 was received from C. Samnah was posted incorrectly to both accounts	CB SL	580	580
			<u>1,074</u>	<u>1,074</u>

(ii)

**V. Cheeseman
Cash Book**

	\$		\$
Balance b/ d	2,570	Suspense	467
Purchases	27	Balance C/d	2,170
C. Samnah	580		
	<u>3,177</u>		<u>3,177</u>
Balance B/d	2,710		

(b) (i)

V. Cheeseman

Updated Cash Book for the month ended 31 August 20__

	\$		\$
Balance b/ d	2,570	Bank Charges	120
Direct deposit	4,500	Standing order – Insurance	600
		Dishonoured cheques	390
		Balance C/d	6,100
	<u>7,210</u>		<u>7,210</u>
Balance B/d	<u>6,100</u>		

(ii)

V. Cheeseman

Bank Reconciliation Statement as at 31 August 20__

Balance as per Cash book	\$ 6,100
Add unrepresented cheques	570
	<u>6,670</u>
Less Late lodgement	(990)
Balance as per Bank statement	<u>5,680</u>

13.

(a)

Updated Cash Book as at 31 October 20__

	\$		\$
Credit Transfer	4,000	Balance B/d	1,780
Balance C/d	5	Standing order	1,000
		Debit Transfer	825
		Bank Charges	400
	<u>4005</u>		<u>4005</u>
		Bal. h/d	5

(b) **Olvie Elvin**
Bank Reconciliation Statement as at 31 October 20__

	\$
Overdraft as per Cash Book	5
Add Late Lodgement	<u>500</u>
	505
Less Unpresented Cheques	<u>(108)</u>
	325
Overdraft as per Bank Statement	<u><u>325</u></u>

Or can be done like this

Olvie Elvin
Bank Reconciliation Statement as at 31 October 20__

	\$
Overdraft as per Cash Book	(5)
Add Unpresented Cheques	<u>180</u>
	175
Less Late Lodgement	<u>(500)</u>
	(325)
Overdraft as per Bank Statement	<u><u>(325)</u></u>

Chapter 26: Partnership

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. c | 2. a | 3. c | 4. a | 5. a |
| 6. c | 7. a | 8. a | 9. c | 10. a |
| 11. b | 12. c | 13. b | 14. a | 15. a |
| 16. c | 17. a | 18. c | 19. a | 20. d |
| 21. b | 22. a | 23. d | 24. a | |

1. Interest on Capital on 31 December, 20__

$$\text{Harvey: } \frac{6}{100} \times 200,000 = 12,000$$

$$\text{Shah: } \frac{6}{100} \times 300,000 = 18,000$$

2. Interest on Capital on 28 February 20__

$$\text{Cherry: } \frac{4}{100} \times 20,000 = 800$$

$$\text{Barry: } \frac{4}{100} \times 40,000 = 1,600$$

3. Interest on Capital: From 1 March, 2009 to 28 February 20__

$$\text{Salim : } \frac{5}{100} \times 150,000 = 7,500$$

$$\text{plus } \frac{5}{100} \times 50,000 \times \frac{1}{2} = 2,500$$

$$\text{Borhan: } \frac{5}{100} \times 300,000 = 15,000$$

$$\text{plus } \frac{5}{100} \times 100,000 \times \frac{1}{2} = 5,000$$

∴ Salim will receive: $7,500 + 2,500 = \$10,000$

Borham will receive: $15,000 + 5,000 = \$20,000$ and

4. Salim and Borhan
Profit and Loss Appropriation Account
For the year ended 28 February 20__

Net Profit

Less: Interest on Capital: 1 year

Salim	7,500				
Borhan	<u>15,000</u>				
		22,500			

1

Interest on Capital: 2 year

Salim	2,500				
Borhan	<u>5,000</u>				
		<u>7,500</u>			
			30,500		

Current Account

	Salim	Borhan			Salim	Borham
Interest on Capital	10,000	20,000				

5. (a) (i) Angel Interest on Drawings

$$\begin{aligned}
 &= \text{Drawings} \times \text{interest rate} \\
 &= 14,000 \times 5\% \\
 &= \$700
 \end{aligned}$$

Karissa Interest on Drawings

$$\begin{aligned}
 &= \text{Drawings} \times \text{interest rate} \\
 &= 18,000 \times 5\% \\
 &= \$900
 \end{aligned}$$

(ii) Angel and Karissa
Current Account as at 31 December 20__

Details	Angel	Karissa	Details	Angel	Karissa
	\$	\$		\$	\$
Balance B/d		1,700	Balance B/d	3,000	
Drawings	14,000	18,000	Interest on Capital	2,500	3,500
Interest on Drawings	700	900	Salary	15,000	8,000
Balance C/d	18,100		Share of Profit	12,300	8,200
			Balance C/d		900
	<u>32,800</u>	<u>32,800</u>		<u>32,800</u>	<u>32,800</u>
Balance B/d		900	Balance B/d	18,100	

- (iii) Angel's current account shows a credit balance. This indicates that the business owes Angel, while Karissa's shows a debit balance. This means she withdraws more than she earned as a result she owes the business.
- (iv) Reasons for difference in salaries could be that Angel plays a more active role in the business while Karissa is a less active or a silent partner in the business.

(b)

ANGEL AND KARISSA
Appropriation Account for the Year Ended 31 December 2009

	\$	\$	\$
Net Profit			47,900
Add Interest on Drawings: Angel		700	
Karissa		900	<u>1,600</u>
			49,500
Less Interest on Capital: Angel	2,500		
Karissa	<u>3,500</u>	6,000	
Salary: Angel	15,000		
Karissa	<u>8,000</u>	23,000	<u>(29,000)</u>
			20,500
Share of Profit: Angel		12,300	
Karissa		<u>8,000</u>	<u>20,300</u>

(c) Angel Capital Invested

$$\begin{aligned} &= \text{Interest on Capital} \times \text{Percentage Interest Charged} \\ &= 2,500 \times 10 \\ &= \$25,000 \end{aligned}$$

Or

$$\begin{aligned} 10\% &= \frac{2,500}{\text{Capital}} \\ &= \frac{2,500}{\text{Capital}} \times 100 \\ &= \$25,000 \end{aligned}$$

Karissa Capital Invested

$$\begin{aligned} &= 3,500 \times 10 \\ &= \$35,000 \end{aligned}$$

6. (a) (i)

**PG Enterprise
General Journal**

Date	Details	Folio	DR	CR
20__			\$	\$
1 - May	Equipment	GL	14,000	
	Inventory	GL	12,600	
	Receivables	SL	3,400	
	Cash	CB	10,000	
	Loose Tools	GL	1,800	
	Payables	PL		6,000
	Bank overdraft	CB		5,800
	Capital	GL		30,000
	Opening asset, liabilities and capital of P as at May 1, 20__			
1 - May	Motor Vehicle	GL	8,000	
	Stationery	GL	700	
	Premises	GL	60,000	
	Cash	CB	1,300	
	Mortgage	GL		34,000
	Capital	GL		36,000
	Opening asset, liabilities and capital of G as at May 1, 20__			
			111,800	111,800

(ii)

PG Enterprise
Classified Balance Sheet as at 1 May 20__

	Cost	Depreciation	NBV
<u>Fixed Assets</u>	\$	\$	\$
Premises	60,000	-	60,000
Equipment	14,000	-	14,000
Loose Tools	1,800	-	1,800
Motor vehicles	8,000	-	8,000
	83,800	-	83,800
<u>Current Assets</u>			
Inventory		12,600	
Stationery		700	
Receivables		3,400	
Cash		11,300	
		28,000	
<u>Less Current Liabilities</u>			
Payables	6,000		
Bank Overdraft	5,800	(11,800)	
Working Capital			16,200
			100,000
<u>Less Long term Liabilities</u>			
Mortgage			(\$34,000)
			66,000
<u>Financed By:</u>			
Capital:			
P		30,000	
G		36,000	
		66,000	66,000

(b) (i) Share of profit
In capital ratio:

$$\begin{aligned} P &= \frac{30,000}{66,000} \times 99,000 \\ &= 5/11 \times 99,000 \\ &= \$45,000 \end{aligned}$$

$$\begin{aligned} G &= \frac{36,000}{66,000} \times 99,000 \\ &= 6/11 \times 99,000 \\ &= \$54,000 \end{aligned}$$

(ii) In the Ratio 3:7

$$\begin{aligned} P &= 3/10 \times 99,000 \\ &= \$29,700 \end{aligned}$$

$$\begin{aligned} G &= 7/10 \times 99,000 \\ &= \$69,300 \end{aligned}$$

(c) Two features of partnership agreement

Interest on capital
Interest on drawings

7.

$$\begin{aligned} \text{(a) Thirst Capital} &= 60,000 - 40,000 \\ &= \$20,000 \end{aligned}$$

(b)

Swigger and Thirst
Profit and Loss Appropriation Account for the six month ended 30 June 2020

	\$	\$	\$
Net Profit			15,380
Add Revenue			620
			16,000
Add Interest on Drawings: Swigger(8,000 x 5%) 6/12 Thirst (600 x 5%) 6/12		200 15	215
			16,215
Less Interest on Capital: Swigger (40,000 x 10%) 6/12 Thirst (20,000 x 10%) 6/12	2,000 1,000	3,000	
		9,000	(12,000)
Salary - Thirst			4,215
Share of Profit: Swigger (2/3 x 4,215) Thirst (1/3 x 4,215)		2,810 1,405	4,215
			4,215

(c)

Swigger and Thirst
Current Accounts for the six months ended 30 June 2020

Details	Swigger \$	Thirst \$	Details	Swigger \$	Thirst \$
Drawings	8,000	600	Interest on Capital	2,000	1,000
Interest on Drawings	200	15	Salary		9,000
Balance C/d		10,790	Share of Profits	2,810	1,405
			Balance C/d	3,390	
	8,200	11,405		8,200	11,405
Balance B/d	3,390		Balance B/d		10,790

8. (a) Two distinguishing features of partnership

- Unlimited liabilities
- two to twenty partners
- mutual agreement

(b) The significance is that Barney shows a credit balance of \$2,500 which indicates that the business owes him, whereas Swiper shows a debit balance, which indicates that Swiper has overdrawn his account, so he owes the business.

(c) **Barney and Swiper**
Profit and Loss Appropriation Account for the year ended 31 March 20__

Details	Barney	Swiper	Details	Barney	Swiper
	\$	\$		\$	\$
Balance B/d		600	Balance B/d	2,500	
Drawings	4,000	12,000	Share of Profits	25,050	16,700
Interest on Drawings	200	300	Interest on Capital	3,000	1,750
Balance C/d	62,350	5,550	Salary	36,000	
	66,550	18,450		66,550	18,450
			Balance B/d	62,350	5,550

8. (d)

Barney and Swiper
Current Accounts as of 31 March 20__

Details	Barney	Swiper	Details	Barney	Swiper
	\$	\$		\$	\$
Balance B/d		600	Balance B/d	2,500	
Drawings	4,000	12,000	Share of Profits	25,050	16,700
Interest on Drawings	200	300	Interest on Capital	3,000	1,750
Balance C/d	62,350	5,550	Salary	36,000	
	66,550	18,450		66,550	18,450
			Balance B/d	62,350	5,550

(a)

Chester, Norbert and Telford
General Journal

Date	Details	Folio	DR	CR
2010			\$	\$
1 - Jul	Cash	CB	40,000	
	Motor Car	GL	35,000	
	Equipment	GL	25,000	
	Capital			100,000
	Telford introduced capital in the business by cash, motor car and equipment			
			100,000	100,000

(b)

Chester, Norbert and Telford
Appropriation Account for the year ended 31 December 20__

	\$	\$	\$
Net Profit			122,330
Add Interest on Drawings:			
Chester		320	
Norbert		350	670
			123,000
Less Interest on Capital:			
Chester (250,000 x 10%)	25,000		
Norbert (150,000 x 10%)	15,000		
Telford (100,000 x 10%) 6/12	5,000	45,000	
			(63,000)
Salary - Norbert (1,500 x 12)		18,000	
Share of Profit			60,000

(c)

Share of Remaining profit	Working Column \$	Chester \$	Norbert \$	Telford \$
January - June (50%) \$30,000 (60,000 x .5)	Chester (30,000 x ½) Norbert (30,000 x ½)	15,000	15,000	-
July - December (50%) \$30,000 (60,000 x .5)	Chester (30,000 x 3/6) Norbert (30,000 x 3/6) Telford (30,000 x 1/6)	15,000	10,000	5,000
TOTALS		30,000	25,000	5,000

(d)

Chester, Norbert and Telford
Current Accounts as at 31 December, 20__

Details	Chester \$	Norbert \$	Telford \$	Details	Chester \$	Norbert \$	Telford \$
Balance B/d		1,500		Balance B/d	24,000		
Drawings	6,000	7,000		Share of Profit	30,000	25,000	5,000
Interest on Drawings	320	350		Interest on Capital	25,000	15,000	5,000
Balance C/d	72,680	49,150	10,000	Salary		18,000	
	79,000	58,000	10,000		79,000	58,000	10,000
				Balance B/d	72,680	49,150	10,000

10.

(a)

Assets - Liabilities

A's Capital = 22,000 - 2,000 = \$20,000

B's Capital = 38,500 - 8,500 = \$30,000

(b)

General Journal

DATE	PARTICULARS	DEBIT	CREDIT
20__		\$	\$
June 30	Cash	6,000	
	Stock	21,000	
	Debtors	4,500	
	Furniture	3,000	
	Premises	21,000	
	Vehicles	5,000	
	To Overdraft		2,000
	To Creditors		8,500
	To Capital A		20,000
	To Capital B		30,000
	(being the formation of the partnership of A and B)		

(c) **A & B Appropriation Account**
for the period ended December 31, 20__ Cash Book

Interest on Capital	\$		Net Profit	\$
A 500			24,000	
B 750				
		1,250		
Salary				
A 3,000				
B 3,500				
		6,500		
Share of Profits				
A 6,500				
B 9,750				
		16,250		
		<u>\$24,000</u>		<u>\$24,000</u>

(d) **Current Accounts**

	A	B		A	B
	\$	\$		\$	\$
Drawings	3,500	2,000	Interest On Capital	500	750
Bal. c/d	6,500	12,000	Salary	3,000	3,500
			Share of Profit	6,500	9,750
	<u>\$10,000</u>	<u>\$14,000</u>		<u>\$10,000</u>	<u>\$14,000</u>

A & B Balance Sheet as at December 31, 20__ (Extract)

		\$
Capital		
A	20,000	
B	<u>30,000</u>	
		50,000
Current Accounts		
A	6,500	
B	<u>12,000</u>	
		18,500

11.

Purchases Control Account

	\$		\$
Payments to creditors	40,510	Bal b/d	2,273
Bal. c/d 2,184	<u>42,694</u>	∴ Credit Purchases	<u>40,421</u>
	<u>\$42,694</u>		<u>\$42,694</u>

Sales Control Account

	\$		\$
Bal b/d	2,961	Payments from debtors	53,317
∴ Credit Sales	<u>53,484</u>	Bal c/d	<u>3,128</u>
	<u>\$56,445</u>		<u>\$56,445</u>

(a)

**Jack and John
Trading and Profit and Loss Account
For the year ended 31 December, 20__**

	\$		\$
Opening Stock	3,829	Sales	53,484
Purchases	<u>40,421</u>		
	44,250		
Closing Stock	<u>4,137</u>		
	40,113		
Gross Profit c/f	13,371		
	<u>\$53,484</u>		<u>\$53,484</u>
Depreciation	500	Gross Profit b/f	13,371
Other expenses	<u>8,629</u>		
	9,129		
Net Profit	<u>4,242</u>		
	<u>\$13,371</u>		<u>\$13,371</u>

**Jack and John
Appropriation Account
For the year ended December 31, 20__**

	\$				\$
Share of Profits			Net Profit		4,242
Jack	2,121				
John	2,121	4,242			
		\$4,242			\$4,242

Current Accounts

	Jack	John		Jack	John
Drawings	2,149	2,066	Share of Profits	2,121	2,121
Bal. c/d	-	55	Bal. c/d	28	-
	\$2,149	\$2,121		\$ 2,149	\$2,121

Capital at start:

Fixed Assets	10,000				
Stock	3,829				
Debtors	2,961				
Bank	1,324				
					18,114
Less:					
Creditors: Purchases	2,273				
Expenses	89				
					2,362
					15,752
Total Capital	15,752				
Less: Jack's expenses	1,000				
					14,752
John	7,376				
Jack (7,376 + 1,000)	8,376				

(b) **Jack and John Balance Sheet
as at 31 December, 20__**

FIXED ASSETS		10,000
Less: Depreciation		<u>500</u>
		9,500
CURRENT ASSETS		
Stock	4,137	
Debtors	3,137	
Bank	<u>1,301</u>	
	8,566	
CURRENT LIABILITIES		
Creditors	2,287	
		<u>6,279</u>
		15,779
CURRENT ACCOUNTS		
Jack	(28)	
John	<u>55</u>	
		<u>27</u>
		<u>\$15,752</u>
Capital:		
Jack		8,376
John		<u>7,376</u>
		<u>\$15,752</u>

12.

(i)

**Black and White
Appropriation Account
For the year ended 31 March, 20__**

Interest on Capital:		Net Profit	59,500
Balck	3,600		
White	<u>4,800</u>		
	8,400		
share of Profits			
Black	21,900		
White	<u>29,200</u>		
	51,100		
	<u>\$59,500</u>		<u>59,500</u>
			<u>\$59,500</u>

(ii)

Current Accounts

	Black	White		Black	White
Drawings	14,400	15,600	Interest on Capital	3,600	4,800
Bal. c/d	<u>11,100</u>	<u>18,400</u>	Share of Profits	<u>21,900</u>	<u>29,200</u>
	<u>\$25,500</u>	<u>\$34,000</u>		<u>\$25,500</u>	<u>\$34,000</u>

13. (a) (i)

**River Sea and Lake
Appropriation Account
For the period ended December 31, 20**

Interest on Capital:			Net Profit	5,499
River	250		Interest on	
Sea	300		Drawings:	
Lake	400		River	30
		950	Sea	40
			Lake	<u>60</u>
				130
Salary:				
River	500			
Sea	<u>500</u>	1,000		
		1,950		
Share of Profits				
River	1,226.33			
Sea	1,226.33			
Lake	<u>1,226.34</u>			
		3,679		
		<u>\$5,629</u>		<u>\$5,629</u>

(ii)

Current Accounts

	River	Sea	Lake		River	Sea	Lake
Bal. b/d	-	500.00	500.00	Bal.b/d	1,000.00	-	400.00
Drawings	300.00	400.00	600.00	Interest on Capital	250.00	300.00	400.00
Interest on Drawings	30.00	40.00	60.00	Loan Interest	-	-	-
Bal. c/d	2,646.33	1,086.33	1,766.34	Salaries	500.00	500.00	-
				Share of Profits	1,226.33	1,226.33	1,226.34
	<u>\$29,76.33</u>	<u>\$2,026.33</u>	<u>\$2,426.34</u>		<u>\$29,76.33</u>	<u>\$2,026.33</u>	<u>\$2,426.34</u>

(b)

The credit balance in the current account indicate that the partners are making additional investments in the partnership on which they will receive no interest.

14.

(a)

DATE	PARTICULARS	CREDIT	DEBIT
1983 July 1	Bank	19,500	
	To J. Capital		12,000
	To J. Premium		7,500
	(being the admission of J)		
	J. Premium	7,500	
	To R. Capital		1,500
	To T. Capital		6,000
	(being share of premium in profit sharing ratio)		

(b)

Bank Account

Bal. b/d	2,500	R. Capital (3)	1,500
J. Capital (1)	12,000	T. Capital (3)	6,000
J. Premium (1)	7,500		

R. Capital Account

Bank (3)	1,500	Bal. b/d	10,000
		Premium	1,500

T. Capital Account

Bank (3)	6,000	Bal. b/d	15,000
		Premium	6,000

J. Capital

		Bank (1)	12,000
--	--	----------	--------

(c) **R & T Balance Sheet as at June 30, 20__**

FIXED ASSETS			CAPITAL	
Goodwill	20,000		R	14,000
Vehicles	<u>15,500</u>		T	31,000
		35,500	J	<u>12,000</u>
				57,000
CURRENT ASSETS			CURRENT LIABILITIES	
Stock	5,000		Creditors	4,500
Debtors	6,500		Accruals	<u>200</u>
Bank	14,500			4,700
Cash	<u>200</u>			
		<u>26,200</u>		
		<u>\$61,700</u>		<u>\$61,700</u>

(d) (i) J brought \$12,000 in cash.

(ii) T enjoys a smaller portion than before, $\frac{2}{5}$ as against $\frac{4}{5}$ before.

(iii) Increase the fixed assets by \$20,000.

15.

(a)

Capital Accounts

	Matthew	Mark	Luke		Matthew	Mark	Luke
Bal. b/d	56,000	44,000	20,000	Bal. b/d	50,000	40,000	20,000
				Premium	6,000	4,000	-
	<u>\$56,000</u>	<u>\$44,000</u>	<u>\$20,000</u>		<u>\$56,000</u>	<u>\$44,000</u>	<u>\$20,000</u>

Cash Account

Capital	Luke	20,000
Premium	Luke	10,000

(b) (i)

Matthew, Mark, Luke Appropriation Account
For the year ended September 30, 20__

Salary	Matthew	2,000	Net Profit	14,000
Share of Profits				
	Matthew	5,600		
	Mark	4,400		
	Luke	2,000		
		<u>12,000</u>		
		<u>\$14,000</u>		<u>\$14,000</u>

(b) (ii)

Matthew, Mark, Luke Balance Sheet (Capital Section)
As at September 30, 20__

Capital:

Matthew	56,000
Mark	44,000
Luke	20,000

(c) (i) \$4,000 for each year

(ii) Disputes will be settled by the opinion of the majority Profits and losses are to be shared equally.

16.

Capital Accounts

	Alex	Marc	Graeme		Alex	Marc	Graeme
Goodwill	-	-	-	Bal.b/d	80,000	60,000	-
Eliminated	16,000	12,000	4,000	Cash	-	-	40,000
Bal. c/d	84,000	60,000	36,000	Goodwill introduced	20,000	12,000	-
	<u>\$100,000</u>	<u>\$72,000</u>	<u>\$40,000</u>		<u>\$100,000</u>	<u>\$72,000</u>	<u>\$40,000</u>

17.

Capital Accounts

	Brent	Brett	Braff		Brent	Brett	Braff
Goodwill gain	-	-	8,000	Bal. b/d	80,000	60,000	-
Adjustment	-	-	8,000	Cash for Capital	-	-	12,000
Bal. c/d	32,000	16,000	12,000	Cash for Goodwill	-	-	8,000
	<u>\$32,000</u>	<u>\$16,000</u>	<u>\$20,000</u>	Goodwill loss Adjustment	8,000	-	-
					<u>\$32,000</u>	<u>\$16,000</u>	<u>\$20,000</u>

Goodwill Gain/Loss Adjustment

Since Braff paid \$8,000 for one of four shares of goodwill, then total goodwill = \$32,000.

		Old Profit Ratio		New Profit Sharing Ratio	Action in
Capital A/c					
Brent	(3)	24,000	(2)	16,000	Cr Capital = 8,000
Brett	(1)	8,000	(1)	8,000	No Effect
Braff	-		(1)	8,000	Dr Capital = 8,000
					NIL
		<u>32,000</u>		<u>32,000</u>	

Review Questions

22. Dividend's Payable
- (a) $\frac{8}{100} \times 140,000 \times 1$ \$11,200
- (b) $\frac{8}{100} \times 100,000 \times 2$ \$16,000
- (c) $\frac{12}{100} \times 140,000 \times \frac{1}{2}$ \$12,000
- (d) $\frac{8}{100} \times 500,000 \times 2$ \$80,000

23. Hamzah Co. Ltd

(a) Preference Shares Dividends Payable

$$250,000 \times \frac{7}{100} \times .80 = \$14,000$$

(b) Ordinary Shares Dividends Payable

$$300,000 \times \frac{15}{100} \times 1.50 = \$67,500$$

24. Nadiwan Co. Ltd

(a) Interim and Final Dividends to Preference Shareholders

$$\text{Interim: } \frac{3}{100} \times 200,000 \times 2 = \$12,000$$

$$\text{Final: } \frac{3}{100} \times 200,000 \times 2 = \$12,000$$

(b) Interim and Final Dividends to Ordinary Shareholders

$$\text{Interim: } \frac{5}{100} \times 300,000 \times 1.50 = \$22,500$$

$$\text{Final: } \frac{5}{100} \times 300,000 \times 1.50 = \$22,500$$

25.

Kamsani Pte. Ltd
Profit and Loss Appropriation A/c
For the year ended 31 December, 20__

Net Profit for the year	200,000
Add: Unappropriated Profits	<u>21,000</u>
	221,000

Less:

Ordinary Share dividends	90,000
Preference Share dividends	50,000
General Reserves	<u>60,000</u>
	<u>200,000</u>

Unappropriated profit	<u>\$21,000</u>
-----------------------	-----------------

Ordinary share dividends: $300,000 \times 2 \times \frac{15}{100} = 90,000$

Preference share dividends: $500,000 \times 1 \times \frac{10}{100} = 50,000$

26. (a)

Bahdiral Co. Ltd
Profit + Loss Appropriation A/c
For the year ended 31 December, 20__

Net Profit for the year	30,000
Unappropriated Profit b/f	<u>10,000</u>
	40,000

Less:

Preference Share dividend	45,000
Ordinary Share dividend	150,000
General Reserve	<u>10,000</u>
	<u>29,500</u>

Unappropriated profits	<u>\$10,500</u>
------------------------	-----------------

Ordinary share dividends: $50,000 \times \frac{9}{100} \times 1.00 = \$4,500$

Preference share dividends: $50,000 \times \frac{15}{100} \times 2.00 = \$15,000$

26. (b) Bahdinah Co Ltd
 Balance Sheet
 As at 31 December 20__

LIABILITIES

Authorised Control:

100,000 9% \$2 Preference Shares	100,000	
80,000 \$2 Ordinary Shares	160,000	
	<u> </u>	<u>260,000</u>

Issued Capital

50,000 9% \$1 Preference Shares		50,000
50,000 \$2 Ordinary Shares		100,000
		<u>150,000</u>

Reserves

General Reserves (18,000 + 10,000)		28,000
Unappropriated profits		10,500

Total Shareholders Fund		<u>188,500</u>
-------------------------	--	----------------

Current Liabilities

Preference Share dividends proposed	4,500	
Ordinary Share dividends proposed	<u>15,000</u>	
		<u>19,500</u>
		<u>\$208,000</u>

27. (a) Wale Limited
 Profit and Loss Appropriation A/c
 For the year ended 31 December 20__

Profit for the year (20__)	45,000
Bal. b/f	<u>9,300</u>
	54,300

Less:

Transfer to General Reserve	8,000
Dividend proposed	
Preference Share	2,880
Ordinary Share	<u>27,000</u>
	<u>37,880</u>

Unappropriated Profits	<u>\$16,420</u>
------------------------	-----------------

Ordinary share dividends: $150,000 \times 1.20 \times \frac{15}{100} = 27,000$

Preference share dividends: $60,000 \times .80 \times \frac{6}{100} = 2,880$

27. (b)

Wale Limited
Balance Sheet
As at 31 December 20__

Liabilities

Financed by:

Authorised Capital:

100,000 6% Preference Shares of \$.80 each	80,000
400,000 Ordinary Shares of \$1.20 each	480,000

\$560,000

Issued Capital:

60,000 6% Preference Shares of \$.80 each	48,000
150,000 Ordinary Shares of \$1.20 each	180,000

228,000

General Reserve

38,000

Unappropriated Profits

16,420

Total Shareholder Fund

282,420

Current Liabilities:

Proposal Dividends:

Ordinary	2,880
----------	-------

Preference	<u>27,000</u>
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29,880

\$312,300

28.(a)

Ramli Enterprises
Profit + Loss Appropriation A/c
For the year ended 30 June 20__

Profit for the year	28,570
---------------------	--------

Transfer to General Reserve	7,000
-----------------------------	-------

Dividends Proposed:

Ordinary Shares	1,600
-----------------	-------

Preference Shares	<u>3,600</u>
-------------------	--------------

12,200

Unappropriated profits

16,370

Ordinary share dividends: $\frac{1}{100} \times 80,000 \times 2 = \$1,600$

Preference share dividends: $\frac{8}{100} \times 30,000 \times 1.5 = \$3,600$

28. (b)

Ramli Enterprises
Balance Sheet
As at 30 June 20__

Non Current Assets

Premises	Cost	Provision	
	174,500	-	174,500
Machinery	37,000	7,000	30,000
Fixtures	7,500	520	<u>7,000</u>
			<u>211,550</u>

Current Assets

Inventory		15,000	
Trade Receivables	8,300		
Less: Provision	<u>300</u>		
		8,000	
Bank		4,600	
Cash		<u>320</u>	
			<u>27,920</u>
			<u>\$239,470</u>

Financed by:

Authorised Capital:

200,000 8% Preference Shares of \$1.50 each	300,000
200,000 Ordinary Shares of \$2.00 each	400,000

\$700,000

Issued Capital:

30,000 8% Preference Shares of \$1.5 each	45,000
80,000 Ordinary Shares of \$2.00 each	160,000

General Reserve	7,000
Unappropriated Profits	<u>16,370</u>

(Total Equity) (Shareholders Fund) 228,370

Current Liabilities:

Trade Payables	5,900
Proposal Dividends:	
Ordinary	1,600
Preference	<u>3,600</u>

11,100
\$239,470

Chapter 27: Limited Liability Companies

Multiple Choice

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. b | 2. b | 3. c | 4. c | 5. c |
| 6. b | 7. d | 8. a | 9. b | 10. b |
| 11. a | 12. a | 13. c | 14. c | 15. a |
| 16. b | 17. b | 18. c | 19. c | 20. c |
| 21. c | 22. a | 23. d | 24. b | 25. b |
| 26. d | 27. d | 28. a | 29. a | 30. d |
| 31. b | 32. c | 33. a | 34. d | 35. a |
| 36. a | 37. d | 38. b | 39. d | 40. a |
| 41. b | 42. c | 43. d | 44. a | 45. d |
| 46. d | 47. b | 48. b | 49. d | 50. a |

Structured Questions

Flakes Ltd.

$$1. (a) \text{ Nominal Capital} = 270,000 \times 1.50 \\ = \$405,000$$

$$(b) \text{ Issued Capital} = \text{Total Shares Issued at July 31} \\ \text{as at July} \quad \times \text{Price Per Share} \\ = 230\,000 \times 1.50 \\ = 345\,000$$

$$(c) \text{ Calls In Arrears} = \text{No. of Outstanding} \\ \text{Shares} \times \text{Price per Share} \\ = 10,000 \times 1.50 \\ = \$15,000$$

Frontier Ltd.

$$2. (a) \text{ Authorised Capital} = 400,000 \times 3.00 \\ = \$1,200,000$$

$$(b) \text{ Issued Capital} = 300,000 \times 3.00 \\ = 900,000$$

$$(c) \text{ Called- Up Capital} = 300,000 \times 2.00 \\ = \$600,000$$

Bottle Ltd.

$$3. (a) \text{ Authorised Capital} = 500,000 \times 1.50 \\ = \$750,000$$

$$(b) \text{ Issued Capital} = 400,000 \times 1.50 \\ = 600,000$$

$$(c) \text{ Called- Up Capital} = (400,000 \times 0.25 \\ \text{at Oct. 31} \quad + 400,000 \times 0.50) \\ = 100,000 + 200,000 \\ = \$300,000$$

$$(d) \text{ Calls in Arrears} = 100,000 \times 0.25 \\ = 25,000 \\ = \$25,000$$

$$(e) \text{ Calls In Advance} = 40,000 \times 0.75 \\ = \$30,000$$

$$4. (a) \text{ Authorised Capital} = 200,000 \times 2.00 \\ = \$400,000$$

$$(b) \text{ Issued Capital} = 200,000 \times 2.00 \\ = \$400,000$$

$$(c) \text{ Calls In Advance} = (10,000 \times .70) + \\ (10,000 \times .20) \\ = 7,000 + 2,000 \\ = 9,000$$

Baldwin Ltd.

$$5. (a) \text{ Capital Raised on Application} = 300,000 \times 0.75 \\ = \$225,000$$

$$(b) \text{ Capital Raised on Allotment} = 300,000 \times 0.90 \\ = \$270,000$$

$$(c) \text{ Capital Raised on the Final Call} = 300,000 \times 0.35 \\ = \$105,000$$

$$(d) \text{ Calls In Advance} = 30,000 \times .10 \\ = \$3,000$$

7 (d) Paid Up Capital:

Ordinary
90,000 x .10 = 9,000
90,000 x .25 = 22,500
45,000 x .10 = 4,500
90,000 x .05 = 4,500
<hr/>
\$40,500

Preference
45,000 x .50 = 22,500
45,000 x 1.25 = 56,250
22,500 x .75 = 16,875
45,000 x .50 = 22,500
<hr/>
\$118,125

(e) Calls In Arrears:

$$\begin{aligned} &= (45,000 \times .10) + (22,500 \times .75) \\ &= 45,000 + 16,875 \\ &= \$21,375 \end{aligned}$$

(f) Calls In Advance:

$$\begin{aligned} &= (90,000 \times .50) + (45,000 \times .50) \\ &= 45,000 + 22,500 \\ &= \$67,500 \end{aligned}$$

Structured Questions

8. (a)

Green Acres Co. Ltd
Appropriation Account
For the year ended August 31, 20__

General Reserve	3,000	Profit for the year	30,000
Preference dividends	4,800	Undistributed Profit from the previous year	5,000
Ordinary dividends	8,768		
Plant Replacement Reserve	5,000		
	21,568		
Undistributed Profits	13,432		
	\$35,000		\$35,000

(b)

Green Acres Co. Ltd
Balance Sheet
As at August 31, 20__

FIXED ASSETS		240,000
*CURRENT ASSETS	89,400	
CURRENT LIABILITIES	8,768	
		80,632
		\$320,632
FINANCED BY		
Ordinary Share Capital		219,200
Preference Share Capital		80,000
Plant Replacement Reserve		5,000
General Reserve		3,000
Profit and Loss Account		13,432
		\$320,632
*Current Assets	64,200	
Preference Dividends	(4,800)	
Closing Stock	30,000	

9. (a)

Caribbean Co.
Appropriation Account
For the year ended December 31, 20__

General Reserve	1,000	Net Profit	8,785
Preference Dividend	600		
Ordinary Dividend	5,000		
Bal. c/d	2,185		
	\$8,785		\$8,785

(b)

Caribbean Co.
Balance Sheet
As at December 31, 20__

FIXED ASSETS			
Equipment			30,000
Less: Provision			3,300
			26,700
Premises			47,700
			74,400
CURRENT ASSETS			
Stock		7,500	
Debtors	3,150		
Less: Provision	150		
		3,000	
Bank		5,000	
Cash		1,335	
		16,835	
CURRENT LIABILITIES			
Creditors	2,450		
Dividends: Ordinary	5,000		
Preferences	600		
		8,050	
			8,785
			\$83,185

DEBENTURES		
Capitals		20,000
Ordinary Shareholders Interest In the Company		
Ordinary Shares	50,000	
Preferences Shares	10,000	
General Rescue	1,000	
Balance (Profit & Loss)	<u>2,185</u>	
		<u>63,185</u>
		<u>\$83,185</u>

(c) (i) Current Ratio = Current Assets : Current Liabilities

$$= 16,835 \quad : \quad 8,050$$

$$= 2.1 \quad : \quad 1$$

(ii) For every \$1.00 of current debts the company has twice as much current assets to meet such obligations.

(iii) The margin is satisfactory and comfortable for there is safety for unforeseen current liabilities.

The Alpha Co. Ltd.

10.(a)

- (i) \$40,000
- (ii) \$2,000
- (iii) \$20,000
- (iv) The fixed rate of interest on the debenture
- (v) Ordinary and Preference shares
- (vi) The extent of its liability is limited to the capital invested.

(b) (i) Alpha Co. Ltd
Appropriation Account
For the year ended December 31, '20__

General Reserve	3,000	Bal. b/d	1,255
Preference Share		Net Profit	10,500
Dividends	2,000		
Employees Bonus	5,000		
Interim Dividend	1,000		
Bal. c/d	755		
	<u>\$11,755</u>		<u>\$11,755</u>

(ii) Alpha Co. Ltd
Balance Sheet
As at December 31, 20__

FIXED ASSETS

Vehicle	15,000	
Less: Provision for Depreciation	1,500	13,500
Furniture	1,600	
Less: Provision for Depreciation	80	1,520
		15,020

CURRENT ASSETS

Stock	11,100	
Debtors	1,915	
Cash	93,500	
	106,515	

LESS: CURRENT LIABILITIES

Creditors	780	
Employees' Bonus	5,000	
Dividends: Preference	2,000	
	7,780	
		98,735
		\$113,755

LESS: LONG - TERM LIABILITIES

200 6% Debentures		20,000
		\$93,755

CAPITAL AND RESERVES

Ordinary Shares		50,000
Preferences Shares		40,000
General Reserve		3,000
Profit & Loss Account		755
		\$93,755

(iii) It is an appropriation of Profits.

11.

Forresters plc Balance Sheet
as at March 31, 20__

FIXED ASSETS	Cost	Accumulated Depreciation	Net Book Value
Leasehold Factory	2,10,000	80,000	130,000
Plant & Machinery	1,10,000	40,000	<u>70,000</u>
			200,000
CURRENT ASSETS			
Stock		160,000	
Debtors		120,000	
Prepayments		30,000	
Bank		<u>70,000</u>	
		380,000	
Creditors amount falling due within one year		<u>90,000</u>	
			<u>290,000</u>
			490,000
Creditors amounts falling due after more than one year 6% Debenture Stock			<u>72,000</u>
			<u>\$418,000</u>
CAPITAL AND RESERVES			
Ordinary Share	238,000		
Profit and Loss Account	180,000		
			<u>\$418,000</u>

12. Apple Jack plc
 Profit and Loss Account
 For the year ended June 30, 20__

		\$ M
Turnover		584
W1 Cost of Sales		<u>260</u>
Gross Profit		324
W2 Distribution Costs	143	
W3 Administrative expense	<u>94</u>	
		<u>237</u>
Profit from Trading Activities		87
Rent Receivable		<u>10</u>
Profit on ordinary activities before taxation		97
Tax on profit on ordinary activities		<u>25</u>
Profit on ordinary activities after taxation		72
Proposed dividends		<u>20</u>
		52
General reserve		<u>6</u>
Retained Profits		<u>\$46</u>

	(W1) Cost of Sales	(W2) Distribution	(W3) Administrative
Opening Stock	35		
Purchases	290		
Purchases Returns	(15)		
Carriage Outwards		24	
Warehouse Wages		45	
Sales person Salaries		39	
Administrative Wages			26
Delivery Vehicle		10	
Distribution expense		25	
Administrative expense			35
Directors salaries			15
Closing Stock	(50)		
Depreciation			18
	<u>260</u>	<u>143</u>	<u>94</u>
	<u> </u>	<u> </u>	<u> </u>

Apple Jack plc
Balance Sheet
As at June 30, 20__

FIXED ASSETS

Intangible Assets

Goodwill 80

Tangible Assets

Warehouse Plant and Machinery 135
215

CURRENT ASSETS

Stock 50

Debtors 67

Cash at bank 70

187

Creditors amounts falling due within one year

Creditors 30

Taxation 25

Dividends 20

75

112

\$327

CAPITAL AND RESERVES

Ordinary Share Capital 200

Share Premium 40

General Reserve 16

Profit and Loss Account 71

\$327

13.

Qasyful Ltd
 Profit + Loss Appropriation Account
 For the year ended 31 December, 20__

Trading Profit 2		45,000
Less: Interest $\frac{10}{100} \times 500,000 \times \frac{1}{2}$		<u>25,000</u>
Net Profit after Interest		<u>270,000</u>
Add: Profit b/f from 2007		<u>5,200</u>
Less: Transfer to General Reserve	30,000	
Proposal Dividends:		
Preference	31,500	
Ordinary	<u>120,000</u>	
	<u>151,500</u>	
		<u>181,500</u>
Undistributed Profit		<u><u>\$93,700</u></u>

Preference share dividends: $200,000 \times \frac{12}{100} \times 1 = 24,000$

$$150,000 \times \frac{10}{100} \times 1 \times \frac{1}{2} = \frac{7,500}{31,500}$$

Ordinary share dividends: $160,000 \times .50 \times \frac{15}{100} = 120,000$

14. Fariwan Enterprise
Profit and Loss Appropriation A/c
For the year ended 31 December 20__

Net Profit for the year 2009		239,600
Net Profit + Loss Account – balance 1 Jan, 2009		<u>29,000</u>
		268,600
Less: Transfer to General Reserve	120,000	
Interim Dividends Paid:		
Preference	12,000	
Ordinary	<u>22,500</u>	
	34,500	
Dividends Proposed:		
Preference	12,000	
Ordinary	<u>45,000</u>	
	<u>57,000</u>	
		<u>211,500</u>
Undistributed Profits		<u><u>\$57,100</u></u>

Preference Share dividends: $300,000 \times \frac{8}{100} \times 1 = 24,000$

Ordinary Share dividends: $900,000 \times 150 \times \frac{15}{100} = 67,500$

Proposed: $67,500 - 22,500 = 45,000$

15. **Madison Ltd**
 Profit and Loss Appropriated Account
 For the year ended 31 December, 20__

Net Trading Profit before Interest		128,000
Less: Loan Interest		<u>15,000</u>
Net Profit for the year		113,000
Add: 2008 Profit + Loss A/c balance		<u>46,000</u>
		159,000
Less:		
Transfer to General Reserve	60,000	
Dividends Paid and Proposed:		
Preference Paid	12,500 -	
Preference Proposed	<u>12,500 -</u>	
	25,000	
Ordinary Paid	18,000	
Ordinary Proposed	<u>130,000</u>	
	<u>48,000</u>	
	<u>73,000</u>	
		<u>133,000</u>
Undistributed profit		<u>\$26,000</u>

16. (a) **Cancun Guest House**
 Appropriation Account for the year ended November 30, 20__

	\$	\$
Retained Earnings B/d		13,830
Net Profit B/d		<u>83,520</u>
		97,350
Less Transfer to General Reserve	15,000	
Proposed 10% Preference Dividends (10,000 x 10%)	1,000	
Proposed Ordinary Shares Dividends (100,000 x 50%)	50,000	(66,000)
Retained Earnings C/d to the next year		<u>31,350</u>

(b)

Cancun Guest House
Balance Sheet as at 30 November 20__

	COST	DEPRECIATION	NBV
	\$	\$	\$
<u>Fixed Assets</u>			
Property and Tools	365,000	131,500	233,500
	365,000	131,500	233,500
<u>Current Assets</u>			
Stock of Breakfast Supplies		5,000	
Stock of Sheets and Towels (22,000 – 11,000)		11,000	
Bank		20,480	
Petty Cash		1,200	
		37,680	
<u>Less Current Liabilities</u>	13,430		
Accounts Payable	50,000		
Proposed Ordinary Shares Dividends	1,000		
Proposed 10% Preference Shares Dividends	2,400	(66,830)	
Interest owing on 6% Debenture			
Working Capital			(29,150)
			204,350
<u>Less Longterm Liabilities</u>			
6% Debentures			40,000
			164,350
<u>Financed By:</u>			
Share Capital:			
Issued 100,000 \$1 Ordinary Shares		100,000	
		100,000	
Issued 5,000 10% Preference Shares \$2		100,000	
Reserves:			
General Reserves (8,000 + 15,000)		23,000	
Retained Earnings		31,350	
			54,350
			\$164,350

17.

(a) (i) Owners can only lose the amount they invested.

(ii) The functions of the Board of Directors is to monitor and manage the internal affairs of the Company.

(iii) The documents requested to start up the new cooperation are A Memorandum of Association and Articles of Association.

(b)

Aries Ltd
General Journal

Date	Details	Folio	DR	CR
2011			\$	\$
(i) 1 - Apr	Bank Ordinary Shares	CB GL	52,500	52,500
	Issued 35,000 \$1 ordinary shares at value of \$1.50 each			
(ii) 1 - Apr	Bank 8% Preference Shares	CB GL	17,000	17,000
	Issued 17,000 8% preference shares at \$1 each			
	10% Debentures Bank	GL CB	21,000	21,000
	Bought back \$21,000 worth of 10% debentures			
			90,500	90,500

(c)

Aries Limited**Appropriation Account for the year ended 31 May 2011**

	\$	\$
Net Profit		90,000
Less Interest on Debentures		(2,000)
		88,000
Add Retained earnings		40,100
		128,100
Less Transfer to General reserve	51,500	
Proposed Dividends:		
8% Preference shares (100,000 x 8%)	8,000	
Ordinary shares (200,000 x 12%)	24,000	(83,500)
Retained Profit C/f to next year		44,600

18.

(a)

Revaluation Account

Fixtures	4,000	Equipment	10,000
Capital: Uncle	8,000	Stock	10,000
Buckle	6,000		
Nuckle	2,000		
	<u>\$20,000</u>		<u>\$20,000</u>

(b)

Capital Accounts

	Uncle	Buckle	Nuckle	Chuckle
Bal. b/d	1,00,000	80,000	60,000	-
Revaluation	8,000	6,000	2,000	-
Bank	-	-	-	35,000

(c) Uncle, Buckle, Nuckle and Chuckle
Balance Sheet

FIXED ASSETS		CAPITAL	
Equipment	90,000	Uncle	108,000
Land	40,000	Buckle	86,000
Fixtures & Fittings	16,000	Nuckle	62,000
	146,000	Chuckle	<u>35,000</u>
			291,000
CURRENT ASSETS		CURRENT LIABILITIES	
Stock	70,000	Creditors	15,000
Debtors	30,000		
Bank	<u>60,000</u>		
	160,000		
	<u>\$306,000</u>		<u>\$306,000</u>

19.

(a) Revaluation Account

Furniture	2,000	Machinery	2,600
Capital: Alfred	8,750	Vehicles	12,500
Cummings	5,250	Stock	4,400
Bach	3,500		
	<u>\$19,500</u>		<u>\$19,500</u>

(b) Capital Accounts

	Alfred	Cummings	Bach	Denzil		Alfred	Cummings	Bach	Denzil
Goodwill gain	-	-	800	4,000	Bal. b/f	30,000	25,000	20,000	-
Adjustment					Revaluation	8,750	5,250	3,500	-
Bal. c/d	42,750	31,050	22,700	16,000	Bank	-	-	-	16,000
					Bank for Goodwill	-	-	-	4,000
					Goodwill Loss				
					Adjustment	4,000	800	-	-
	<u>\$42,750</u>	<u>\$31,050</u>	<u>\$23,500</u>	<u>\$20,000</u>		<u>\$42,750</u>	<u>\$31,050</u>	<u>\$23,500</u>	<u>\$20,000</u>

*Since Denzil paid \$4,000 for one of four shares of goodwill, then total goodwill = \$16,000

	Old Ratio	New Ratio	Gain/ Loss	Action in Capital A/c
Alfred	8,000	4,000	Loss Credit	4,000
Cummings	4,800	4,000	Loss Credit	800
Bach	3,200	4,000	Gain Debit	800
Denzil	-	4,000	Gain Debit	4,000
	<u>16,000</u>	<u>16,000</u>		

(c) Partnership of
Alfred, Cummings, Bach and Denzil Balance sheet

FIXED ASSETS		CAPITAL	
Machinery	22,600	Alfred	42,750
Vehicles	39,500	Cummings	31,050
Furniture	<u>16,000</u>	Bach	22,700
	78,100	Denzil	16,000
CURRENT ASSETS			
Stock	14,400		
Bank	<u>20,000</u>		
	<u>34,400</u>		
	<u>\$112,500</u>		<u>\$112,500</u>

20. (a) Revaluation Account

Debtors 5,000 Capital: Teddy 6,000 Ready 8,000 Freddie 10,000 <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> \$29,000 <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	Plant 9,000 Furniture 20,000 <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> \$29,000 <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
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Freddie's Loan Account

To Freddie's Capital <u>3,000</u>	Bal. b/d <u>3,000</u>
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Freddie's Current Account

Bal. b/d <u>18,000</u>	To Freddie's Capital <u>18,000</u>
------------------------	------------------------------------

(i)

Freddie's Capital Account

Current Account 18,000 Settlement: Vehicle 19,000 Loan 6,000 Bank 20,000 <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> \$63,000 <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	Bal. b/d 50,000 Revaluation 10,000 Loan 3,000 <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> \$63,000 <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
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(b)

Teddy and Ready Balance Sheet

FIXED ASSETS

Plant		86,000
Vehicles		26,000
Furniture		<u>50,000</u>
		162,000

CURRENT ASSETS

Stock	36,000	
Debtors	20,000	
Bank	30,000	
Cash	<u>20,000</u>	
	106,000	

CURRENT LIABILITIES

Creditors	10,000	
Loan: Freddie	<u>6,000</u>	
	16,000	

90,000
252,000

CURRENT ACCOUNTS

Teddy	16,000	
Ready	22,000	

(38,000)
\$214,000

CAPITAL

Teddy		126,000
Ready		<u>88,000</u>
		<u>\$214,000</u>

21.

Look's Current Account

To Capital Account	<u>5,000</u>	Bal. b/d	<u>5,000</u>
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Look's Capital Account

Loan	18,000	Bal. b/d	13,000
		Current Account	5,000
	<u>\$18,000</u>		<u>\$18,000</u>

Howe and Yee Balance Sheet

FIXED ASSETS		<u>\$108,000</u>
CAPITAL		
Howe		40,000
Yee		<u>25,000</u>
		65,000
CURRENT ACCOUNTS		
Howe	15,000	
Yee	<u>10,000</u>	
		25,000
CURRENT LIABILITIES		
Look's Loan		<u>18,000</u>
		<u>\$108,000</u>

Chapter 28: Not-For Profit Organisation

Multiple Choice Answers

1. a 2. c 3. a 4. b 5. a
6. d 7. a 8. c 9. b 10. a
11. b 12. b 13. c 14. b 15. d
16. b 17. d 18. c 19. a 20. b
21. a 22. d 23. d 24. c 25. b

1. Subscription A/c

20__ Dec, 31. Income + Expenditure 1,330		20__ Jan. 1 Allowance 280 Bank 450 Dec. 31 Arrears 600
\$1,330		\$1,330

(b) Income and Expenditure A/c for the year ended 31 December 20__

Income:	
Subscription	1,330

(c) Balance Sheet as at 31 December 20__

Current Assets	
Bank	34,930
Subscription In Advance	600

2.

Mider Tennis Club
Receipts and Payments A/c for the year 2010

Receipts		Payments	
Subscriptions	46,000	Other Operating Expenses	1,200
Entrance fees	8,500	Rates and Rent	13,200
Locker fees	4,800	Salary	26,000
Fun Fair	28,400	Sports Equipment	11,700
		Newspapers	1,600
		Tennis Balls	2,400
		Maintenance of Clubhouse	3,400
		Bal c/d	28,200
	<u>\$87,700</u>		<u>\$87,700</u>

(b)

Mider Tennis Club
Income and Expenditure A/c for the year ended 31 December 2010

Other Operating Expenses	1,200	Subscription	46,000
Rates and Rent	13,200	Entrance fees	8,500
Salary	26,000	Locker Fees	4,800
Newspapers	1,600		
Maintenance of clubhouse	3,400		
Supplies	13,900		
	<u>\$59,300</u>		<u>\$59,300</u>

3. (i) Subscription A/c

Arrears	270	Arrears	
To Income and Expenditure A/c	4,970	Cash	4,900
		Arrears	280
	<u>\$5,180</u>		<u>\$5,180</u>

(ii) Pantai Patah Recreation Club
Refreshment Income Statement
For the year ended 30 September 20__

Revenue from Refreshments			3,500
Stage Show			3,000
Entrance fees			<u>1,000</u>
			7,500
Opening Less Refreshment Inventory	210		
Purchase of Refreshments	<u>2,100</u>	2,310	
Stage Show Expenses		320	
		<u>1,990</u>	
		2,220	
Wages		<u>2,310</u>	
			<u>6,500</u>
Profit			<u>\$1,000</u>

(iii) Pantai Putah Recreation Club
Income and Expenditure Account
For the year ended 30 September 20__

Newspaper	700	Subscription	4,910
Rent (2,400 + 400 - 200)	2,600	Profit from Sale of Refreshment	1,000
Stationery (200 + 50 - 40)	210		
Cleaning expenses	200		
	<u>3,710</u>		
Supplies	<u>2,200</u>		
	<u>\$5,910</u>		<u>\$5,910</u>

4. (a)

Subscription A/c

Arrears	105	Advance	230
To Income + Expenditure A/c	3,260	Bank	3,100
Advance	140	Arrears	175
	<u>\$3,505</u>		<u>\$3,505</u>

(b)

Refreshment Creditors' A/c

Payment	7,750	Bal b/d	290
Bal c/d	140	∴ Credit Purchases	7,600
	<u>\$7,890</u>		<u>\$7,890</u>

(c)

Prada Darts Club
Café Trading Account
For the year ended 30 June 20__

Revenue		15,500
Opening inventory	2,140	
Purchases	<u>7,600</u>	
	9,740	
Closing inventory	<u>2,570</u>	
		<u>7,170</u>
Café Trading Profit		<u>\$8,330</u>

(d) **Prada Darts Club**
Income + Expenditure A/c for the year ended 30 June 20__

Waiters' Wages	2,310	Subscription	3,260
Secretary's honorarium	600	Café Reading Profit	8,330
Depreciation	85	Entrance fees	230
General expenses (870 + 130)	1,000	Interest	70
Rent	900	* Donations	600
Insurance (220 - 40)	180		
Supplies	7,415		
	<u>\$12,490</u>		<u>\$12,490</u>

* Small amount

5. (a) **Subscription A/c**

Arrears	320	Dec, 31	Arrears	120
Advance	240		Bank	12,900
To Income + Expenditure	12,460			
	<u>\$13,020</u>			<u>\$13,020</u>

(b) **Seri Sentosa Club**
Refreshment Income Statement
For the year ended 31 December 20__

Refreshment Revenue		7,500 -
Less: Opening inventory	2,730	
Purchases	<u>3,100</u>	
	5,830	
Closing Inventory	<u>2,640</u>	
		3,190
Profit on Sale of Replacement		<u>4,310</u>

(c)

Seri Sentosa Club

Income and Expenditure Account Statement

For the year ended 31 December 20__

Wages (360 - 11,400 + 500)	11,090	-	Subscription	12,460
Rates	1,200	-	Profit on Refreshment	4,310
Insurance (1,660 - 260 + 120)	1,500	-	Entrance Fees	1,200
Other Operating expenses	390	-	Competition Fees	600
Postage	90	-		
Stationery	750	-		
Electricity	2,900	-		
Surplus	630			
	<u>\$18,570</u>			<u>\$18,570</u>

(d)

Seri Sentosa Club

Statement of Affairs

As at 31 December, 20__

Assets			Liabilities	
Club house	60,000	-	Accumulated Fund	69,710 -
Furniture	6,900	-	Add Surplus	<u>630</u>
Inventory Refreshments	2,640	-		70,340
Cash	710	-		
Subscription Owing	120	-	Advance Subscription	240 -
Insurance Prepaid	<u>260</u>	-	Wages Owing	<u>50 -</u>
	<u>\$70,630</u>			<u>\$70,630</u>

6. (a) Subscription Account

Arrears	580	Advance	790
To Income + Expenditure	32,940	Bank	32,200
		Arrears	530
	<u>\$33,520</u>		<u>\$33,520</u>

(b) Bitan Sejors Social Dance Club
Refreshment Income Statement
For the year ended 30 June 20__

Refreshment Revenue		33,040
Less: Opening Inventory	13,200	
Purchases	16,500	
	<u>29,700</u>	
Closing Inventory	9,750 -	
	<u>19,950</u>	
Refreshment Wages	<u>2,070</u>	
		<u>22,020</u>
Profit on Sale of Refreshment		<u>\$11,020</u>

(c) Bitan Sejors Social Dance Club
Income and Expenditure Account
For the year ended 30 June 20__

Depreciation (Equipment)	4,500	Subscription	32,940
Wages (20,000 + 300 - 350)	20,450 -	Profit on Refreshment	11,020
Dance Expenses	2,800	Donations	300
General expenses	<u>1,870</u>	Dance Receipts	3,400
	29,620		
Surplus	<u>18,040</u>		
	<u>\$47,660</u>		<u>\$47,660</u>

(d) Bitan Sejors Social Dance Club		
Balance Sheet		
As at 30 June 20__		
Fixed Assets		
Clubhouse		120,000 -
Equipment	30,000 -	
Less: Provision	<u>4,500</u>	
		<u>25,500</u>
		145,500
Current Assets		
Refreshment Inventory	9,750 -	
Bank (27,100 - 8,000)	19,100 -	
Subscription in Arrears	<u>530</u>	
		29,380
		<u>174,880</u>
Accumulated Fund		
1 July, 2008		106,540
Add Surplus		18,040
Long Term Liabilities		
Mortgage (58,000 - 8,000)		50,000
Current Liabilities		
Wages Owing		<u>300 -</u>
		<u>\$174,880</u>

7.(a) Rising Sun Tennis Club
Refreshment Income Statement
For the year ended 31 December 20__

Sale of Refreshment		975
Less: Opening inventory	65 -	
Purchases (490 + 120 - 95)	<u>515 -</u>	
	580	
Closing inventory	<u>80 -</u>	
		500
Profit on Sale of Refreshment		<u>\$475</u>

Subscription Account

Arrears	40 -	Advance	25-	Bank	1,525 -
To Income + Expenditure Account	1,565	Arrears	55 -		
	<u>\$1,605</u>		<u>\$1,605</u>		

(b) Rising Sun Tennis Club
Income and Expenditure Account
For the year ended 31 December 20__

Rent	1,090 -	Profit on Sale of refreshment	475 -
Miscellaneous expenses	345 -	Subscription	1,565 -
Staff Sales	320 -		
* Depreciation (Equipment)	300 -	Entrance Fees	250 -
Surplus	235		
	<u>\$2,290</u>		<u>\$2,290</u>

* Equipment Depreciation: (610 + 560 - 870)

Accumulated Fund:	
Receipts balance 1 January 2009	1,120 -
Stock of refreshments	65
Subscription in arrears	40
Equipment at valuation	610
	1,835
Less: Creditors for refreshment	95
Subscription in Advance	25
	120
	<u>\$1,715</u>

(c) Rising Sun Tennis Club
Balance Sheet
As at 31 December 20__

<u>Fixed Assets</u>		
Equipment at valuation		870
Current Assets		
Refreshment Inventory	80	
Cash	11,065	
Subscription in arrears	<u>55</u>	
		11,200
		<u>\$12,070</u>
Accumulated Fund		
1, January, 2009		1,715
Add: Surplus		<u>235</u>
		1,950
Add: Donations		<u>10,000</u>
Current Liabilities		11,950
Creditors		120
		<u>\$12,070</u>

(a) (i) Rising Sun Sports Club
Receipts and Payments Account
For the month of April, 20__

RECEIPTS		PAYMENTS	
	\$		\$
Subscription	600	Equipment	850
Donations	2,000	Rent	125
Social Evening	575	Refreshments	326
Refreshments	582	Balance c/d	2,256
	<u>\$3,757</u>		<u>\$3,757</u>

(ii)

Rising Sun Sports Club
Income and Expenditure Account
For the month ending April 30, 20__

EXPENDITURE		INCOME	
	\$		\$
Rent	125	Subscription	700
Refreshments	326	Donations	2,000
Fees	200	Social Evening	575
Electricity	80	Refreshments	585
Surplus	<u>3,126</u>		
	<u>\$3,857</u>		<u>\$3,857</u>

(b) A Trading Organization prepares a Profit and Loss Account and the Non – Trading Organization prepares an Income and Expenditure A/c.

9. (a) (i)

Palm Tree Youth Club
Income & Expenditure Account
For the year ended December 31, 20__

EXPENDITURE		INCOME	
	\$		\$
Wages of Cleaners	420	Subscription	3,400
Rent	840	Sales of cakes	1,630
Stationery	150		
Travelling	130		
Secretary's Wages	1,040		
Depreciation	<u>800</u>		
	3,380		
Surplus	<u>1,650</u>		
	<u>\$5,030</u>		<u>\$5,030</u>

(ii) Accumulated Fund = Assets – Liabilities
= (860 + 2,000) – NIL
= 2,860 – NIL
= \$2,860

(b) Total Assets = Cash + Equipment + Subscription
= 2,010 + (3,200 – 800) + 100
= 2,010 + 2,400 = 4,410
= \$4,510

(c) Deficit

10 (a) (i)

Fonds Recreation Club
Receipts and Payments Account
For January 20__

RECEIPTS		PAYMENTS	
	\$		\$
Subscription collected	2,400	Rent	120
Donation	1,500	Furniture	1,500
		Rates	600
		Bal. c/d	1,680
	\$3,900		\$3,900

(ii)

Fonds Recreation Club
Income & Expenditure Account
For January 20__

EXPENDITURE		INCOME	
	\$		\$
Rent (120 + 120)	240	Subscription (2,400 + 600)	3,000
Rates (600 - 550)	50	Donation	1,500
Surplus	44,210		
	\$4,500		\$4,500

(iii)

Fonds Recreation Club
Balance Sheet
As at January 31, 20__

	\$		\$
Fixed Assets		Accumulated Fund	
Furniture	1,500	Surplus	4,210
Current Assets		Current Liabilities	
Subscription	600	Rent Accrued	120
Cash	1,680		
Rates	550		
	2,830		
	\$4,330		\$4,330

11.

Golden Age Club
 Restaurant Trading Account
 For the year ended March 31, 20__

	\$			\$	
Opening Stock	4		Sales	1,616	
Purchases	1,078				
	1,082				
Closing Stock	3				
	1,079				
Wages	250				
	1,329				
Gross Profit	287				
	\$1,616			\$1,616	

Golden Age Club
 Bar Trading Account
 For the year ended March 31, 20__

	\$			\$	
Opening Stock	36		Sales	1,305	
Purchases	822				
	858				
Closing Stock	29				
	829				
Wages	25				
	854				
Gross Profit	451				
	\$1,305			\$1,305	

Golden Age Club
Income & Expenditure Account
For the year ended March 31, 20__

EXPENDITURE		INCOME	
Rent and Rates	349	Profit - Bar	451
Wages (623 - 275)	348	Restaurant	287
Repairs & Renewals			<u>738</u>
(20 + 179)	199	Billiards takings	256
Fuel and Light	175	Subscription	515
Insurance	100	Interest on Deposit	8
Other Expenses	34		
Depreciation			
Furniture	8.40		
Fixtures	1.45		
Billiards	<u>13.35</u>		
	23.20		
	<u>1,228.20</u>		
Surplus	288.80		
	<u>\$1,517.00</u>		<u>\$1,517.00</u>

Golden Age Club
Balance Sheet as at March 31, 20__

FIXED ASSETS

	Cost	Depreciation	Net Book Value
Furniture	138	8.40	129.60
Fixtures & Fittings	29	1.45	27.55
Billiards Table & Accessories	89	13.35	<u>75.65</u>

232.80

CURRENT ASSETS

Stock	32		
Debtors	74		
Bank Deposit	283		
Bank Balance	91		
Cash	13		
		<u>493</u>	

CURRENT LIABILITIES

Creditors		<u>175</u>	
-----------	--	------------	--

318.00

\$550.80

Accumulated Fund

April 1, 19 - 7		262.00	
Surplus		288.80	
		<u>\$550.80</u>	

12(a)

Sporty Sports Club
Income & Expenditure Account
For January 20__

EXPENDITURE	\$	INCOME	\$
Wages	170	Subscription	1,787.50
Less: Due (31.12.20__)	<u>35</u>	Add: Collection in 180 for 1981	75.00
	135		
Add: Due (31.12.20__)	<u>30</u>		
	165.00		
Postage & Stationery	75.00		
General Expenses	<u>895.00</u>		
	1,135.00		
Surplus	727.50		
	<u>1,862.50</u>		
	<u>\$1,862.50</u>		<u>\$1,862.50</u>

(b) Accumulated Fund At Start:

Assets:

Cash at start	205.00
Subscription owing for 20__	92.50
Premises (value at 31.12.20__)	4,800.00
Equipment (value at 31.12.20__)	<u>1,795.00</u>

6,892.00

Less: Liabilities

Wages due (31.12.20__)	35.00
Subscription in Advance (collected in 20__ for 20__)	75.00

110.00
\$6,782.50

Equipment:

Value at (31.12.20__)	1,795.00
Add: New	355.00

\$2,150.00

Sporty Sports Club
Balance Sheet as at December 31, 20__

FIXED ASSETS			ACUMULATED FUND	
Premises	4,800		At Start	6,782.50
Equipment	2,150		Add: Surplus	727.50
		6,950		7,510
CURRENT ASSETS			CURRENT LIABILITIES	
Cash	690		Wages Due	30.00
			Subscription in Advance	100.00
		\$7,640		130
		\$7,640		\$7,640

13. Rock Hall Cricket Club
Income & Expenditure Account
For the year ended March 31, 20__

EXPENDITURE			INCOME	
	\$			\$
Wages	208		Subscription	167
Electricity	75		Sale of dance tickets	191
Incidental Expenses (47 -3)	44		Proceeds of fete	325
Dance Expenses	100			
Rent	100			
Secretary's Allowance	52			
Depreciation	75			
		654		
Surplus	29			
		\$683		\$683
		\$683		\$683

Rock Hall Cricket Club
Balance Sheet
As at March 31, 20__

FIXED ASSETS

Equipment		750
Less: Depreciation		<u>75</u>
		675

CURRENT ASSETS

Prepayments (Rent)		25
Cash		<u>22</u>
		47

CURRENT LIABILITIES

Loan	300	
Accruals (Electricity)	22	
Subscription in advance	<u>15</u>	
	337	
		<u>(290)</u>
		<u>\$385</u>

Accumulated Fund

April 1, 1981		356
Surplus		<u>29</u>
		<u>385</u>

Accumulated Fund

Equipment	400	Electricity	19		
		Incidentals	3		
		Subscription	22		
	<u>400</u>		<u>44</u>		

400 - 44 = \$356

14. (a)

Acme Sports Club
Refreshment Trading Account
For the month ended December 31, 20__

	\$		\$
Opening Stock	245	Sales	990
Purchases	535		
	780		
Less: Closing Stock	260		
	520		
Wages	100		
Cost of Sales	620		
Gross Profit	370		
	\$990		\$990

(b)

Acme Sports Club
Income & Expenditure Account
For the month ended December 31, 20__

EXPENDITURE		INCOME	
Rent	500	Subscription	8,800
Repairs	110	Gross Profit from	
Depreciation	28	Refreshment	370
Salary	300	Games	860
Printing	130	Concerts	840
Repainting	90		
Surplus	9,712		
	\$10,870		\$10,870

(c) Acme Sports Club Balance Sheet
as at December 31, 20__

FIXED ASSETS			ACCUMULATED FUND	
Billiard Tables		2,800	At Start	4,908
Furniture	2,180		Add: Surplus	9,712
Less: Provision	<u>28</u>	2,152		
		<u>4,952</u>		
CURRENT ASSETS				
Stock		260		
Arrears Subscription		180		
Cash		9,180		
Rent		48		
		9,668		
		<u>\$14,620</u>		<u>\$14,620</u>

15.

(a) (i)

Calculation of Subscription Outstanding		
Date	Working Column	\$
Jan 1, 2014	40 x \$200	8,000
Dec 31, 2014	60 x \$200	12,000
		<u>20,000</u>

(ii)

People's Popular Political Party
Subscription Account for the year ended 31 December 20__

20__	\$	20__	\$
Jan 1 Owing B/d	8,000	Jan 1 Prepayment B/d	22,000
Dec 31 Income & Expenditure	360,000	Dec 31 Bank	353,600
Dec 31 Prepayments C/d	<u>19,600</u>	Dec31 Owing C/d	<u>12,000</u>
	<u>387,600</u>		<u>387,600</u>
Jan 1 Owing B/d	12,000	Jan 1 Balance B/d	19,600

(b)

CLASSIFICATION OF EXPENDITURE

Item No.	Description	Expenditure Type	Accounts where items should be reported	
			Income & Expenditure Account	Balance Sheet
0	Paid Salaries to office	Revenue	√	
1	Invested in ID card- making machine \$5,000	Capital		√
2	Paid for printing of the party's Manifesto Booklet for its annual convention meeting, \$20,000	Revenue	√	
3	Made a down payment of \$60,000 for the purchases of a new bus	Capital		√
4	Paid \$100,000 for building works which extended and improved the party's headquarters building	Capital		√
5	Paid for advertisement for a political rally, \$25,000	Revenue	√	

(c)

People's Popular Political Party
Receipt and Payment Account for the year ended 31 December 20__

<u>Receipt</u>	\$	<u>Payment</u>	\$
Subscription Received	353,600	ID Card Making Machine	5,000
		Printing Manifesto Booklets	20,000
		Bus	60,000
		Building Upgrade	100,000
		Advertisement	25,000
		Balance C/d	143,600
	<u>353,600</u>		<u>353,600</u>
Balance B/d	143,600		

Chapter 29: Accounting for Cooperation

Multiple Choice Answers

1. d 2. c 3. b 4. c 5. d
6. c 7. b 8. a 9. c 10. a

1. (a) Citrus Growers Cooperative
 Appropriation Account
 For the year ended December 31, 20__

	\$		\$
Education fund	360,000	Net Profit	3,600,000
Crop Insurance Scheme	72,000	Undistributed Profits	192,000
Replacement Reserve	360,000	From previous period	
Medical Plan	216,000		
	<u>1,008,000</u>		
Surplus	2,784,000		
	<u>\$3,792,000</u>		<u>\$3,792,000</u>

2. (a) (i)

1. In a cooperative members, are rewarded based on the extent to which they use the services provided. In a limited company, shareholders are rewarded based on the size of their investments.
2. Cooperatives are obligated to make provisions for continuous education of members, employees and the public. In a limited company the returns are used as directed by the board of directors.
3. The management of a co-operative is undertaken by officers working voluntarily. In a limited company the affairs of the business are managed by paid employees.

(ii) A share is part ownership of a business for which the holder gets dividends when profits are made.

A debenture is a loan to a company for which the lender receives interest whether a profit is made or not.

(b) Calypso Cooperative
 Appropriation Account
 For the year ended December 31, 20__

	\$		\$
Statutory Reserve	1,500	Net Income for the year	10,200
Special Reserve	2,250	Undistributed Income	
Honoraria	2,925	Previous Year	12,000
Dividend	<u>3,000</u>		
	9,675		
Undistributed Income	<u>12,525</u>		
	<u>\$22,200</u>		<u>\$22,200</u>

(c) Performance appears to have worsened because undistributed income increased by only \$525 as against the \$12,000 shown for 20__

3. (a) (i) Preference shares carry a fixed rate of dividend while ordinary shares have a varying rate.

(ii) Ordinary shares belong to the owners of the company while debentures belong to its creditors.

(b) (i) Sunshine Cooperative
 Appropriation Account
 For the year ended December 31, 20__

	\$		\$
Statutory Reserve	22,000	Net Income	110,000
Special Reserve	2,750	Bal. b/d	15,000
Dividends	36,000		
Honorarium	1,500		
Bal. c/d	62,750		
	<u>\$125,000</u>		<u>\$125,000</u>

(ii)

Sunshine Co-operative
Balance Sheet as at December 31, 20__

FIXED ASSETS

Furniture & Fittings	210,000
(Net of Provision for Depreciation)	

CURRENT ASSETS

Loans Receivable	112,000	
Interest Receivables	22,700	
Cash at bank	224,500	
Prepaid Insurance	<u>800</u>	
	360,000	

CURRENT LIABILITIES

Honorarium	<u>1,500</u>	
		<u>358,500</u>
		<u>\$568,500</u>

FINANCED BY

Share Capital	300,000	
Statutory Reserve	33,000	
Special Reserve	2,750	
Profit & Loss	62,750	
Member's Deposits	<u>170,000</u>	
		<u>\$568,500</u>

4. Cow Farmers Co-operative
Appropriation Account

	\$		\$
Dividends proposed	80,000	Gross Operating Income	400,000
Total Expenditure for the year	260,000	Investment Income	20,000
Contribution to the National League	5,000	Undistributed Surplus from Previous year	41,000
Donations 7,000			
Transfers: Education Fund	16,000		
Statutory Reserves	30,000		
Patronage Refund	<u>15,000</u>		
	413,000		
Undistributed Surplus	<u>48,000</u>		
	<u>\$461,000</u>		<u>\$461,000</u>

5. **Steelworkers Cooperative**
Statement of Account
For the year ended December 31, 20__

	\$			\$
(i) Bulk purchases	300,000		Total Operating Income	1,200,000
Other expenditure	<u>100,000</u>			
	400,000			
Net Operating Income	<u>800,000</u>			
	<u>1,200,000</u>			<u>1,200,000</u>
Transfer to Education Fund	80,000		Net Operating Income	800,000
Statutory Reserve	<u>80,000</u>			
	160,000			
(ii) Undistributed Surplus	640,000			
	<u>\$800,000</u>			<u>\$800,000</u>

6. (a) **Goodland Housewives Cooperative**
General Journal

Date	Details	Folio	DR	CR
20__			\$	\$
1 - May	Bank Registered Fee	CB GL	300	300
	50 members paid registration fees at \$6 each			
1 - May	Bank Share Capital	CB GL	12,500	12,500
	50 members purchase 25 shares at \$10 each			
			12,800	12,800

(b)

Goodland Housewives Cooperatives
Appropriation Account for the year ended 30 April 2012

	\$	\$
Surplus for the year B/d		108,900
Undistributed Surplus at the beginning of the year		48,600
		157,500
Less Transfer to Reserve:		
Education Fund Reserve (109,900 x 20%)	21,780	
Health Benefit Plan Reserves (108,900 x 15%)	16,335	
Proposed Dividend (25,000 x 10%)	2,500	
Patronage refund (180,000 x 25%)	45,000	(85,615)
		71,885
Undistributed Surplus C/d to next year		

(c) (i) Patronage refund to Mrs Susan Cunningham

$$\begin{aligned} &= \text{Patronage amount} \times 25\% \\ &= \$3,845 \times 25\% \\ &= \$961.25 \end{aligned}$$

(ii) Proposed dividend to Mrs Susan Cunningham

$$\begin{aligned} &= (\text{No of shares owned} \times \text{dollar value of shares}) \times 10\% \\ &= (42 \times 10) \times 10\% \\ &= 420 \times 10\% \\ &= \$42 \end{aligned}$$

Total due to Mrs Susan Cunningham

$$\begin{aligned} &= \text{Patronage refund} + \text{Proposed dividend} \\ &= 961.25 + 42 \\ &= \$1,003.25 \end{aligned}$$

(d) They can enjoy the Health Benefit Plan

7. (a)

Liontown
Income Statement and Appropriation Account for the year ended
31 December 20

	\$	\$	\$
Sales			70,000
Less Cost of Sales			(38,000)

Gross Profit			32,000
Less expenses			(21,000)
Net Profit			11,000
Less Proposed Dividends		5,500	
Transfer to Members Education Fund		5,500	(11,000)

			-

(b) (i) (a) First year – Consumer Cooperatives

(b) Second year – Thrift or Credit Cooperatives
 Financial Cooperatives

(ii) Marketing committee
 Credit Committee

(iii) One purpose of the Members Education Fund is to assist members and their children with the cost of their education.

(c)

Liontown
Appropriation Account for the year ended 31 December 20

	\$	\$
Surplus		157,500
Less Transfer to Members Education Fund	32,600	
Proposed Dividends	27,500	(60,100)

Undistributed Surplus		97,400

Liontown
Balance Sheet as at 31 December '20

	Cost	Depreciation	NBV
	\$	\$	\$
<u>Fixed Assets</u>	40,000	-	40,000
Equipment	4,500	-	4,500
Portable Stalls	120,300	-	120,300
Loan to Members	164,800	-	164,800
<hr/>			
<u>Current Assets</u>			
Inventory		29,300	
Interest due from members		2,100	
Bank		126,400	
		<hr/> 157,800	
<u>Less Current Liabilities</u>			
Creditors	4,600		
Proposed Dividends	27,500	(32,100)	
Working Capital			<hr/> 125,700
			290,500
<u>Less Longterm Liabilities</u>			
Loan from Cooperative Credit Union			<hr/> (100,000)
			190,500
<hr/>			
<u>Capital Employed:</u>			
Share Capital			55,000
Members Education Fund (5,500 + 32,600)			38,100
			<hr/> 97,400
Undistributed Surplus			190,500
			<hr/> 190,500

(8) (a) (i) Things that are considered Fixed assets are:

- Net Book Value of Equipment
- Long – term investment in other Credit Union

(ii) Things that are considered Current liabilities are:

- Telephone bill unpaid
- Interest income received in advance
- Mortgage interest owing

(iii)

Sautec Credit Union
Balance Sheet Extract as at January 1, 20__

	\$	\$	\$
Financed By:			
Education Fund			30,000
Unappropriated profits			42,869
Members Welfare Fund			60,000
			<u>132,860</u>

(b) (i)

Sautec Credit Union
General Journal

DATE	DETAILS	FOLIO	DR	CR
20__			\$	\$
2 - Jan	Bank Share Capital	CB GL	100,000	100,000
	Sold 100,000 shares at \$1 each to raise additional capital			
2 - Jan	Bank Registration Fee	CB GL	10,500	10,500
	Received registration fees from new members			

(ii)

Sautec Credit Union
Bank A/C

20__		\$	20__		\$
1 - Jan	Babalance B/d	42,500	2 - Jan	Advertisement	31,000
2 - Jan	Registration fees	10,500	2 - Jan	Office Expenses	6,000
2 - Jan	Share Capital	100,000	31 - Jan	Balance C/d	116,000
		<u>153,000</u>			<u>153,000</u>
1 - Feb	Balance B/d	116,000			

9. (a) The Young Achievers Credit Union C0-operative
General Journal

DATE	DETAILS	FOLIO	DR	CR
2014			\$	\$
Jan 1	Bank Membership fee	CB GL	36,000	36,000
Jan 1	Membership fee received from 12,000 members at \$3 each			
Jan 1	Bank Share capital	CB GL	600,000	600,000
	Members bought 60,000 shares at \$10 each			

(b) (i) Cost of Drinks Sold for the BBQ

= Opening Stock + purchases - Closing Stock
 = 650 + 1,200 - 1,170
 = \$680

(ii) The Young Achievers Credit Union Cooperative
BBQ Fundraising Income Statement for the month ended 31 March
20__

Sales from fundraising BBQ	\$	\$ 6,840
<u>Less Expenditure</u>		
Cost of drinks	680	
Purchases of Meat	950	
Advertising for BBQ	200	
Wages for BBQ	750	(2,580)
Surplus from BBQ fundraising		<u>4,260</u>

(iii) Income earned for the month of March 20__

<u>Income</u>	
Profit from BBQ fundraising	4,260
Interest earned from deposits	4,240
Interest earned from loans	<u>3,960</u>
	<u>12,460</u>

10. (a)

**The Vegi Lands Farmers' Co-operative
Appropriation Account for the year ended 31 December 20__**

	\$	\$
Net Surplus		65,000
Add Undistributed Surplus		125,000
		190,000
Less Education Fund (190,000 x 20%)	38,000	
Patronage refund (350,000 x 5%)	17,500	
Disaster Relief refunds (190,000 x 30%)	57,000	
Dividends (100,000 x \$0.50)	50,000	(612,500)
		27,500
Undistributed Surplus C/d to next year		27,500

(b) (i)

**Flat Lands Cane Farmers Cooperative
Balance Sheet Extract as at 31 December 20__**

	\$
<u>Capital Employed</u>	
Ordinary Share Capital	200,000
Members Welfare Fund	40,000
Flood Relief Fund	95,000
Undistributed Surplus	73,900
	408,900
	408,900

(ii) (a)

Non - Current (fixed) assets	
	\$
Building (250,000 - 35,000)	215,000
Investment	45,000
Long term loan to members	120,000
	380,000
	380,000

(b)

Current Assets	
	\$
Inventories	26,000
Interest Revenue Owing	8,000
	34,000
	34,000

Chapter 30: Manufacturing

Multiple Choice Answers

1. b 2. c 3. d 4. b 5. a
6. c 7. c 8. a 9. b 10. a
11. b 12. b 13. c 14. b 15. b

1. Purchases of Raw Material:

$$\begin{aligned}\text{Lumber} &= (3,000 \times 1.50) + (4,000 \times 1.50) \\ &= 4,500 + 6,000 \\ &= \$10,500\end{aligned}$$

Direct Labour:

Helper	500
Owner	1,300
	<hr/>
	\$1,800
	<hr/>
	<hr/>

Power:

Electricity \$60

Over head:

Cleaner	200
Rent	200
Electricity	40
	<hr/>
	\$440
	<hr/>
	<hr/>

Closing stock of raw materials:

$$\begin{aligned}\text{Lumber} &= 800 \times 1.50 \\ &= \$1,200\end{aligned}$$

Cost of materials used:

Purchases	less	Closing Stock
= 1,0500	-	1,200
= \$9,300		

(a) Prime Cost = Cost of Materials used	9,300
Add: Direct labour	1,800
Add: Manufacturing Power	60
	<u>11,160</u>

(b) Factory Overhead cost =\$440

(c) Cost of Producing 500 chairs:	
Prime Cost	11,600
Add: Overhead	440
	<u>11,600</u>

(d) Asset at February, 2:	
Stock of raw materials	1,200
Stock of 500 chairs	11,600
	<u>12,800</u>

2. Purchases of Raw Materials:

Cloth 800 x 11	8,800
Thread 5,000 x 0.10	500
Needles	40
	<u>9,340</u>

Direct labour:

Owner \$400

Overhead:

Serviceman	160
Electricity	<u>260</u>
	<u>\$420</u>

Closing stock of raw materials:

Cloth 60 x 11 \$660

Cost of materials used:

Purchases	less	Closing stock
= 9,340	-	660
= \$8,860		

(a) Prime Cost = Cost of Materials used	8,680
Add: Direct labour	400
	<u>\$9,080</u>

(b) Overhead Cost = \$420

(c) Cost of Production = Prime Cost	9,080
Add: Overhead	420
	<u>\$9,500</u>

(d) Cost per dress = $\frac{\text{Cost of Production}}{\text{No. of Dresses (units) Produced}}$

$$= \frac{9,500}{100}$$

= \$95

Profit on one Unit (dress) = \$5

∴ Selling Price Per Unit = 95 + 5
= \$100

3. Purchases of Raw Materials:

Steel bars 1,000 x 6 x 7	42,000
Transport	500
	<u>\$42,500</u>

Direct labour:

2 Employees: $2 \times 400 = 800$

Overhead:

Depreciation:

Plant $2,800 \times \frac{20}{100}$ 560

Equipment $1,700 \times \frac{20}{100}$ 340

Serviceman 100
\$1,000

Other Direct Materials:

Gas \$300

Closing Stock of raw materials:

Gas $\frac{3}{4} \times 300$ 225

Steel bars 10 x 6 x 7 420
\$645

Cost of Materials Used:

Purchases 42,520
Less: Closing stock 645

41,855
Add: Gas 300
\$42,155

(a) Prime Cost = Cost of materials used 42,155
Add: Direct labour 800
\$42,955

(b) Overhead: \$1,000

(c) Cost of Production = Prime Cost	42,955
Add: Overhead	<u>1,000</u>
	<u>\$43,955</u>

$$(d) \text{ Cost Per (Gate) Unit} = \frac{\text{Cost of Production}}{\text{No. of units Produced}}$$

$$= 43,955 \div 100$$

$$= \$439.55$$

Advice: Continue to produce gates

Reason: The production cost is lower than buying the product from a supplier.

4. Purchases of Raw Materials:

Eggs	44 x 10	=	440
Flour	300 x 0.50	=	150
Raisins	80 x 5.00	=	400
Containers	6,000 x 0.10	=	<u>600</u>
			<u>\$1,590</u>

Direct labor:

Owner	1,000
Assistant	<u>300</u>
	<u>\$1,300</u>

Overhead:

Rent – Oven	250
Cake Pans	<u>150</u>
	<u>\$400</u>

Closing stock of raw materials:

Eggs	5 x 10	=	50
Flour	50 x 5	=	250
Raisins	60 x 0.50	=	80
Containers	800 x 0.10	=	<u>80</u>
			<u>\$460</u>

Closing stock of partly finished goods:

1,000 unfinished cakes valued	\$330
-------------------------------	-------

Cost of materials used: Purchases	1,590
Less: Closing Stock	<u>460</u>
	<u>1130</u>

(a) Prime Cost = Cost of Materials used	1,130
Add: Direct labour	<u>1,300</u>
	<u>\$2,430</u>

(b) Overhead Cost = \$400

(c) Work In Process = \$330

(d) Cost of Production = Prime Cost	2,430
Add: Overhead	<u>400</u>
	2,830
Less: Closing Work In Process	330
	<u>2,500</u>

(e) Assets at the end of the production of 4000 cakes:

Raw materials	460
Finished goods	2,500
Partly finished goods	330

5. (a) Mr. Richards Manufacturing Account
for the period ended 20__ June 30

Opening Stock	626.25	Prime Cost c/d	2,803.75
Purchases	<u>1,537.50</u>		
	2,163.75		
Closing Stock	<u>330.00</u>		
	1,833.75		
Wages	250.00		
Power	120.00		
Other	<u>600.00</u>		
	970.00		
Prime Cost	<u>2,803.75</u>		<u>\$2,803.75</u>
Prime Cost b/d	2,803.75	Cost of Production	
Rent	700.00	to Trading A/c	3,684.00
Cleaner	<u>180.25</u>		
	880.25		
	<u>\$3,684.00</u>		<u>\$3,684.00</u>

$$\text{Cost Per Table} = \frac{3,684}{100} = \$36.84$$

- (b) (i) Determine the cost of producing an item.
(ii) Determine whether it is profitable to produce an item or buy it.

6. (a) Prime Costs are all those direct expenses that are necessary for the actual production of an item.
Overheads are those fixed expenses that must be undertaken whether the business is operating or not.

(b) Tom Chow
Manufacturing and Trading Account
For the year ended December 31, 20__

	\$		\$
Opening Stock	580	Prime Cost c/d	21,780
Purchases	6,000		
	6,580		
Closing Stock	500		
	6,080		
Factory: Power	500		
Wages	15,200		
	15,700		
Prime Cost	\$21,780		\$21,780
	\$		\$
Prime Cost b/d	21,780	Cost of Production to Trading A/c	26,110
Overheads:			
Maintenance	550		
Rent/ Insurance	600		
Electricity	80		
Depreciation	1,200		
Salaries	1,900		
Total Factory Overhead	4,330		
	26,810		
Working In Progress			
Opening	700		
	26,810		
Closing	700		
Cost of Production	\$26,110		\$26,110

	\$		\$
Closing Stock	3,000	Sales	35,000
Cost of Production	26,110		
	<u>29,110</u>		
Closing Stock	3,000		
	<u>26,110</u>		
Gross Profit	8,890		
	<u>\$35,000</u>		<u>\$35,000</u>

7. (a) Richard Stones Co.
 Manufacturing, Trading and Profit and Loss Account
 For the period ended March 31, 20__

	\$		\$
Opening Stock	2,500	Prime Cost c/d	24,600
Add: Purchases	15,500		
Raw Materials for use	<u>18,000</u>		
Less: Closing Stock	1,400		
Raw Materials Consumed	<u>16,600</u>		
Add: Factory			
Wages & Salaries	8,000		
Prime Cost	<u>\$24,600</u>		<u>\$24,600</u>
	<u> </u>		<u> </u>
Prime Cost b/d	24,600	Cost of Production to	
Overhead:		Trading A/c	<u>29,500</u>
Depreciation	1,200		<u> </u>
Heat & Lights	1,800		
Rent & Rates	2,400		
Wages & Salaries	1,500		
	\$		\$
	6,900		
	31,500		
Work in Progress			
Opening	4,000		
Closing	6,000		
	<u>(2,000)</u>		
Cost of Production	<u>\$29,500</u>		<u>\$29,500</u>

Vertical form		
Sales		49,000
Less: Cost of Goods Sold:		
Opening Stock	5,000	
Purchases	7,000	
Cost of Production	29,500	
	<u>41,500</u>	
Less: Closing Stock	<u>3,000</u>	
Cost of Goods Sold		38,500
Gross Profit		<u>10,500</u>
General Expenses		
Telephone	600	
Administrative	3,600	
		4,200
Net Profit		<u><u>\$6,300</u></u>

- (b)
- (i) Identify the costs in the product
 - (ii) To monitor areas of high costs
 - (iii) To see if costs are within budget limits

8. (a) Columbus Craft Shop Manufacturing & Trading Account for the year ended December 31, 20__

	\$		\$
Opening Stock	9,500	Prime Cost c/d	131,600
Purchases	73,800		
Add: Carriage In	3,300		
Net Purchases	<u>77,100</u>		
Materials for use	86,600		
Less: Closing Stock	<u>7,000</u>		
(i) Materials consumed	79,600		
Wages	40,000		
Other	<u>12,000</u>		
	52,000		
(ii) Prime Cost	<u>131,600</u>		<u>131,600</u>
Prime Cost b/d	131,600	Cost of Production to Trading A/c	172,200
Overheads:			
Electricity	11,400		
Depreciation	9,600		
Repairs	<u>18,000</u>		
(iii)	<u>39,000</u>		
(iv) Total Manufacturing Cost	170,600		
Work In Progress			
Opening	6,700		
Closing	<u>5,100</u>		
	1,600		
(v) Cost of Production	<u>172,200</u>		<u>172,200</u>
Opening Stock	28,000	Sales	200,000
Cost of Production	172,200		
Purchases	<u>5,000</u>		
Goods Available for Sale	205,200		
Less: Closing Stock	<u>31,000</u>		
(vi) Cost of Goods Sold	174,200		
(viii) Gross Profit	<u>25,800</u>		
	<u>\$200,000</u>		<u>\$200,000</u>

(b) (i)	Things Beautiful Manufacturing Account
Raw Materials Consumed	38,000
Add: Wages	15,000
Prime Cost	<u>53,000</u>
Add: Overheads	25,000
Cost of Production	<u><u>\$78,000</u></u>

Columbus Craft Shop:

$$\text{Average Cost Per Unit} = \frac{172,200}{17,220} = \$10.00$$

Things Beautiful Craft Shop:

$$\text{Average Cost Per Unit} = \frac{78,000}{39,000} = \$2.00$$

(ii) Things Beautiful is more productive, because of the following reasons.

(a) Lower Production Cost per unit

(b) Producing more than twice the number of units at a lower cost.

9. Greenhart Manufacturing Co. Ltd
 Manufacturing Account
 For the year ended June 30, 20__

	\$		\$
Opening Stock	4,000	Prime Cost c/d	71,250
Add: Purchases	42,500		
Add: Carriage Inwards	<u>750</u>		
Net Purchases	43,250		
Material for Use	<u>47,250</u>		
Less: Closing Stock	7,500		
Material Consumed	<u>39,750</u>		
Direct Labour (30,000 + 1,500)	31,500		
	<u> </u>		
(a) Prime Cost	<u>\$71,250</u>		<u>\$71,250</u>
Prime Cost b/d	71,250	Cost of Production to Trading A/c	99,750
Overhead:			
Salary	6,000		
Electricity	5,000		
Repairs & Maintenance	2,500		
Cleaning Materials	500		
Depreciation:			
Machinery	7,000		
Building	<u>10,000</u>		
	<u> </u>		
(b) Total overhead cost	31,000		
	<u> </u>		
	102,250		
Work In Progress			
Opening	1,250		
Closing	3,750		
	<u>(2,500)</u>		
(c) Cost of Production	<u>\$99,750</u>		<u>\$99,750</u>

10. (a)

XYZ Manufacturing Account
For the month of December '20__

	\$		\$
Opening Stock	750	Prime Cost c/d	9,800
Purchases	4,800		
Carriage Inwards	300		
	<u>5,100</u>		
	5,850		
Closing Stock	<u>635</u>		
(i) Cost of Raw Materials Used	5,215		
Wages for factory workers	4,585		
(ii) Prime cost	<u>\$9,800</u>		<u>\$9,800</u>
Prime Cost b/d	9,800	Cost of Production to Trading A/c	12,600
Overheads:			
Manager's Salary	1,600		
Rental	550		
Power	350		
(iii) Factory Overheads	<u>2,500</u>		
	12,300		
Work In Progress			
Add: Opening	500		
	<u>12,800</u>		
Less: Closing	<u>200</u>		
(IV) Cost of Production	<u>\$12,600</u>		<u>\$12,600</u>

$$\begin{aligned}
 \text{(b) Unit Cost of Production} &= \frac{\text{Production Cost}}{\text{Units Produced}} \\
 &= \frac{12,600}{100} \\
 &= \$126
 \end{aligned}$$

$$\begin{aligned}
 \text{(c) Sales } 100 \times 189 &= 18,900 \\
 \text{Cost of Sales (Cost of Production)} &= 12,600 \\
 \text{Gross Profit} &= \$6,300
 \end{aligned}$$

$$\begin{aligned} \text{(d) \% of Cost is Gross Profit} &= \frac{\text{Gross Profit}}{\text{Cost of Sales}} \times 100 \\ &= \frac{6,300}{12,600} \times 100 = 50\% \end{aligned}$$

$$\begin{aligned} \text{(e) Sales } 100 \times 189 &= 18,900 \\ \text{Cost of Sales } 100 \times 135 &= \underline{13,500} \\ \text{Gross Profit} &= \underline{\underline{\$5,400}} \end{aligned}$$

$$\begin{aligned} \text{Gross Profit per table} &= \frac{5,400}{100} \\ &= \$54 \end{aligned}$$

$$\begin{aligned} \text{Percentage Profit} &= \frac{\text{Profit}}{\text{Selling Price}} \times 100 \\ &= \frac{54}{189} \times 100 \\ &= 28.57\% \end{aligned}$$

11. (a)

U. Bright Manufacturing Account
For the year ended December 31, 20__

	\$		\$
Opening Stock	6,400	Prime Cost c/d	41,600
Purchases 32,000			
Add: Carriage Inwards 400			
	32,400		
(i) Materials Available for Use	38,800		
Less: Closing Stock	3,200		
	35,600		
(ii) Cost of Materials Used	35,600		
Add: Wages	6,000		
	41,600		41,600
(iii) Prime Cost	41,600		41,600
Prime Cost b/d	41,600	Cost of Production to Trading A/c	54,200
Overheads:			
Rent	3,600		
Electricity/ Water	4,800		
Insurance	4,200		
(iv) Total Factory Overhead	12,600		
Cost of Manufacturing	54,200		54,200

(b) (i) Unit Cost per table = $\frac{54,200}{200} = \$271$

(ii) Selling Price per table = $\frac{54,200}{200} \times \frac{120}{100} = \325.20

(iii) Total Sales = $325.20 \times 200 = \$65,040$

(iv) Total Profit = $65,040 - 54,200 = \$10,840$

12. (a)

LMN Manufacturing Account for the year ended September 30, 20__

Opening Stock		\$	1,356	Prime Cost c/d for cost of goods	\$	10,500
Purchases	32,00			Manufactured Section		
Add: Carriage Inwards	70					
Net Purchases			<u>3,270</u>			
			4,626			
Less: Closing Stock			958			
(i) Raw Materials Consumed			<u>3,668</u>			
Stock of bottles	832					
Add: Purchases	600					
			<u>1,432</u>			
Less: Closing Stock	200					
			1,232			
(ii) Bottles Used			<u>4,900</u>			
Direct Wages			<u>5,600</u>			
(iii) Prime Cost			<u>\$10,500</u>			\$10,500
Prime Cost b/d			10,500	Cost f Production to Trading A/C		12,030
(iv) Overheads:						
Manager's Salary	550					
Power	650					
Lighting	100					
Depreciation	75					
			<u>1,375</u>			
			11,875			
Work In Progress						
Opening	480					
Closing	325					
			<u>155</u>			
(v) Cost of Production			<u>\$12,030</u>			<u>\$12,030</u>

(b)

LMN Trading & Profit & Loss Account
For the year ended September 30, 20__

Sales		15,000
Cost of Goods Sold:		
Production cost	12,030	
Less: Closing Stock	2,975	
Cost of Sales	<u> </u>	<u>9,055</u>
Goods Profit c/d		5,945
Wages	1,400	
Lighting	100	
Trading expenses	15	
Rates	200	
Carriage Outwards	<u>35</u>	
		<u>1,750</u>
Net Profit		<u><u>\$4,195</u></u>

$$\begin{aligned} \text{(c) Production Cost per bottle} &= \frac{\text{Total Cost}}{\text{Units Produced}} \\ &= \frac{12,030}{3,985} \\ &= \$3.02 \end{aligned}$$

$$\begin{aligned} \text{Value of closing stock} &= 985 \times \$3.02 \\ &= \$2,975 \end{aligned}$$

$$\begin{aligned} \text{(d) Gross Profit per bottle} &= \frac{\text{Total Gross Profit}}{\text{Units Sold}} \\ &= \frac{5,945}{3,000} \\ &= \$1.98 \end{aligned}$$

13. Pudding Manufacturing Account
For the year ended 30 June 20__

Opening Inventory	30 800		
Purchases	99600		
Add duty	<u>3780</u>		
	103 380		
Materials Available for use	134 180		
Less Closing Inventory	<u>40 400</u>		
Cost of Raw Materials Used	93780		
Add Production Wages	<u>36 650</u>		
	130 430		
Other Factory Expenses	<u>4 480</u>		
Prime cost c/d	<u>\$134 910</u>		<u>\$134,910</u>
Prime cost b/d	134 910		
Add Overhead:			
Factory Supervised Wages	7800		
Factory Electricity	1600		
Factory rent	<u>2500</u>		
	11 900		
	146,810		
Work- in - progress			
Add: Opening	<u>17 800</u>		
	164 610		
Less: Closing	<u>14 095</u>		
Cost of production	<u>\$150505</u>		<u>\$150,505</u>
		Cost of Production To Trading A/c	150,505

14.	Rainforest Manufacturing Company		
	Manufacturing Account		
	For the year ended 30 June 20__		
Opening inventory	1018		
Purchases	14009		
Add carriage	3982		
	<u>17 991</u>	Prime Cost c/d to Cost of goods manufactured	
Less Returns	800		24,615
	<u>17 111</u>		
Materials Available for use	18 129		
Less Closing Inventory	1290		
Cost of materials used	<u>16 839</u>		
Add Manufacturing wages	7776		
Prime cost	<u>24 615</u>		<u>\$24,615</u>
			<u> </u>
Prime cost b/d	24 615	Market Value of Finished Goods	50,000
Factory Overhead:			
Factory Salaries	4800		
Factory rent	1350		
Factory insurance	635		
Factory electricity	3445		
Depreciation	<u>3682</u>		
	<u>13,912</u>		
	38,527		
Work in progress:			
Add opening	485		
	<u>39,012</u>		
Less closing	420		
Cost of Production	<u>39,592</u>		
Manufacturing Profit			
To Profit + Loss A/c	10,408		
Factory Transfer Price	<u>\$50,000</u>		<u>\$50,000</u>
			<u> </u>

(b) Rainforest Manufacturing Company
 Income Statement
 for the year ended 30 June 20__

Opening Inventory	2,367	Sales	59,789
Add: Market Value of finished goods	<u>50,000</u>		
Goods Available for sale	52,367		
Less: Closing Inventory	<u>2,558</u>		
Cost of Goods Sold	49,809		
Gross Profit c/d	<u>9,980</u>		
	<u>59,789</u>		<u>\$59,789</u>
Selling + Distribution Expenses:		Manufacturing Profit	10,408
Advertising	806	(from manufacturing account)	
		Gross Profit b/d	9,980
Administrative Expenses:			
Office wages	2,792		
Office salaries	1,382		
Depreciation			
Vehicles	1,450		
Furniture	<u>388</u>		
	<u>1,838</u>		
	6,012		
	<u>6,818</u>		
Net Profit	13,570		
	<u>\$20,388</u>		<u>\$20,388</u>

15. (a) Firdaus Tabuli Manufacturing Company
 Manufacturing Account
 For the year ended 31 December 20__

Opening Inventory	3,900	Prime Cost c/d to Cost	
Purchases	<u>39,800</u>	of Goods Manufactured	
Materials Available for use	43,700	Section	61,200
Less: Closing Inventory	<u>4,400</u>		
Cost of Materials Used	39,300		
Add: Manufacturing Wages	<u>21,900</u>		
Prime Cost	<u>61,200</u>		<u>\$61,200</u>
Prime Cost b/d	61,200	Cost of Production to	
		Trading A/c	92,340
Overheads:			
Factory expenses	10,200		
Factory rent	7,380		
Factory electricity	7,560		
Depreciation – Plant	<u>6,000</u>		
	<u>31,140</u>		
	92,340		
Work – in – Progress	<u>NIL</u>		
Cost of Production	<u>\$92,340</u>		<u>\$92,340</u>

15. (b)

Firdaus Tabuli Manufacturing Company
Income Statement
For the year ended 31 December 20__

Opening Inventory	8,800	Sales	165,000
Cost of Production	<u>92,340</u>		
Goods Available for Sale	101,140		
Less: Closing Inventory	<u>9,700</u>		
Cost of Goods Sold	91,440		
Gross Profit	73,560		
	<u>\$165,000</u>		<u>\$165,000</u>
Salary + Distribution Expenses:		Gross Profit b/f 73,560	
Bad Debts	1,300		
Delivery Van: Expenses	3,900		
Depreciation	2,250		
Advertising	<u>6,400</u>		
	13,850		
Advertising Expenses:			
Loan Interest	1,200 -		
Rent	820 -		
Office Salaries	8,400 -		
General Office expenses	3,300 -		
Wages	8,000 -		
Electricity	<u>840 -</u>		
	<u>22,560</u>		
	36,410		
Net Profit	<u>37,150</u>		
	<u>73,560</u>		<u>\$73,560</u>

16.(a)

Jeans and Things
Manufacturing Account for the year ended 31 December 20__

	\$	\$	\$
Opening Stock of Raw Materials consumed		247,330	33,500
Add Purchases of Raw Materials		1,500	
Add Carriage Inwards on Raw Materials		248,830	
		(3,000)	245,830
Less Returns Outwards on Raw Materials			279,330 (13,220)
Less Closing Stock of Raw Materials			266,110
Cost of Raw Materials Consumed			135,000
Add Factory Wages			401,110
Prime Cost			
<u>Add Factory Overhead Expenses</u>		6,150	
Rent and Rates (12,300 x ½)		72,500	
Factory Salaries	15,000		
Factory Insurance			
	(3,000)	12,000	
Less Prepayments (1,000 x 3)		125,000	215,650
Depreciation on Machinery			616,760 7,300
Add Opening Stock of Work- in - Progress			624,060
			(6,900)
Less Closing Stock of Work - in - Progress			617,160
Production Cost of Goods Completed C/d			

(b)

Jeans and Things**Manufacturing Account for the year ended 31 December 20__**

	\$	\$	\$
Sales			725,650
Less Cost of Goods Sold			
Opening Stock of Finished Goods		82,770	
Add Production Cost of Goods Completed B/d		617,160	
		699,930	
Less Closing Stock of Finished Goods		(95,240)	(604,690)
Gross Profit			120,960
<u>Less Administrative Expenses</u>			
Rent and Rates (1,200 x ½)	6,150		
Administrative expenses	25,230	31,380	
<u>Less Selling and Distribution Expenses</u>			
Carriage Outwards	1,000		
Selling and Distribution expenses	43,820	44,820	(76,200)
Net Profit			44,760

17. (a)

Martha's Cakes & Confectionery**Manufacturing Account for the year ended 31 December 20__**

	\$	\$	\$
Cost of Raw Materials Consumed			56,400
Add Wages – Bakers and Cake Decorators			15,800
Prime Cost			72,200
Add Factory Overhead Expenses			
Electricity (2/3 x 10,500)		7,000	
Depreciation on Kitchen Equipment		880	
Depreciation on small kitchen equipment (900 – 500)		400	
Boxes (kitchen Storage)		1,200	9,480
Production Cost of Goods Completed C/d			81,680

(b)

Martha's Cakes & Confectionery
Trading and Profit and Loss Account for the year ended 31 December 20__

	\$	\$	\$
Sales			114,352
<u>Less Cost of Goods Sold</u>			
Production Cost of Goods Completed b/d			(81,680)
Gross Profit			32,672
<u>Less Administrative Expenses</u>			
Office Supplies & Stationery	600		
Salaries office staff	5,800		
Administrative costs	1,950		
Electricity (1/3 x 10,500)	3,500		
Depreciation on office equipment	500	12,350	
<u>Selling and Distribution Expenses</u>			
Wages – Delivery driver	8,880		
Other delivery cost	2,900		
Advertising	400	12,180	(24,530)
Net Profit			8,142

(c) Number of baked items produced

$$= \frac{\text{Total Cost of Production}}{\text{Unit Cost}}$$

$$= \frac{81,680}{10}$$

$$= 8,168$$

18. (a) (i)	Simon Long	
	Direct Cost of Raw Materials Consumed	
		\$
Opening Inventory of Direct Materials		6,500
Add Purchases of Direct materials		70,100
		<u>76,600</u>
Less Returns outwards on Direct materials		<u>(2,500)</u>
		74,100
Add Transportation cost on Direct materials		<u>900</u>
		75,000
Less Closing inventory of Direct materials		<u>(8,000)</u>
		<u>67,000</u>
Cost of Raw Materials Consumed		<u><u>67,000</u></u>

(ii)	Simon Long	
	Indirect Materials Used	
		\$
Opening Inventory of Indirect Materials used		400
Add Purchases of Indirect Materials		<u>6,200</u>
		6,600
Add Transportation on Indirect Materials (1,000 x 10%)		<u>100</u>
Cost of Indirect Material Used		<u><u>6,700</u></u>

(b)

Simon Long
Manufacturing Account for the year ended 31 December '20__

	\$	\$	\$
Cost of Raw Materials Consumed			67,000
Add Direct expenses		6,800	
Factory wages		59,000	65,800
Prime Cost			132,800
<u>Add Factory Overhead Expenses</u>			
Supervisors salaries		12,600	
Factory power		5,700	
General factory expenses		13,000	
Depreciation on factory equipment and building		3,500	34,800
			167,600
Add Opening Work -in - Progress			12,500
			180,100
Less Closing Work - in - Progress			(15,100)
Production Cost of Good Completed C/d			165,000

(c)

Simon Long
Cost of Goods Sold

	\$
Opening Inventory of Finished goods	45,000
Add Production Cost of Good Completed B/d	165,000
	210,000
Less Closing Inventory of Finished goods	(38,400)
Cost of Goods Sold	171,600

Solutions to Question 19

$$\begin{aligned} \text{Jan 1 Raw Material} &= 300 \times 19 \\ &= \$5,700 \end{aligned}$$

$$\begin{aligned} \text{Dec 31 Raw Material} &= 340 \times 24 \\ &= \$8,160 \end{aligned}$$

$$\begin{aligned} \text{Purchases of Raw Material} &= 4,500 \times 19 = 85,500 \\ &= 2,150 \times 24 = 51,600 \\ &= 85,500 + 51,600 \\ &= \$137,100 \end{aligned}$$

$$\begin{aligned} \text{Returns on Raw Material} &= 100 \times 24 \\ &= \$2,400 \end{aligned}$$

17. (a)

Fashion Forward
Cost of Raw Materials Statement

	\$	\$
Opening Stock of Raw Materials		5,700
Add Purchases of raw materials	137,100	
Less Returns on Raw materials	(2,400)	
	134,700	
Add Carriage on raw materials	3,400	138,100
Raw materials available		143,800
Less Closing stock of raw materials		(8,160)
		135,640
Cost of Raw Materials Consumed		135,640

(b)

Fashion Forward
Cost of Raw Materials Statement

	\$
Cutters (4,500 x 15)	67,500
Stitchers (4,120 x 12)	49,440
Pressers (4,000 x 5)	20,000
	136,940

(c)

Fashion Forward
Manufacturing Account for the year ended 31 December '20

	\$	\$	\$
Cost of Raw Materials Consumed			135,640
Add Direct Labour		136,940	
Direct Expenses		8,900	145,840
Prime Cost			
<u>Add Factory Overhead Expenses</u>			281,480
Factory Manager Salary			
Factory power		38,050	
General factory expenses		8,400	
Depreciation on Plant and machinery		18,050	
		16,000	80,500
Add Opening Stock Work -in - Progress			361,980
			2,010
Less Closing Work - in - Progress			363,990
			(3,790)
Production Cost of Good Completed C/d			360,200

20. (a)

J B Manufacturing Company
Manufacturing Account for the year ended 31 December 20__

	\$	\$
Opening Stock of Raw Materials		7,500
Add Purchases of raw materials	65,000	
Add Carriage inwards on Raw Materials	2,000	67,000
Cost of Raw Materials Available		74,500
Less Closing Stock of Raw Material		(4,300)
Cost of Raw Materials Consumed		70,200
Add Direct expenses	1,500	
Factory wages	30,000	31,500
Prime cost		101,700
<u>Add Factory Overhead Cost</u>		
Rent (6,000 x 75%)	4,500	
Power (10,000 x 75%)	7,500	
Insurance on Factory Equipment	3,500	
Indirect materials used	7,000	
Depreciation on factory equipment	2,500	
Factory managers salary	12,000	
Janitors salary (8,000 x 80%)	6,400	
Property taxes on factory building	800	44,200
		145,900
Add Opening stock of work – in – progress		2,900
		148,800
Less Closing stock of work – in – progress		(3,300)
Production cost of goods completed C/d		145,500

(b)

J D Manufacturing Company
Trading Account for the year ended 31 December 20__

	\$	\$
Sales		190,000
<u>Less Cost of Goods Sold</u>		
Opening Stock of Finished goods	21,000	
Add Production cost of good completed B/d	145,000	
	166,500	
Less Closing stock of Finished goods	(24,200)	(142,300)
Gross Profit		47,700

21. (i)

Sedeno Knitted Goods
Manufacturing Account for the year ended 30 November 20__

	\$	\$
Raw Materials		138,500
Add Production Wages	45,700	
Direct Expenses	2,400	48,100
Prime Cost		186,600
Add Factory Overhead Expenses		51,900
		238,500
Add Opening Work- in- progress		3,600
		242,100
Less Closing Work – in – Progress		(4,800)
Production Cost of goods completed C/d		237,300

(ii)

Sedeno Knitted Goods
Trading Account for the year ended 30 November 20__

	\$
Sales (237,300 x 50%) + 237,300	355,950
Less Production Cost of Goods Completed B/d	(237,300)
Gross Profit	118,650

Chapter 31: Inventory Control

Multiple Choice Answers

1. b 2. b 3. d 4. d 5. d
6. d 7. b 8. a 9. b 10. C

Structured Questions

1. (a) Value of Purchases:

$$\begin{aligned} & (100 \times 1) + (200 \times 1.50) + (300 \times 2) \\ & = 100 + 300 + 600 \\ & = \$1,000 \end{aligned}$$

(b) Closing Stock: FIFO

$$\begin{aligned} & 225 \times 2.00 \\ & = \$450 \end{aligned}$$

2. (a)

Stock Card

DATE	PURCHASES	ISSUES	BALANCE
May 1	800 @ \$3.00 each	-	800 @ \$3.00
8	-	400 @ \$3.00	400 @ \$3.00
9	700 @ \$3.50 each	-	400 @ \$3.00
12	-	600 @ \$3.50	400 @ 3 & 100 @ \$3.75
17	400 @ \$3.75 each	-	400 @ \$4/100 @ \$3.50/400 @ \$3.75
24	300 @ \$4.00 each	-	400 @ \$3/100 @ \$3.50/400 @ \$3.75/300 @ \$4.00
26	-	300 @ \$4.00 200 @ \$3.75	400 @ \$3/100 @ \$3.50/200 @ \$3.75

(b) Closing Stock: LIFO

$$\begin{aligned} & (400 \times 3) + (100 \times 3.50) + (200 \times 3.75) \\ & = 1,200 + 350 + 750 \\ & = \$2,300 \end{aligned}$$

3. (a) Value of Purchases:

$$\begin{aligned} & (500 \times 4.00) \\ & = 1,200 + 1,000 + 2,100 + 2,000 \\ & = \$6,300 \end{aligned}$$

(b) Value of Sales:

$$\begin{aligned} & (500 \times 6.00) + (300 \times 6.00) + (600 \times 6.00) \\ & = 3,000 + 1,800 + 3,600 \\ & = \$8,400 \end{aligned}$$

(c) Closing Stock: AVCO

DATE	IN	OUT	BALANCE
June 3	600 @ \$2.00	-	600 @ \$2.00 = 1,200
7	400 @ \$2.50	-	600 @ \$2.00 = 1,200 400 @ \$2.50 = 1,000 1,000 Units = 2,200
9	-	500 @ \$2.20	500 @ \$2.20 = 1,100
10	-	300 @ \$2.20	200 @ \$2.20 = 440
11	700 @ \$3.00	-	200 @ \$2.20 = 440 700 @ \$3.00 = 2,100 900 @ \$2.82 = 2,540
22	500 @ \$4.00	-	900 @ \$2.82 = 2,540 500 @ \$4.00 = 2,000 1,400 @ \$3.24 = 4,540
24	-	600 @ \$3.24	800 @ \$3.24 = 2,592

Closing Stock = 800 x \$3.24 = \$2,592

(d) Cost of Goods Sold

$$\begin{aligned} & (500 \times 2.20) + (300 \times 2.20) + (600 \times 3.24) \\ & = 1,100 + 660 + 1,944 \\ & = \$3,704 \end{aligned}$$

4.

**B.O. Ltd Trading Account
for the period ended June 30, 20__**

Opening Stock	\$ 30,000	Sales	\$ 125,000
Purchases	70,000		
	<hr/>		
Goods for Sales	100,000		
Closing Stock	NIL		
	<hr/>		
Gross Profit	100,000		
	25,000		
	<hr/>		
	\$125,000		<hr/>
	<hr/>		\$125,000
			<hr/>

**5. C.P. Trading Account
for the period ended June 30, 20__**

	\$		\$
Opening Stock	7,000	Sales	15,000
Purchases	14,000		
	21,000		
Goods for Sales	21,000		
Closing Stock	7,500		
	13,500		
Gross Profit	1,500		
	\$15,000		\$15,000

**6. D.Q. Trading Account
for the period ended May 30, 20__**

Goods Available for Sale	80,000	Sales	90,000
Closing Stock	8,000		
Cost of Goods Sold	72,000		
Gross Profit	18,000		
	\$90,000		\$90,000

Let Cost Price or Cost of Goods sold = 100%
 \therefore Selling Price or Sales (100 + 25) = 125%
 But Selling Price = 90,000 = 125%
 \therefore 1% = $90,000 \div 125 = 720$
 \therefore 100% or Cost Price = $720 \times 100 = 72,000$

7. Let Cost Price or Cost of Goods sold = 100%
 \therefore Selling Price or Sales (100 + 20) = 120%
 But Sales = 240,000
 \therefore Sales = 120% = 240,000
 Then 1% = $\frac{240,000}{120} = 2,000$
 \therefore Cost Price or Cost of Goods Sold = $2,000 \times 100 = 200,000$

E.R. Trading Account
for the period ended August 20__

<table style="width: 100%; border-collapse: collapse;"> <tr><td>Goods Available for Sale</td><td style="text-align: right;">260,000</td></tr> <tr><td>Closing Stock</td><td style="text-align: right;"><u>60,000</u></td></tr> <tr><td>Cost of Goods Sold</td><td style="text-align: right;">200,000</td></tr> <tr><td>Gross Profit</td><td style="text-align: right;"><u>40,000</u></td></tr> <tr><td></td><td style="text-align: right;"><u>\$240,000</u></td></tr> </table>	Goods Available for Sale	260,000	Closing Stock	<u>60,000</u>	Cost of Goods Sold	200,000	Gross Profit	<u>40,000</u>		<u>\$240,000</u>		<table style="width: 100%; border-collapse: collapse;"> <tr><td>Sales</td><td style="text-align: right;">240,000</td></tr> <tr><td></td><td style="text-align: right;"><u>\$240,000</u></td></tr> </table>	Sales	240,000		<u>\$240,000</u>
Goods Available for Sale	260,000															
Closing Stock	<u>60,000</u>															
Cost of Goods Sold	200,000															
Gross Profit	<u>40,000</u>															
	<u>\$240,000</u>															
Sales	240,000															
	<u>\$240,000</u>															

8. Gross Profit = $\frac{20}{100} \times 60,000 = \$12,000$

T.G. Trading Account
for the period ended September 30, 20__

<table style="width: 100%; border-collapse: collapse;"> <tr><td>Opening Stock</td><td style="text-align: right;">96,000</td></tr> <tr><td>Purchases</td><td style="text-align: right;"><u>40,000</u></td></tr> <tr><td>Goods Available for Sale</td><td style="text-align: right;">136,000</td></tr> <tr><td>Closing Stock</td><td style="text-align: right;"><u>88,000</u></td></tr> <tr><td>Cost of Goods Sold</td><td style="text-align: right;">48,000</td></tr> <tr><td>Gross Profit</td><td style="text-align: right;"><u>12,000</u></td></tr> <tr><td></td><td style="text-align: right;"><u>\$60,000</u></td></tr> </table>	Opening Stock	96,000	Purchases	<u>40,000</u>	Goods Available for Sale	136,000	Closing Stock	<u>88,000</u>	Cost of Goods Sold	48,000	Gross Profit	<u>12,000</u>		<u>\$60,000</u>		<table style="width: 100%; border-collapse: collapse;"> <tr><td>Sales</td><td style="text-align: right;">60,000</td></tr> <tr><td></td><td style="text-align: right;"><u>\$60,000</u></td></tr> </table>	Sales	60,000		<u>\$60,000</u>
Opening Stock	96,000																			
Purchases	<u>40,000</u>																			
Goods Available for Sale	136,000																			
Closing Stock	<u>88,000</u>																			
Cost of Goods Sold	48,000																			
Gross Profit	<u>12,000</u>																			
	<u>\$60,000</u>																			
Sales	60,000																			
	<u>\$60,000</u>																			

9. Let Cost Price or Cost of Goods sold = 100%
 \therefore Selling Price or Sales (100 + 15) = 115%
 But Sales is equivalent to \$69,000
 Then 115% = 69,000
 1% = 600
 \therefore 100% or Cost of Goods Sold = 600 x 100
 = 60,000

U.H. Trading Account
for the period ended June 30, 20__

<table style="width: 100%; border-collapse: collapse;"> <tr><td></td><td style="text-align: center;">\$</td></tr> <tr><td>Opening Stock</td><td style="text-align: right;">65,000</td></tr> <tr><td>Purchases</td><td style="text-align: right;"><u>35,000</u></td></tr> <tr><td>Goods for Sales</td><td style="text-align: right;">100,000</td></tr> <tr><td>Closing Stock</td><td style="text-align: right;"><u>40,000</u></td></tr> <tr><td>Cost of Goods Sold</td><td style="text-align: right;">60,000</td></tr> <tr><td>Gross Profit</td><td style="text-align: right;"><u>9,000</u></td></tr> <tr><td></td><td style="text-align: right;"><u>\$69,000</u></td></tr> </table>		\$	Opening Stock	65,000	Purchases	<u>35,000</u>	Goods for Sales	100,000	Closing Stock	<u>40,000</u>	Cost of Goods Sold	60,000	Gross Profit	<u>9,000</u>		<u>\$69,000</u>		<table style="width: 100%; border-collapse: collapse;"> <tr><td></td><td style="text-align: center;">\$</td></tr> <tr><td>Sales</td><td style="text-align: right;">69,000</td></tr> <tr><td></td><td style="text-align: right;"><u>\$69,000</u></td></tr> </table>		\$	Sales	69,000		<u>\$69,000</u>
	\$																							
Opening Stock	65,000																							
Purchases	<u>35,000</u>																							
Goods for Sales	100,000																							
Closing Stock	<u>40,000</u>																							
Cost of Goods Sold	60,000																							
Gross Profit	<u>9,000</u>																							
	<u>\$69,000</u>																							
	\$																							
Sales	69,000																							
	<u>\$69,000</u>																							

Stock on March 1 was \$65,000

10. (a) Opening Stock = $1,000 \times 0.50 = 500$
 Purchases = $3,000 \times 1.00 = 3,000$
 Sales = $3,900 \times 2.00 = 7,800$
 Closing Stock = $100 \times 1.00 = 100$

(b) **Tropical Fruits Ltd**
Trading Account for March 20__

	\$		\$
Opening Stock	500	Sales	7,800
Purchases	3,000		
	3,500		
Closing Stock	100		
	3,400		
Gross Profit	4,400		
	\$7,800		\$7,800
			\$7,800

11. Opening Stock = $1,700 \times 1 = \$1,700$
 Purchases $1,500 \times 2 = \$3,000$
 Sales = $1,700 \times 1.50 = \$2,550$
 = $1,300 \times 3.00 = \$3,900$
 \$6,450

(a) Closing Stock = $200 \times 2 = \$400$

Trading Account

	\$		\$
Opening Stock	1,700	Sales	6,450
Purchases	3,000		
	4,700		
Closing Stock	400		
	4,300		
(b) Gross Profit	2,150		
	\$6,450		\$6,450
			\$6,450

Gross Profit is \$2,150

12.

**S.F. Trading Account
for the period ended October 31, 20__**

	\$		\$
Opening Stock	102,000	Sales	120,000
Less: Stock Stolen	20,000		
Goods Available for Sale	82,000		
Closing Stock	2,000		
Cost of Goods Sold	80,000		
Gross Profit	40,000		
	\$120,000		\$120,000

Calculated Gross Profit = $\frac{1}{3} \times 1,20,00 = \$40,000$

13.

**S.F.. Trading Account
for the period ended April 30, 20__**

	\$		\$
(Goods Available for Sale) or Opening Stock	64,000	Sales	55,000
Less: Stock lost in fire	2,000		
Goods Available for Sale	62,000		
Closing Stock	12,000		
Cost of Goods Sold	50,000		
Gross Profit	5,000		
	\$55,000		\$55,000

Let Cost Price be 100%

Then Selling Price (100 + 10) = 110%

But Sales 110% = 55,000

Then 1% = 500

∴ Cost of Sales 100% = 50,000

14. Gross Profit = $\frac{25}{100} \times 16,000 = \$4,000$

**M.I.T. Ltd Trading Account
for the period ended November 30, 20__**

	\$			\$	
Opening Stock	8,000		Sales	16,000	
Purchases	7,000				
Goods for sale	1 5,000				
Closing Stock	3,000				
Cost of Goods Sold	12,000				
Gross Profit	4,000				
	\$16,000			\$16,000	

15. (a) Closing Stock

FIFO

	In		At Cost	Out	At S.P.	\$	Balance	\$
Books								
6,000 @	\$10	60,000	6,000 @ \$10	60,000	6,000 @ \$11	66,000	NIL	
9,000 @	\$12	108,000	4,000 @ \$12	48,000	4,000 @ \$13.20	52,800	5,000 @ \$12	60,000
7,000 @	\$13	<u>91,000</u>					7,000 @ \$13	<u>91,000</u>
		259,000		<u>108,000</u>				151,000
Pencils								
5,000 @	\$2	10,000	5,000 @ \$2	10,000	5,000 @ \$2.20	11,000	NIL	
20,000 @	\$7	80,000	20,000 @ \$4	80,000	20,000 @ \$4.40	88,000	NIL	
10,000 @	\$13	<u>60,000</u>	3,000 @ \$6	<u>18,000</u>	3,000 @ \$6.60	<u>19,800</u>	7,000 @ \$6.00	<u>42,000</u>
		150,000		108,000		118,800		42,000
Pens								
20,000 @	\$5	100,000	20,000 @ \$5	100,000	20,000 @ \$5.50	110,000	NIL	
14,000 @	\$7	98,000	14,000 @ \$7	98,000	14,000 @ \$7.70	107,800	NIL	
9,000 @	\$9	<u>81,000</u>	2,000 @ \$9	<u>18,000</u>	2,000 @ \$9.90	<u>19,800</u>	7,000 @ \$9	<u>63,000</u>
		279,000		216,000		237,600		63,000

Closing Stock = \$556,000

LIFO

Books	In		At Cost	Out	At S.P.	\$	Balance	\$
6,000 @	\$10	60,000					6,000 @ \$10	60,000
9,000 @	\$12	108,000	3,000 @ \$12	36,000	3,000 @ \$13.20	39,600	6,000 @ \$12	72,000
7,000 @	\$13	<u>91,000</u>	7,000 @ \$13	<u>91,000</u>	7,000 @ \$14.30	<u>100,100</u>	NIL	
		259,000		108,000		139,700		132,000
Pencils								
5,000 @	\$2	10,000					5,000 @ \$2	10,000
20,000 @	\$4	80,000	18,000 @ \$4	72,000	18,000 @ \$4.40	79,200	2,000 @ \$4	8,000
10,000 @	\$6	<u>60,000</u>	10,000 @ \$6	<u>60,000</u>	10,000 @ \$6.60	<u>66,000</u>	NIL	
		150,000		132,000		145,200		18,000
Pens								
20,000 @	\$5	100,000	13,000 @ \$5	65,000	13,000 @ \$5.50	71,500	7,000 @ \$5	
14,000 @	\$7	98,000	14,000 @ \$7	98,000	14,000 @ \$7.70	107,800	NIL	
9,000 @	\$9	<u>81,000</u>	9,000 @ \$9	<u>81,000</u>	9,000 @ \$9.90	<u>89,100</u>	NIL	<u>35,000</u>
		279,000		216,000		268,400		35,000

Closing Stock = \$185,000

(b)

Gross Profit : FIFO

	\$		\$
Opening Stock	170,000	Sales	475,200
Purchases	518,000		
	<u>688,000</u>		
Closing Stock	<u>256,000</u>		
Cost of Goods Sold	432,000		
Gross Profit	<u>43,200</u>		
	<u>\$475,200</u>		<u>\$475,200</u>

Gross Profit : LIFO

	\$		\$
Opening Stock	170,000	Sales	553,300
Purchases	518,000		
	<u>688,000</u>		
Closing Stock	<u>185,000</u>		
	503,000		
Gross Profit	<u>50,300</u>		
	<u>\$553,300</u>		<u>\$553,300</u>

16. (a) Closing Stock: FIFO

Goods A	In		At Cost	Out	At S.P.	\$	Balance	\$
14,000	\$2	28,000	14,000 @ \$2	28,000			NIL	
2,000	\$3	6,000	2,000 @ \$3	6,000			NIL	
7,000	\$5	<u>35,000</u>	2,000 @ \$5	<u>10,000</u>	18,000 @ \$8	<u>144,000</u>	5,000 @ \$5	<u>25,000</u>
		41,000		44,000		144,000		25,000

Total = \$25,000

Goods B	In		At Cost	Out	At S.P.	\$	Balance	\$
7,000	\$4	28,000	7,000 @ \$4	28,000				
12,000	\$6	<u>72,000</u>	7,000 @ \$6	<u>42,000</u>	14,000 @ \$9	<u>126,000</u>	5,000 @ \$6	<u>30,000</u>
		100,000		70,000		126,000		30,000

Total = \$30,000

Closing Stock: AVCO

Goods A	In		At Cost	Out	At S.P.	\$	Balance	\$
14,000 @	\$2	28,000						
2,000 @	\$3	6,000						
<u>7,000 @</u>	\$5	<u>35,000</u>	18,000 @ \$3	54,000	18,000 @ \$8	144,000	5,000 @ \$3	15,000
23,000		39,000						

Average Cost = $\frac{69,000}{23,000} = \3.00 Total = \$15,000

Goods B	In		At Cost	Out	At S.P.	\$	Balance	\$
7,000 @	\$4	28,000						
<u>12,000 @</u>	\$6	<u>72,000</u>	14,000 @	73,684	14,000 @ \$9	126,000	5,000 @ \$5.26	26,316
19,000		100,000	\$5.26					

Average Cost = $\frac{100,000}{19,000} = \5.26 Total = \$26,316

17. (a) Closing Stock: LIFO

Date	In		At Cost	Out	At S.P.	\$	Balance
June	4,000 @ \$2		-				
Purchases	7,000 @ \$3	21,000	1,000 @ \$3	3,000			4,000 @ \$2
Purchases	5,000 @ \$4	<u>20,000</u>	5,000 @ \$4	<u>20,000</u>	6,000 @ \$5	<u>30,000</u>	6,000 @ \$3
		41,000		23,000		30,000	NIL
July	4,000 @ \$2						4,000 @ \$2
	6,000 @ \$3		3,000 @ \$3	9,000			3,000 @ \$3
Purchases	3,000 @ \$5	15,000	3,000 @ \$5	15,000	12,000 @ \$8	96,000	NIL
Purchases	6,000 @ \$6	<u>36,000</u>	6,000 @ \$6	<u>36,000</u>			NIL
		51,000		60,000			
August	4,000 @ \$2		1,000 @ \$2	2,000			3,000 @ \$2 6,000
	3,000 @ \$3		3,000 @ \$3	9,000			NIL
Purchases	2,000 @ \$7	14,000	2,000 @ \$7	14,000			NIL
Purchases	8,000 @ \$8	<u>64,000</u>	8,000 @ \$8	<u>64,000</u>	14,000 @ \$10	<u>140,000</u>	NIL
		78,000		89,000		140,000	6,000

Trading Account for the period June to August 20__

Opening Stock	\$ 8,000	Sales	\$ 266,000
Purchases	170,000		
	<u>178,000</u>		
Closing Stock	6,000		
	<u>172,000</u>		
Gross Profit	94,000		
	<u>\$266,000</u>		<u>\$266,000</u>

(b) Closing Stock: AVCO

June	In		At Cost	Out	At S.P.		Balance	
	4,000 @ \$2							
	7,000 @ \$3	21,000						
	5,000 @ \$4	<u>20,000</u>	6,000 @ \$3.06	18,360	6,000 @ \$5	30,000	10,000 @ \$3.06	
	Average Cost	41,000						
July	10,000 @ \$3.06	30,600						
	3,000 @ \$5.00	15,000						
	6,000 @ \$6.00	36,000	12,000 @ \$4.29	51,480	12,000 @ \$8	96,000	7,000 @ \$4.29	30,030
	19,000	81,600						30,030
	Average Cost	<u>\$4.29</u>						
August	7,000 @ \$4.29	30,030						
	2,000 @ \$7.00	14,000						
	8,000 @ \$8.00	64,000	14,000 @ \$6.35	88,900	14,000 @ \$10	140,000	3,000 @ \$6.35	19,050
	17,000	108,030						19,050
	Average Cost	<u>\$6.35</u>		<u>156,740</u>		<u>266,000</u>		

Trading Account for the period June to August 20__

	\$			\$
Opening Stock	8,000		Sales	266,000
Purchases	170,000			
	<u>178,000</u>			
Closing Stock	19,050			
	* 158,950			
Gross Profit	<u>107,050</u>			
	<u>\$266,000</u>			<u>\$266,000</u>

* Note the discrepancy because of using 2 places of decimal

18. (a + b) Closing Stock and Gross Profit: FIFO

Date	In		At Cost	Out	At S.P.		Balance	
Sep	5,000 @ \$2	10,000	50,00 @ \$2	10,000				
Purchases	7,000 @ \$3	21,000	7,000 @ \$3	21,000				
Purchases	10,000 @ \$5	<u>50,000</u>	2,000 @ \$5	<u>10,000</u>	14,000 @ \$8	<u>112,000</u>	8,000 @ \$5	40,000
		71,000		41,000		112,000		
Oct	8,000 @ \$5	40,000	5,000 @ \$5	40,000				
Purchases	6,000 @ \$6	36,000	6,000 @ \$6	36,000				
Purchases	3,000 @ \$7	21,000	2,000 @ \$7	14,000	16,000 @ \$8	<u>128,000</u>	1,000 @ \$7	7,000
		<u>57,000</u>		<u>90,000</u>		128,000		
Nov	1,000 @ \$7	7,000	1,000 @ \$7	7,000				
Purchases	4,000 @ \$8	32,000	4,000 @ \$8	32,000				
Purchases	9,000 @ \$9	81,000	8,000 @ \$9	72,000	13,000 @ \$10	<u>13,000</u>	1,000 @ \$9	9,000
		<u>113,000</u>		<u>111,000</u>		13,000		

Trading Account for the three month period Sep. - Nov.20__

	\$		\$
Opening Stock	10,000	Sales	370,000
Purchases	241,000		
	<u>251,000</u>		
Closing Stock	9,000		
	<u>242,000</u>		
Gross Profit	128,000		
	<u>\$370,000</u>		<u>\$370,000</u>

(a & b) Closing Stock and Gross Profit: LIFO

Date	In		At Cost	Out	At S.P.		Balance	
Sep	5,000 @ \$2	10,000					5,000 @ \$2	
Purchases	7,000 @ \$3	21,000	4,000 @ \$3	12,000			3,000 @ \$3	
Purchases	10,000 @ \$5	<u>50,000</u>	10,000 @ \$5	<u>50,000</u>	14,000 @ \$8	1,12,100		40,000
		71,000		62,000				
Oct	5,000 @ \$2		4,000 @ \$2	8000			1,000 @ \$2	
	3,000 @ \$3		3,000 @ \$3	900			NIL	
Purchases	6,000 @ \$6	36,000	6,000 @ \$6	36,000	16,000 @ \$8	128,000	NIL	7,000
Purchases	3,000 @ \$7	<u>21,000</u>	3,000 @ \$7	<u>21,000</u>			NIL	
		57,000		74,000				
Nov	1,000 @ \$7						1,000 @ \$2	2,000
Purchases	4,000 @ \$8	32,000	4,000 @ \$8	32,000			NIL	
Purchases	9,000 @ \$9	<u>81,000</u>	9,000 @ \$9	<u>81,000</u>	13,000 @ \$10	130,000	NIL	
		113,000		113,000				

Trading Account for the three month period Sep. - Nov.20__

Opening Stock	\$ 10,000	Sales	\$ 370,000
Purchases	241,000		
	<u>251,000</u>		
Closing Stock	2,000		
	<u>249,000</u>		
Gross Profit	121,000		
	<u>\$370,000</u>		<u>\$370,000</u>

(a & b) Closing Stock and Gross Profit: AVCO

Date	In		At Cost	Out	At S.P.		Balance	
Sep	5,000 @ \$2	10,000						
Purchases	7,000 @ \$3	21,000						
Purchases	10,000 @ \$5	50,000						
		71,000						
	22,000	<u>81,000</u>					8,000 @	
	Average Cost	\$3.68	14,000 @ \$3.68	51,520	14,000 @ \$8	112,000	\$3.68	29,440
Oct	8,000 @ \$5	29,440						
Purchases	6,000 @ \$6	36,000						
Purchases	3,000 @ \$7	21,000						
		57,000						
	17,000	<u>86,440</u>					1,000 @	
	Average Cost	\$5.08	16,000 @ \$5.08	81,280	16,000 @ \$8	128,000	\$5.08	5,080
Nov	1,000 @ \$7	5,080						
Purchases	4,000 @ \$8	32,000						
Purchases	9,000 @ \$9	81,000						
		113,000						
	14,000	<u>118,080</u>					1,000 @	
	Average Cost	\$8.43	13,000 @ \$8.43	109,590	13,000 @ \$10	13,000	\$8.43	8,430

**Trading Account for the three month period
Sep - Nov. 20__**

Opening Stock	\$ 10,000	Sales	\$ 370,000
Purchases	241,000		
	<hr/>		
	251,000		
Closing Stock	8,430		
	<hr/>		
	* 242,570		
Gross Profit	127,430		
	<hr/>		
	\$370,000		
	<hr/>		
			<hr/>
			\$370,000
			<hr/>

* Note the discrepancy because of using 2 places of decimal

19. (i) Purchases of Crayons

DATE	DETAILS	PRICE PER BOX	TOTAL
April 1	12 boxes	20.00	240.00
10	20 boxes	22.00	440.00
20	15 boxes	24.00	360.00
28	5 boxes	25.00	125.00
		Total Purchases	<u>\$1,165.00</u>

(ii)

PURCHASES	SALES	CLOSING STOCK	
12 @ 20	12 @ 20 = 240	NIL	44
20 @ 22	18 @ 22 = 396	2 @ 22	360
15 @ 24	636	15 @ 24	<u>125</u>
5 @ 25		5 @ 25	\$529

(iii)

PURCHASES	SALES	CLOSING STOCK	
12 @ 20	10 @ 22 = 220	12 @ 20	240
20 @ 22	15 @ 24 = 360	10 @ 22	220
15 @ 24	5 @ 25 = 125	NIL	
5 @ 25		NIL	
	\$705		<u>\$460</u>

Purchases	\$ 8,000	Sales	\$ 900
Less: Closing Stock	460		
	<u>705</u>		
Gross Profit	195		
	<u>\$900</u>		<u>\$900</u>

20. (a)

Joe Mukram
Stock Form the month of October 20__ LIFO

DATE	RECEIPTS		ISSUE		BALANCE		
	UNIT	PRICE	UNIT	PRICE	UNIT	PRICE	VALUE
Oct 1					150	25	3,750
Oct 10	200	27	-		150	25	3,750
					200	27	<u>5,400</u>
Oct 15	-		200	27			
			30	25	120	25	3,000
Oct 21	500	30	-		120	25	3,000
					500	30	<u>15,000</u>
Oct 26	-		400	30			
					120	25	3,000
					100	30	<u>3,000</u>
Oct 31	-		100	30			
			20	35	100	25	<u>2,500</u>

(b) Sales = 230 x 50 = 11,500
 400 x 50 = 20,000
 120 x 55 = 6,600
38,100

Purchases = 200 x 27 = 5,400
 500 x 30 = 15,000
20,400

Joe Mukram
Trading Account for the year ended 31 October 20__

Sales	\$	\$	\$	38,100
Less Cost of Goods Sold				3,750
Opening Stock				20,400
Add Purchases				24,150
G.A.F.S.				(2,500)
Less Closing Stock				(21,650)
Gross Profit				<u>16,450</u>

(a) (i) Cartel Vee
 Cost of unsold units

$$\begin{aligned}
 &= \text{Opening stock} + \text{Purchases} - \text{Sales} \\
 &= 100 + 490 - 520 \\
 &= 600 - 520 \\
 &= 80
 \end{aligned}$$

(ii) (a) Value of Closing stock using the FIFO Method

Receipt	Issue	Balance
110 @ 55	-	110 @ 55 = 6,050
490 @ 70	-	110 @ 55 = 6,050 490 @ 70 = <u>34,300</u> 40,350
-	110 @ 55 410 @ 70	80 @ 70 = <u>\$5,600</u>

(ii) (b) Value of Closing Stock using LIFO Method:

Receipt	Issue	Balance
110 @ 55	-	110 @ 55 6,050
490 @ 70	-	110 @ 55 6,050
		490 @ 70 <u>34,300</u>
	490 @ 70	40,350
	30 @ 55	80 @ 55 4,400

(iii) Gross Profit using LIFO Method

Sales (100 x 520)		52,000
<u>Less Cost of Goods Sold</u>		
Opening Stock (110 x 55)	6,050	
Add Purchases (70 x 490)	<u>34,300</u>	
	40,350	
Less Closing Stock	(4,400)	(35,950)
		<hr/>
Gross Profit		<u>16,050</u>

(iv) Each method of stock valuation used will vary in value of closing stock and hence the gross profit. So it is of utmost importance for the company to decide which method of stock valuation it will use.

(v) Cost price that would be used to calculate the closing stock using the AVCO Method would be:

$$110 \times 55 = 6,050$$

$$\frac{490}{600} \times 70 = \frac{34,300}{600}$$

$$\text{AVCO price} = 40,350 \div 600$$

$$= 67.25$$

$$\text{Closing stock value} = 80 \times 67.25$$

$$= \$5,380$$

$$\text{(vi) Stock Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Stock}}$$

22. (a)

TOVA JOYCE
Revised Closing Inventory

Date	Details	\$	Date	Details	\$
20__			2015		
31- Dec	Balance B/d	8670	31 - Dec	Drawings	900
			31 - Dec	Returns Outwards	185
			31 - Dec	Balance C/d	<u>7585</u>
		<u>8670</u>			<u>8670</u>
31 - Dec	Balance B/d	7585			

Chapter 32: Payroll

Multiple Choice Answers

1. a 2. b 3. d 4. a 5. c
6. c 7. c 8. b 9. b 10. a
11. d 12. b 13. a 14. c 15. b
16. d 17. a 18. c 19. d 20. b

Structured Questions

1. (a) Gross Earnings: $40 \times 3.50 = \$140$

(b) Total Deduction: TAX 15.50

$$\begin{array}{r} \text{NIS } 3.80 \\ \underline{19.30} \\ \hline \end{array}$$

Net Earnings

$$\begin{aligned} &= \text{Gross Earnings} - \text{Total Deductions} \\ &= 140 \quad - 19.30 \\ &= \$120.70 \end{aligned}$$

2. Hours to be paid for:

(a) $(40 \times 1) + (4 \times 1 \frac{1}{2}) + (6 \times 2)$

$$40 + 6 + 12$$

Total Hours = 58

$$\begin{aligned} \text{(b) Earnings} &= 58 \times 4 \\ &= \$232 \end{aligned}$$

(c) This is Gross Earnings for statutory deductions are still to be taken out.

3. (a) $(40 \times 1) + (8 \times 1 \frac{1}{2}) + (8 \times 2)$

$$40 + 12 + 16$$

Total hours to be paid = 68

$$\begin{aligned} \text{(b) Gross Earnings} &= 68 \times 2.40 \\ &= \$163.20 \end{aligned}$$

$$\text{Tax: } \frac{10}{100} \times 163.20 = \$16.32$$

After Tax Earnings = $163.20 - 16.32 = \$146.88$

$$\text{N.I.S.} = \frac{2}{100} \times 146.88 = \$2.93$$

$$\begin{aligned} \text{Net Earnings} &= \text{Gross Earnings} - \text{Tax} - \text{N.I.S.} \\ &= 163.20 - 16.32 - 2.93 \\ &= \$143.95 \end{aligned}$$

4. Normal hours = 40

$$\text{Time and a half} = 4 \times 1 \frac{1}{2} = 6$$

$$\text{Double time} = 4 \times 2 = 8$$

$$\text{Treble time} = 12 \times 3 = 36$$

(a) Hours to be paid = 90 hours

$$\text{Normal Earnings} = 40 \times 5 = 200$$

$$\text{Other Earnings} = 50 \times 5 = 250$$

$$\text{Gross Earnings} = \$450$$

$$\text{Income in Excess of } \$300 = 450 - 300 = 150$$

$$\text{Income Tax} = \frac{25}{100} \times 150 = 37.50$$

$$\text{National Insurance} = \frac{1}{100} \times 200 = 2.00$$

$$\text{Income Tax} = \frac{1}{100} \times 200 = 2.00$$

$$\text{(b) Total Deductions} = 37.30 + 2.00 = \$39.50$$

$$\begin{array}{r} \text{(c) Gross Earnings} - \text{Deductions} = \text{Net Earnings} \\ 450 \quad \quad - \quad 39.50 \quad = \$410.50 \end{array}$$

5.

DATE	NORMAL	OVER - TIME		
		1 ½	2	3
Mo	8	3	-	-
Tu	7	-	-	-
We	8	4	-	-
Th	8	4	2	-
Fr	8	4	4	2
Hours Worked	39	15	6	2

Normal Hours = 39

$$\text{Time and a half} = 15 \times 1 \frac{1}{2} = 22 \frac{1}{2}$$

$$\text{Double Time} = 6 \times 2 = 12$$

$$\text{Treble Time} = 2 \times 3 = 6$$

(a) Hours to be paid for = 79 ½ hours

(b) Earnings = 79 ½ x 7 = 556.50

meal & Travelling = 4 x 15 = 60.00

C.O.L.A. = 62 X .25 = 15.50

(c) Gross Earnings = \$632.00

$$\text{Tax} = \frac{10}{100} \times 200 = 20$$

Earnings in excess = 632 - 200 = \$432 of \$200

$$\text{Additional Tax} = \frac{25}{100} \times 432 = 108$$

Total Tax Deductions = 20 + 108 = \$128

(d) Gross Earnings - Deduction = Net Earnings

632 - 128 = \$504

6.

Hours Worked Per Shift

DAYS	7 - 3	3 - 11	11 - 7	TOTAL
Su	8	5	-	13
Mo	8	-	-	8
Tu	-	-	-	-
We	-	-	-	-
Th	3	-	8	11
Fri	7	-	8	15
Hours Worked	26	5	16	47

Total Hours Worked

DAYS	NORMAL	OVERTIME		TOTAL
		1 ½	2	
Su	8	4	1	13
Mo	8	-	-	8
Tu	-	-	-	-
We	-	-	-	-
Th	8	3	-	11
Fri	8	4	3	15
Hours Worked	32	11	4	47

Normal hours (worked) = 32
 " " (sick) = 8

Total hours = 40
 Time and a half = $11 \times 1 \frac{1}{2} = 16 \frac{1}{2}$
 Double Time = $4 \times 2 = 8$
 Total Hours $64 \frac{1}{2}$
 Earnings = $64 \frac{1}{2} \times 6 = \387
 Shift Bonus = $5 \times 0.40 = 2.00$
 $= 16 \times 0.60 = 9.60$
 $= 11.60$

(a) Gross Earnings = \$398.60

Taxes = $\frac{10}{100} \times 150 = 15$

And $\frac{2}{100} \times 248.60 = 49.72$
 $15 + 49.72 = 64.72$

National Insurance = $\frac{2}{100} \times 150 = 3$

And $\frac{5}{100} \times 248.60 = 12.43$

Total = 15.43

(b) Total Deductions = $64.72 + 15.43$
 $= \$80.15$

(c) Gross Earnings - Total Deductions = Net Earnings
 $398.60 - 80.15 = \$318.45$

7.

EMPLOYEES	NORMAL	DOUBLE
A.T.	40	32
W.S.	40	15
E.D.	<u>40</u>	<u>20</u>
	120	67

A.T.

$40 \times 3 = 120$
 $32 \times 2 \times 3 = 192$
 Meal & Travelling $16 \times 7 = 112$
 Total = $= \$424$

W.S.

$$40 \times 4 = 160$$

$$15 \times 2 \times 4 = 120$$

Meal & Travelling $7 \times 7 = 49$

$$\text{Total} = \$329$$

E.D.

$$40 \times 6 = 240$$

$$20 \times 2 \times 6 = 240$$

Meal & Travelling $10 \times 7 = 70$

$$\text{Total} = \$550$$

(a) Total Gross Earnings = \$1,303

(b) Total Meal & Travelling allowance = $112 + 49 + 70$
= \$231

(c) Taxes A.T. $\frac{10}{100} \times 224 = 22.40$

$$\text{W.S. } \frac{20}{100} \times 179 = 35.80$$

$$\text{E.D. } \frac{50}{100} \times 150 = 75.00$$

$$\text{Total Taxes} = \$133.20$$

(d) A.T. : $424 - 22.40 = 401.60$

$$\text{W.S.: } 329 - 35.80 = 293.20$$

$$\text{E.D.: } 550 - 75.00 = 475.00$$

Total Net Earnings = $1,303 - 133.20$
= \$1,169.80

8.

Wages Sheet

NAME		EARNINGS				DEDUCTIONS				NET PAY
			MEAL & TRAVELLING	C.O.L.A.	GROSS PAY	TAXES	NI	OTHER	TOTAL	
C.F.	30 x 7 C.O.L.A.: 30 X 0.50	210.00	-	15.00	225.00	45.00	18.00	6.00	69.00	156.00
G.U.	45 X 7 O.T. 5 X 2 X 7 C.O.L.A.: 50 X 0.50 M & T 15	385.00	15.00	25.00	425.00	42.50	26.00	-	68.50	356.50
H.O.	40 X 10 H.A. 135 X 10 C.O.L.A.: 40 X 0.50	1,750.00	-	20.00	1,770.00	117.00	26.00	13.00	216.00	1,554.00
J.L.	45 X 10 O.T. 15 X 2 X 10 C.O.L.A.: 60 X 0.50 M & T 3 X 15	750.00	45.00	30.00	825.00	82.50	26.00	4.00	112.50	712.50
N.Z.	40 X 8 C.O.L.A.: 40 X 0.50	320.00	-	20.00	340.00	68.00	26.00	27.00	121.00	219.00
		3,415.00	60.00	110.00	3,585.00	415.00	122.00	50.00	587.00	2,998.00

$$\begin{aligned}
 9. (a) (i) \text{ Gross Pay} &= \text{Normal Pay} + \text{Overtime} \\
 &= (40 \times 10) + (10 \times 1.5 \times 10) \\
 &= 400 + 150 = 550
 \end{aligned}$$

$$\begin{aligned}
 (ii) \text{ P.A.Y.E} &= \frac{30}{100} \times (550 - 200) \\
 &= \frac{30}{100} \times 350 = \$105
 \end{aligned}$$

(iii) National Insurance

$$\begin{aligned}
 &= \frac{5}{100} \text{ of Gross Earnings} \\
 &= \frac{5}{100} \times 550 = \$27.50
 \end{aligned}$$

(iv) Net Pay

$$\begin{aligned}
 &= \text{Gross Pay} - (\text{P.A.Y.E} + \text{National Insurance}) \\
 &= 550 - (105 + 27.50) \\
 &= 550 - 132.50 = \$417.50
 \end{aligned}$$

(b) Payment on behalf of A. Kingdom
= (10% of 550) + 27.50
= 55 + 27.50 = \$82.50

10. (a)

Pay Sheet

EMPLOYEES	RATE PER HOUR	TOTAL WEEKLY GROSS WAGE	TOTAL WEEKLY SOCIAL SECURITY	TOTAL WEEKLY INCOME TAX	TOTAL WEEKLY DEDUCTION	TOTAL WEEKLY NET PAY
	\$	\$	\$	\$	\$	\$
CHARLES	10	400	8.00	17.00	25.00	375.00
MIKE	9	360	7.20	15.00	22.00	337.80
TOM	8	320	6.40	13.00	19.40	300.60
JOE	6	240	4.80	9.60	18.40	231.60
HARRY	5	200	4.00	8.00	12.00	188.00
					97.00	1,433.00

(b) (i) \$1,520

(ii) \$1,520

(iii) Cash / Bank

Income Tax Payable

Social Security Payable

*Weekly Income Tax

$$\left(\frac{4}{100} \times 300\right) + \left(\frac{5}{100} \times 100\right) = 17.00$$

$$\left(\frac{4}{100} \times 300\right) + \left(\frac{5}{100} \times 60\right) = 15.00$$

$$\left(\frac{4}{100} \times 300\right) + \left(\frac{5}{100} \times 20\right) = 13.00$$

$$\frac{4}{100} \times 240 = 9.60$$

$$\frac{4}{100} \times 200 = 8.00$$

11. (a) (i) - (v)

Pay Sheet

EMPLOYEES	TOTAL WEEKLY GROSS WAGES	TOTAL WEEKLY SOCIAL SECURITY	TOTAL WEEKLY INCOME TAX	TOTAL WEEKLY DEDUCTIONS	TOTAL WEEKLY NET PAY
	\$	\$	\$	\$	\$
THOMAS	336	3.36	6.72	10.08	325.92
FRED	240	2.40	4.80	7.20	232.80
VINCENT	192	1.92	3.84	5.76	186.24

(b) (i) Time Cards

(ii) Pay Slips

(iii) Cumulative Record Card

(v) National Insurance Cards/Stamps

12. (a) (i) Gross Pay – total amount worked for
(ii) Net Pay- amount the worker gets after deduction
(iii) Statutory Deductions – the amount the laws of the state specify that must be taken out from one’s wages.

(b) **Payroll**

NAMES	EARNINGS			DEDUCTIONS					NET PAY
	HOURS WORKED	RATE PER HOUR	GROSS PAY	N.I N.P.F	INCOME TAX	INSUR	N.I.S.	TOTAL	
U. KNOTT	10	5	50	2.50	4.75	5.00	2.00	14.25	35.75
Y. GRAHAM	8	5	40	2.00	3.80	-	2.00	7.80	32.20
N. MAINGOT	5	5	25	1.25	2.38	-	2.00	5.63	19.37
P.LATTIBEUDIÈRE	6	5	30	1.50	2.85	-	2.00	6.35	23.65
A. MACKO	12	5	60	3.00	5.70	-	2.00	10.70	49.30
			\$205	\$10.25	\$19.48	\$5.00	\$10.00	\$44.73	\$160.27

Wages Account

Bank	\$ 160.27	To Profit & Loss Account	\$ 205.00
National Insurance/ N.P. Fund	10.25		
Income Tax Payable	19.48		
Insurance Payable	5.00		
Health Insurance Payable	10.00		
	<u>\$205.00</u>		<u>\$205.00</u>

Income Tax Payable Account

	Wages Expenses	19.48
--	----------------	-------

Insurance Payable Account

		Wages Expenses	5.00
--	--	----------------	------

Health Insurance Payable Account

		Wages Expenses	10.00
		Health Insurance A/c	10.00

National Insurance / N.P. Fund Payable Account

		Wages Expenses	10.25
--	--	----------------	-------

Health Insurance Account

To HI Payable	10.00		
---------------	-------	--	--

13. (a)

Payroll Register

EMPLOYEE	TOTAL HOURS	REGULAR	OVER-TIME	GROSS	ACCUMULATED OR YEAR TO DATE EARNINGS	NAT INS	INCOME TAX	LIFE INS	CREDIT UNION	TOTAL	NET PAY
P. ALLEN	52	600	180	780	18,780	15.60	76.44	35.00	150.00	277.04	502.26
R. BASCOE	49	320	72	392	6,892	7.84	38.42	20.00	50.00	116.26	275.74
N. CUMMINGS	40	200	NIL	200	430	4.00	19.60	10.00	25.00	58.60	141.40

(b)

Employees Earnings Record

(i) NAME: Norman Cummings
 ADDRESS: 25 Main Street St. Georges
 DATE OF BIRTH: 11.09.64
 MARTIAL STATUS: SINGLE
 HIRED: 04.04.88
 HOURLY RATE: \$5.00
 POSITION: GARAGE ATTENDANT

(ii)

PERIOD ENDED	ACCUMULATED OR YEAR TO DATE EARNINGS	REGULAR	OVER -TIME	GROSS	NAT INS.	INCOME TAX	LIFE INS.	CREDIT UNION	TOTAL	NET PAY
1988 April 16	430.00	200.00	NIL	200.00	4.00	19.60	10.00	25.00	58.60	141.40

14.

(a)

Employee	Hours Worked	Pay rate per hour	Gross pay	Deductions		Total Deductions	Net pay
				National Insurance	PAYE		
Phiang	40	100	4,000	80	170	250	3,750
Razak	40	90	3,600	72	150	222	3,378
Agun	40	80	3,200	64	130	194	3,006
Aminah	40	60	2,400	48	96	144	2,256
Halimah	40	50	2,000	40	80	120	1,880
			15,200	304	626	930	14,270

(a) Prepare the specific ledger accounts involved.

(b) Prepare the Journal entries as at 5 February 2009.

Bank A/c

			Wages	14,270
	Feb 5		Taxes Payables	626
	Feb 5		N.I.S. Payable	304

Wages A/c

Bank	14,270			
Taxes Payables	626			
N.I.S. Payable	305			

Taxes Payable A/c

Feb 5.	Bank	<u>626</u>	Wages	<u>626</u>
--------	------	------------	-------	------------

N.I.S. Payable A/c

Feb 5.	Bank	<u>304</u>	Wages	<u>304</u>
--------	------	------------	-------	------------

General Journal

Feb 5	Taxes Payable A/c Dr. To Bank A/c Being taxes paid to the Revenue Department by cheque	626	626
	N.I.S Payable A/c Dr. To Bank A/c Being N.I.S contribution paid to the national insurance board.	304	304

15. (a) Mark gross pay

Hours Worked = 27
 Rate = \$30

Gross Pay = Hours worked x Rate
 = 27 x 30
 = \$810

(ii) John gross pay

Normal hours = 40
 Hours Worked = 46
 Normal rate = \$30
 Overtime rate = 1 ½ x 30
 = \$45

Basic Pay = 40 x 30
 = \$1,200

Overtime Pay = 6 x 45
 = \$270

Gross Pay = 1,200 + 270
 = \$1,470

(b) EL CREATION
Payroll Sheet

Employee	Gross Pay \$	Social Security \$	Taxable Income \$	Income Tax \$	Total Deduction \$	Net pay \$
Mark	810	40.5	769.5	76.95	117.45	692.55
John	1,470	73.5	1,396.5	139.65	213.15	1,256.85
TOTALS		114	2,166	216.60	33-.60	1,949.40

(c) **Statutory deductions** are mandatory by law and must be deducted from an employees' salary and paid over to the respective government agency, example Income Tax, National Housing trust, National Insurance Scheme, etc.

Voluntary deductions are not mandatory by law, they are deductions that are requested by the employee and can be terminated at any given time with a written agreement between the employee and the other party involves. Example, Loan payments, Credit Union deductions, etc.

16. (a) Attendance register
Time sheets

(b) **Voluntary deductions** – employees gives instruction for the specific deduction amount to be taken from salary to meet obligations, example Credit Union deductions, loan repayments.

Statutory Deductions – Are mandatory deductions by law and must be deducted and paid to the relevant government agencies, example income tax, national housing trust, education tax.

(c) **PETS PLUS
Payroll Sheet
For the Week Ended 26 April 2014**

Employee	Pay rate \$	Normal Hours Or days	Overtime hours	Normal Pay \$	Over Time pay \$	Gross Pay \$	Social Security \$	Pension Fund \$	Taxablw Income \$	Income Tax \$	Total Deduction \$	Net Pay \$
Sales Attendant	10	40	5	400	75	475	23.75	4.75	446.5	44.65	73.15	401.85
Cashier	120	5	-	600	-	600	30	6	564	56.4	92.40	507.60
TOTALS				1,000	74	1,057	53.75	10.75	1,010.50	101.05	101.05	909.45

Chapter 33: Financial Plan: Budgeting Relationship

6. (a) Sleep Rite Co Sales Budget for the period
January to March 20_1.

	Quantity	Unit Price	Amount
January	1000	\$300	300,000
February	1000	\$300	300,000
March	700	\$400	<u>280,000</u>
			<u>\$880,000</u>

(b) Total revenue for the period January to March is \$880,000

(c)	Revenue	Cash Collected			Total
		Jan	Feb	Mar	
January	300,000	240,000	60,000	-	300,000
February	300,000	-	240,000	60,000	300,000
March	400,000	<u>-</u>	<u>-</u>	<u>224,000</u>	<u>224,000</u>
		<u>240,000</u>	<u>300,000</u>	<u>284,000</u>	<u>824,000</u>

Total Cash Collected \$824,000

(d) Accounts Receivable = Total Revenue - Total Cash Collected
 = 880,000 - 824,000
 = \$56,000

7. (a)	April	May	June
Production Needs	175 x 40 = 7,000	175 x 40 - 7,000	175 x 40 = 7,000
Inventory Needs	50 x 40 = <u>2,000</u>	50 x 40 - <u>2,000</u>	50 x 40 = <u>2,000</u>
	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>

(b) Raw materials needs 27,000 square feet.

(c) Raw materials to be purchased:

April	May	June	Total
9,000 x 20	9,000 x 20	9,000 x 2	
180,000	180,000	180,000	<u>\$ 540,000</u>

(d) Cash Collection:

April	May	June -	Outstanding
108,000	72,000	-	
-	108,000	72,000	
<u>-</u>	<u>-</u>	<u>108,000</u>	72,000
<u>\$108,000</u>	<u>\$180,000</u>	<u>\$180,000</u>	

Accounts Payable: \$72,000

8. Cash Budget for the period
January to March 20_2

	January	February	March
Cash Receipts:			
Cash Sales	8,000	10,000	7,000
Receipts from Debtors	<u>81,000</u>	<u>72,000</u>	<u>90,000</u>
	<u>89,000</u>	<u>82,000</u>	<u>97,000</u>
Cash Payments:			
For Materials	16,000	15,000	32,000
Wages	4,000	4,000	30,000
Salaries	6,000	6,000	16,000
Selling Expenses	7,000	7,000	17,000
Capital Expenditure	-	20,000	-
Loan Payment	<u>-</u>	<u>-</u>	<u>30,000</u>
	<u>33,000</u>	<u>52,000</u>	<u>125,000</u>
Increase (Decrease)	56,000	30,000	< 28,000 >
Beginning balance	<u>6,000</u>	<u>62,000</u>	<u>92,000</u>
Ending balance	<u>\$62,000</u>	<u>\$92,000</u>	<u>\$64,000</u>

9. (a) Sales Budget for the period
May to July 20_1

	May	June	July
Sales Units	60,000	70,000	70,000
Unit Price	x 25	x 25	x 25
Total Revenue	\$75,000	\$87,500	\$87,500

Total \$250,000

(b) Cost of Production Budget for the period
May to July 20_1

	May	June	July
Production Units	45,000	55,000	35,000
Raw Materials Purchases	<u>105,000</u>	<u>88,000</u>	<u>102,000</u>
Other Production Cost per unit	45,000	55,000	35,000
	<u>x 13</u>	<u>x 13</u>	<u>x 13</u>
	<u>585,000</u>	<u>715,000</u>	<u>455,000</u>
Total	\$690,000	803,000	557,000

Total Cost of Production \$4050,000

10. Break even points in units.

$$\begin{aligned}
 \text{(a) Break Even point in Units} &= \frac{\text{Fixed Cost}}{\text{Contribution Margin per unit}} \\
 &= \frac{18,000 + 15,000}{6,000 - 3,000} \\
 &= \frac{33,000}{3,000} \\
 &= 11 \text{ units}
 \end{aligned}$$

$$\begin{aligned}
 \text{(b) Revenue} &= 6,000 \times 40 = 240,000 \\
 \text{Less: Variable Cost} &= 3,000 \times 40 = \underline{120,000} \\
 \text{Contribution} &120,000 \\
 \text{Less: Fixed Cost} &\underline{33,000} \\
 \text{Net Profit} &\underline{\underline{\$87,000}}
 \end{aligned}$$

$$\begin{aligned}
 \text{(c) Contribution Margin Ratio} &= \frac{\text{Contribution per unit}}{\text{Revenue per unit}} \times 100 \\
 &= \frac{3000}{6000} \times 100 \\
 &= 50\%
 \end{aligned}$$

$$\begin{aligned}
 \text{(d) Target Sales Units} &= \frac{\text{Fixed Cost} + \text{Target Profit}}{\text{Contribution Margin per unit}} \\
 &= \frac{33,000 + 51,000}{3,000} \\
 &= \frac{84,000}{3,000} \\
 &= 28 \text{ units}
 \end{aligned}$$

Chapter 34: Business Plan One: A new Business

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. d | 2. d | 3. d | 4. a | 5. d |
| 6. a | 7. d | 8. d | 9. d | 10. d |
| 11. c | 12. d | 13. c | 14. d | 15. d |

Chapter 35: Business Plan One: An Existing Business

Multiple Choice Answers

- | | | | | |
|------|------|------|------|-------|
| 1. d | 2. d | 3. a | 4. d | 5. d |
| 6. d | 7. b | 8. d | 9. d | 10. a |

Chapter 36: Incomplete Records

Multiple Choice Answers

- | | | | | |
|-------|-------|-------|-------|-------|
| 1. b | 2. b | 3. c | 4. d | 5. a |
| 6. a | 7. a | 8. c | 9. a | 10. b |
| 11. b | 12. b | 13. c | 14. b | 15. d |
| 16. c | 17. d | 18. a | 19. b | 20. b |
| 21. c | 22. d | 23. d | 24. b | |

1. Sales Ledger Control Account

20__			
Jan 1 Bal b/f	9,620	Receipts from credit customers	93,690
* Sales	97,110	Cash discount allowed	410
(balancing figure)		2009	
		Dec 31 Bal. c/f	12,630
	<u>106,730</u>		<u>106,730</u>

Purchases Ledger Control Account

20__			
Payment to Suppliers	59,880	Jan 1 Bal. b/f	8,650
Cash discount received	860	* Purchases	58,730
Credit note received	850	(Balancing figure)	
Purchases Return)			
20__			
Dec 31 Bal. c/f	<u>5,790</u>		<u>67,380</u>
	<u>6,7380</u>		<u>67,380</u>

2. Satira's Statement of Financial Position
as at 31st March 20__

		\$
<u>Non – Current Assets</u>		
Motor Vehicle		45,000
Office Furniture		<u>20,000</u>
		65,000
<u>Current Assets</u>		
Inventory	6,800	
Trade Receivables	23,900	
Cash at Bank	<u>12,000</u>	
	42,700	
<u>Less Current Liabilities</u>		
Trade Payables	(27,700)	
Working Capital		<u>15,000</u>
Net Assets		<u>80,000</u>
<u>Financed by:</u>		
Capital at Start (Opening)		53,000
Add: Net Profit (Balancing figure) *		29,000
Less: Drawing		<u>(2,000)</u>
Capital at End (Closing)		<u>80,000</u>

* Assets – Liabilities = Capital

Net Assets = Closing Capital

Closing Capital + Drawing – Opening Capital = Net Profit

8,000 + 2,000 – 53,000 = 29,000

3. **Amilia Statement of Financial Position**
as at 31st December 20__

	\$		
Non Current Assets	Cost 24,000	Depreciation 2,400	N.B.V 21,600
Current Assets			
Stock	8,400		
Trade Receivables	6,900		
Bank	<u>2,680</u>		
		1,7980	
Less: Current Liabilities			
Trade Payables	2,580		
Loan from TAIB	5,000		
* Private Investment	4,000		
		<u>(11,580)</u>	
Working Capital			<u>6,400</u>
Net Assets			<u>28,000</u>
Financed by:			
Capital at Start			25,000
Add: Net Profit *			13,000
Less: Drawings			<u>(10,000)</u>
			<u>28,000</u>

Closing Capital + Drawings – Opening Capital = Net Profit
 28,000 + 10,000 – 25,000 = 13,000

*Private investment treated as a current liability since the investment belongs to the owner and not the business (Separate Entity Concept).

4. Capital at Start = Assets - Liabilities

Assets as at 31 Dec 20__ - Liabilities as at 31 Dec. 20__

Premises -	\$100,000	Trade Payables -	\$9,100
Trade Receivables -	\$24,000		
Inventory -	\$27,800		
Cash at Bank -	<u>\$19,300</u>		
	<u>\$171,100</u>		<u>\$9,100</u>

Capital at Start = 171,100 - 9,100 = \$162,000

Capital at end = Assets - Liabilities

<u>Assets as at 31 Dec 20__</u>	-	<u>Liabilities as at 31 Dec. 20__</u>	
Premises -	\$100,000	Trade Payables -	\$10,000
Trade Receivables -	\$17,500		
Inventory -	\$34,900		
Cash at Bank -	\$16,300		
	<u>\$168,700</u>		<u>\$10,000</u>

Capital at End = 168,700 - 10,000 = \$158,700

Merah Kebun Company Statement of Profit / Loss

Closing Capital	158,700
Add: Drawings (35,000 + 8,000)	<u>43,000</u>
	201,700
Less: Opening Capital	<u>162,000</u> -
Net Profit	<u>39,700</u>

5. Ferguson
Statement of Affairs as at 1 October 20__

<u>Assets</u>	\$
Premises	22,000
Equipment	4,300
Inventory	5,700
Trade Receivables	1,900
Bank	<u>850</u>
	34,750

<u>Less: Liabilities</u>	
Trade Payables	<u>2,550</u>
Capital at Start	<u>32,200</u>

Statement of Affairs as at 30 Sept. 20__

Assets	\$	
Premises	32,000	
Motor Vehicles	6,200	
Equipment	3,900	
Inventory	6,400	
Trade Receivables	<u>2,000</u>	
		50,500

Less: Liabilities		
Trade Payable	1,950	
Bank Overdraft	2,250	
Private Investment	<u>5,000</u>	
		<u>9,200</u>
Capital at End		<u>41,300</u>

Ferguson Statement of Profit / Loss
as at 30 Sept. 20__

Capital at End	\$41,300
Add: Drawings (250 x 12: 3,000 + 1,000)	4,000
	<u>45,300</u>
Less: Capital at Start	<u>32,200</u>
Net Profit	<u>13,100</u>

6. Income Statement Calculations:
 (i) Calculate Total Sales = Cash + Credit Sales

Trade Receivables Control Account

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Bal b/f</td> <td style="width: 35%; text-align: right;">19,700</td> </tr> <tr> <td>Credit Sales</td> <td></td> </tr> <tr> <td>(balancing figure)</td> <td style="text-align: right;">67,080</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>86,780</u></td> </tr> </table>	Bal b/f	19,700	Credit Sales		(balancing figure)	67,080		<u>86,780</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Cash Receipts</td> <td style="width: 35%; text-align: right;">79,200</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">730</td> </tr> <tr> <td>Discount Allowed</td> <td style="text-align: right;">630</td> </tr> <tr> <td>Return inwards</td> <td style="text-align: right;">460</td> </tr> <tr> <td>Bal c/f</td> <td style="text-align: right;"><u>5,760</u></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>86,780</u></td> </tr> </table>	Cash Receipts	79,200	Bad debts	730	Discount Allowed	630	Return inwards	460	Bal c/f	<u>5,760</u>		<u>86,780</u>
Bal b/f	19,700																				
Credit Sales																					
(balancing figure)	67,080																				
	<u>86,780</u>																				
Cash Receipts	79,200																				
Bad debts	730																				
Discount Allowed	630																				
Return inwards	460																				
Bal c/f	<u>5,760</u>																				
	<u>86,780</u>																				

* Total Sales = Cash + Credit Sales
 \$98,580 = 31,500 + 67,080

- (ii) Calculate Total Purchases = Cash + Credit Purchases

Trade Payables Control Account

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Cash Payment</td> <td style="width: 35%; text-align: right;">68,900</td> </tr> <tr> <td>Bal c/f</td> <td style="text-align: right;">11,400</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>80,300</u></td> </tr> </table>	Cash Payment	68,900	Bal c/f	11,400		<u>80,300</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Bal b/f</td> <td style="width: 35%; text-align: right;">18,300</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">62,000</td> </tr> <tr> <td>(balancing figure)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>80,300</u></td> </tr> </table>	Bal b/f	18,300	Purchases	62,000	(balancing figure)			<u>80,300</u>
Cash Payment	68,900														
Bal c/f	11,400														
	<u>80,300</u>														
Bal b/f	18,300														
Purchases	62,000														
(balancing figure)															
	<u>80,300</u>														

* Total Purchases = Cash + Credit Purchases
 \$64,300 = 2,300 + 62,000

* Depreciation = Opening balance + Addition – Closing balance
 Of Office Furniture 12,400 + 1,300 – 12,500
 \$1,200 = 13,700 – 12,500

6. (a)

Rudy Company
Income Statement for the period
Ending 31 March 20__

		\$
Sales		98,580
Less: Return Inwards		<u>460</u>
Net Sales		98,120
Opening Inventory	14,900	
Add: Purchases	<u>64,300</u>	
Goods Available for Sale	79,200	
Less: Closing Inventory	<u>15,800</u>	
Cost of Sales		<u>63,400</u>
Gross Profit		34,720
Less: Operating Expenses		
Office expenses	1,720	
* Depreciation on Office Furn.	1,200	
Advertising	3,100	
Salaries and wages (19,600 + 2,100)	21,700 +	
Discount allowed	630	
Bad Debts	<u>730</u>	
Total expenses		<u>29,080</u>
Net Profit		<u><u>5,640</u></u>

6. Balance Sheet Calculations

Bank Account

Bal. b/f	5,230	Purchases	2,300
Trade Receivables	79,200	Office Expenses	1,720
Sales	31,500	Office Furniture	1,300
		Advertising	3,100
		Salaries/ Wages	19,600
		Creditors	68,900
		Drawings	3,200
		Bal. c/f *	15,810
	<u>115,930</u>		<u>115,930</u>

Capital at Start 1.4.2009

Assets		-	Liabilities	
Office Furniture	12,400		Trade Payable	18,300
Inventory	14,900			
Trade Receivables	19,700			
Cash at Bank	5,230			
	<u>52,230</u>			<u>18,300</u>

$$\begin{aligned} \text{Capital} &= 52,230 - 18,300 \\ &= 33,930 * \end{aligned}$$

6. (b)

Rudy Company
Balance Sheet as at 31 March 20__

	\$		
<u>Non Current Assets</u>	Cost	Depreciation	N.B.V
Office Furniture (12,400 + 1,300)	13,700	1,200	12,500
<u>Current Assets</u>			
Closing Inventory	15,800		
Trade receivables	5,760		
Cash at bank*	<u>15,810</u>		
		37,370	
Less: Current Liabilities			
Trade Payables	11,400		
Accrued Salaries/ Wages	<u>2,100</u>		
		<u>13,500</u>	
Working Capital			<u>23,870</u>
Net Assets			<u>36,370</u>
Financed by:			
Capital at Start*			33,930
Add: Net Profit			<u>5,640</u>
			39,570
Less: Drawings			<u>3,200</u>
			<u>36,370</u>

7. (i)

Debtors Control Account

Bal. b/d	3,625	Cash	11,230
Sales	12,185	Bad Debts	205
		Discount Allowed	335
		Bal. c/d	4,040
	<u>\$15,810</u>		<u>\$15,810</u>

Total Sales 12,185 + 600 = 12,785

Creditors Control Account

Bank	8,595	Bal. b/d	2,070
Discount Received	235	Purchases	9,725
Returns	150		
Bal. c/d	<u>2,815</u>		
	<u>\$11,795</u>		<u>\$11,795</u>

General Expense Account

Bank	3,600	Bal. b/d	500
Bal. c/d	<u>250</u>	To Profit & Loss	<u>3,350</u>
	<u>\$3,850</u>		<u>\$3,850</u>

(ii) **Bank Summary**

Bal. b/d	8,000	Creditors	8,595
Debtors	11,230	General Expenses	3,600
Sales	600	Drawings	500
	<u>19,830</u>	Bal. c/d	<u>7,135</u>
			<u>\$19,830</u>

(iii) **Tom Johnson Trading Account
for the year ended March 31, 20__**

Opening Stock	990	Sales	12,785
Purchases	9,725		
Less: Returns	<u>150</u>		
	<u>9,575</u>		
	10,565		
Less: Closing Stock	<u>1,080</u>		
	9,485		
Gross Profit	<u>3,300</u>		
	<u>\$12,785</u>		<u>\$12,785</u>

(iv) \$3,350 is the expense for the period

8.

(i) **F. Gee Statement of Affairs
As at January 1, 20__**

Capital	16,600	Stock	7,250
Creditors	5,000	Debtors	13,750
Overdraft	<u>1,000</u>	Cash	<u>1,600</u>
	<u>\$22,600</u>		<u>\$22,600</u>

(ii)

Cash and Bank Summary

	Cash	Bank		Cash	Bank
Bal. b/d	1,600	-	Bal. b/d	-	1,000
Credit Sales	9,000	15,000	Creditors	4,250	10,000
	<u>10,600</u>	<u>15,000</u>	Bal. c/d	<u>6,350</u>	<u>4,000</u>
				<u>10,600</u>	<u>15,000</u>

(iii)

Debtors Control Account

Bal. b/d	13,750	Cash	9,000
Credit Sales	30,200	Bank	15,000
	<u>43,950</u>	Bal. c/d	<u>19,950</u>
			<u>43,950</u>

(iv)

Creditors Control Account

Cash	4,250	Bal. b/d	5,000
Bank	10,000	Credit Purchases	13,500
Bal. c/d	<u>4,250</u>		<u>18,500</u>
	<u>18,500</u>		

(v)

F. Gee
Trading & Profit and Loss Account
For the year ended December 31, 20__

Opening Stock	7,250	Sales	30,200
Purchases	<u>13,500</u>		
	20,750		
Less: Closing Stock	<u>6,000</u>		
	14,750		
Gross Profit c/f	<u>15,450</u>		
	<u>\$30,200</u>		<u>\$30,200</u>
Rent	500	Gross Profit b/d	15,450
Net Profit	<u>14,950</u>		
	<u>\$15,450</u>		<u>\$15,450</u>

F. Gee Balance Sheet
As at December 31, 20__

CURRENT ASSETS		CAPITAL	
Stock	6,000	At Start	16,600
Debtors	19,950	Add: Net Profit	<u>14,950</u>
Bank	4,000		31 550
		CURRENT LIABILITIES	
		Creditors	4,250
		Rent Accrued	<u>500</u>
			<u>4,750</u>
	<u>\$36,300</u>		<u>\$36,300</u>

9. (i) Opening Capital = \$25,061

(ii) **U. Hosler Profit & Loss Account
for the year ended December 31, 20__**

Spare parts used	650	Revenue from	\$26,000
Insurance	1,080	Services	
Wages	5,440		
Depreciation	<u>1,274</u>		
	8,444		
Net Profit	<u>17,556</u>		
	<u>\$26,000</u>		<u>\$26,000</u>

**U. Hosler Balance Sheet
As at December 31, 20__**

FIXED ASSETS

Vehicles	12,740	
Less: Provision of Depreciation	<u>1,274</u>	
		11,466
Tools and Equipment		<u>8,360</u>
		20,096

CURRENT ASSETS

Stock	300	
Debtors	2,500	
Bank	12,921	
Insurance	<u>540</u>	
	16,261	

CURRENT LIABILITIES

Wage	<u>240</u>	
Working Capital	<u>16,021</u>	
Net Assets/ Capital Employed	<u>\$36,117</u>	

FINANCED BY

Capital	25,061	
Net Profit	<u>17,556</u>	
	42,617	
Less: Drawings	<u>6,500</u>	
	<u>\$36,117</u>	

(iii)

Cash Account

Bal. b/d	2,900	Insurance	1,620
Sales	23,500	Wages	5,200
Debtor	1,836	Utilities owing	370
		Suppliers	1,625
		Drawings	6,500
		Bal. c/d	<u>12,921</u>
	<u>\$28,236</u>		<u>\$28,236</u>

10. (a)

J. Jones Cash Book

DATE	PARTICULARS	CASH	BANK	DATE	PARTICULARS	CASH	BANK
20__				20__			
Apr. 1	J. Jones Capital		6,000		Lease	100	
	*Takings Cash	13,933	12,050		Lease	100	
					Lease	100	
				June 30	Lease	100	
				Sep. 30	Wages	597	
				Dec. 30	Sundry Expenses	104	
				1981	Purchases	158	
				Mar. 31			
					Drawings	624	
					Bank	12,050	3,750
					Mr. Rockley		10,000
					Purchases		300
					Rent		196
					Water Rates		49
					Electricity		100
					Fittings		

J. Jones Capital Account

20__		\$
Apr. 1	Bank	6,000

Fittings Account

20__		\$	
Apr. 1	M. Rockley	500	
	Bank	100	

Goodwill Account

20__		\$	
Apr. 1	M. Rockley	2,000	

Stock Account

20__		\$	
Mar. 31	Goods on hand	1,456	

Lease Account

20__		\$	
Jun. 30	Cash	100	
Sep. 30	Cash	100	
Dec. 30	Cash	100	
1981			
Mar. 31	Cash	100	

Cash Takings:	
Lease	400
Wages	597
Sundry	104
Purchases	158
Drawings	624
Banking	12,050
	<u>13,933</u>

Purchases:	
Stock bought	1,250
Cash	158
Bank	10,000
Creditor	268
	<u>11,676</u>

Sundry Expenses

Mar. 31	Cash	104
---------	------	-----

Purchases Account

Mar. 31	Cash	158
	Bank	10,000
	M. Rockey	1,250

Drawings Account

Mar. 31	Cash	624
---------	------	-----

Mr. Rockley

Mar. 31	Bank	3,750	Fittings	500
			Good Will	2,000
			Purchases	1,250

Rent Account

Mar. 31	Bank	300		
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Water Account

Mar. 31	Bank	196		
---------	------	-----	--	--

Electricity Account

Mar. 31	Bank	49		
---------	------	----	--	--

Sales Account

			Apr. 1	Cash	13,933
--	--	--	--------	------	--------

(b)

J. Jones
Trading and Profit and Loss Account
For the year ended March 31, 20__

Opening Stock	NIL	Sales	13,933
Purchases	<u>11,676</u>		
	11,676		
Closing Stock	<u>1,456</u>		
	10,220		
Gross Profit c/d	<u>3,713</u>		
	<u>\$13,933</u>		<u>\$13,933</u>
Lease expense	400	Gross Profit b/d	3,713
Sundry	597		
Rent	104		
Water rates	196		
Electricity	66		
Depreciation	<u>60</u>		
	1,723		
Net Profit	<u>\$1,990</u>		
	<u>\$3,713</u>		<u>\$3,713</u>

J. Jones Balance Sheet
As at March 31, 20__

FIXED ASSETS

Goodwill		2,000	
Fittings	600		
Less: Description	<u>60</u>		
		<u>540</u>	
		2,540	

CURRENT ASSETS

Stock	1,456		
Debtors	-		
Bank	<u>3,655</u>		
	5,111		

CURRENT LIABILITIES

Creditors	268		
Accruals	<u>17</u>		
	<u>285</u>		
		4,826	
		<u>\$7,366</u>	

FINANCED BY

Capital		6,000	
Net Profit		<u>1,990</u>	
		7,990	
Drawings		<u>624</u>	
		<u>\$7,366</u>	

11. (a) (i) Opening Capital:

Assets – Trade Debtors	400	
Rates Paid in Advance	NIL	
Stocks	1,200	
Equipment	<u>2,500</u>	
		4,100
Liabilities – Creditors		<u>750</u>
		<u>\$3,350</u>

(ii) Total Credit Sales:

Debtors Control Account

Bal. b/d	400	Cash from debtors	2,090
∴ Credit Sales	2,415	Bad Debts	75
		Discount Allowed	50
		Bal. c/d	<u>600</u>
	<u>\$2,815</u>		<u>\$2,815</u>

(iii) Total Sales:

Cash Sales: Amount banked	10,250
Son's lunch (10 x 52)	<u>520</u>
	10,770
Credit Sales	<u>2,415</u>
Total	<u>\$13,185</u>

(iv) Total Credit Purchases:

Creditors Control Account

Payments	8,540	Bal. b/d	750
Bal. c/d	<u>960</u>	∴ Credit Purchases	<u>8,750</u>
	<u>\$9,500</u>		<u>\$9,500</u>

(a) 1. A trial balance cannot be prepared without the double entry system.

2. The accurate income or loss would not be determined.

12.(ii)

Khalel's Gardening Centre
Statement of Affairs as at 1 February 20__

	COST	DEPRECIATION	NBV
	\$	\$	\$
Fixed Assets			
Property	40,000	-	40,000
Motor Van	9,000	-	9,000
	49,000	-	49,000
Current Assets		4,000	
Inventory		1,475	
Accounts Receivables		400	
Prepaid Water Rates		1,240	
Cash		7,115	
Less Current Liabilities			
Accounts Payable	925		
Accruals	210	(1,135)	
Working Capital			5,980
			54,980
Financed By:			
Capital			54,980

(b) (i)

Khalel's Gardening Centre
Total Sales Control Account for the year ended 31 January 20__

	\$		\$
Balance B/d	1,475	Bank Payment	32,600
Credit Sales	33,500	Bad Debts	75
	<u>34,975</u>	Balance C/d	<u>2,300</u>
Balance B/d	2,300		<u>34,975</u>

(ii)

Khalel's Gardening Centre
Trading and Profit and Loss Account for the year ended 31 December 20__

	\$	\$	\$
Sales			33,500
<u>Less Cost of Goods Sold</u>			
Opening Inventory		4,000	
Add Purchases		<u>17,455</u>	
G.S.F.S.		21,455	
Less Closing Stock		<u>(5,600)</u>	
C.O.G.S			<u>(15,855)</u>
Gross Profit			17,645
<u>Less Expenses</u>			
Loan interest owing		100	
Depreciation on Motor Van		2,000	
Bad Debts		75	
Other Expenses		6,115	(8,290)
Net Profit			<u>9,355</u>

(iii) Long- term Liabilities

13. (a)

Jack Rapper
Statement of Affairs as at January 1 20__

	Cost	Depreciation	Net Book Value
<u>Fixed Assets</u>	\$	\$	\$
Motor Vehicles	25,000	-	25,000
<u>Current Assets</u>			
Inventories		8,945	
Accounts Receivables		10,200	
Prepayments		600	
Bank		14,500	
Cash in Hand		760	
		35,005	
Less Current Liabilities			
Accounts Payable		(6,400)	
Working Capital			28,605
			53,605
Financed By:			
Capital			53,605

Accounts Receivable

Bal. b/d	10,200	Bank	69,200	
(b) . . . Sales	6,7400			
	77 600	Bal. c/d	8400	
	77 600		77 600	

(c)

Jack Rapper
Trading and Profit and Loss Account for the year ended 31 December '20__

Sales			\$ 67,400
Less Cost of Goods			
Opening Inventories		8,945	
Add Purchases		38,300	
Goods Available for Sale		47,245	
Less Closing Inventories		(9,800)	(37,445)
Gross Inventories			29,955
Gross Profit			
<u>Less Expenses</u>			
Rent		6,000	
Utilities	9,100		
Add Opening Prepayment	600	9,700	
General expenses		4,700	
Wages	8,600		
Add Owings	750	9,350	
Provision for depreciation on Motor Vehicle		2,000	(31,750)
Net Loss			(1,795)

