



# Teacher's manual: Answers to X questions

## PART 1 Introduction to principles of accounting

### Chapter 1 Introduction to accounting principles

1.3X Refer to Section 1.2.

1.5X An employer would look for the following qualities: up-to-date and truthful CV, relevant qualifications, relevant work experience, references, professional appearance and demeanour, candidate's aims.

### Chapter 2 Professional ethics

2.2X Amy should politely refuse to answer the request. The fundamental principle applicable here is confidentiality.

2.4X (a) George should tell his manager, Mr Johnson, that he would like to take up the transfer but should ask for some training.

2.4X (b) Integrity

2.6X (a) It appears that Jane Bold does not exist.

2.6X (b) He should immediately tell his employer, AB Auditors, of his suspicion.

2.6X (c) AB Auditors should tell the management of Peak Ltd.

2.6X (d) Peak Ltd should investigate their payroll to ascertain if Clive is correct and if so the person(s) committing fraud should be dismissed.

2.7X (a) Peter is wrong in not complying with the managing director's instructions. He has breached professional competence and due care and has not followed his Integrity.

2.7X (b) Peter is in a difficult position when asked by the Chairman of the company to commit fraud and should have told the Chairman that he could not breach his own integrity and professional behaviour.

2.7X (c) Again, Peter's integrity is in question and he should have told the Managing Director that he was unable to construct a spreadsheet. He will breach confidentiality if he takes it home to show his sister.

### Chapter 3 The accounting system

3.4X Refer to text – Section 3.7

### Chapter 4 Accounting concepts

- 4.2X (a) Accrual  
(b) Business entity  
(c) Prudence  
(d) Going concern

4.3X (a) (i) **Going concern concept** – A fundamental accounting concept that assumes that a business will continue to operate for the 'foreseeable future'. (Refer to text, Section 4.5.)

(ii) **Accrual concept** – A fundamental accounting concept often referred to as the 'matching concept', which means that profit is the difference between revenue and expenses. The accrual concept requires a business to show in its final accounts for the accounting period all expenditure that has been incurred in that period – whether it has been paid or not. Also, all revenue earned for the period should be shown, whether it has been received or not. (Refer to text, Section 4.5.)

(iii) **Consistency convention** – A fundamental accounting convention that requires that the same treatment be applied when dealing with similar items, both in one period and in subsequent periods. (Refer to text, Section 4.5.)

(iv) **Prudence convention** – An accounting convention, the effect of which is to ensure that profit is not shown as being too high, or that assets are not shown at too high a value. (Refer to text, Section 4.5.)

- (b) **Objectivity** is using a method that everyone can agree to. It is a fundamental principle of accounting that requires accounting information to be free from bias and be verifiable by an independent party. (Refer to text, Section 4.3.) Example: using the cost price of an asset for valuation purposes.



## Chapter 5 The accounting equation and the statement of financial position (balance sheet)

- 5.2X (a) 38,100  
 (b) 51,600  
 (c) 7,600  
 (d) 104,100  
 (e) 26,000  
 (f) 159,000

- 5.4X Liabilities: Accounts payable for goods  
     Owing to bank  
     Loan from D. Jones  
 Assets: Motor vehicles  
     Premises  
     Inventory  
     Accounts receivable  
     Cash in hand  
     Machinery

5.6X Wrong – Accounts payable, Machinery, Motor vehicles

5.8X Fixtures 2,000 + Motor vehicle 5,000 + Inventory 3,500 + Bank 2,800 + Cash in hand 100 = Total assets 13,400.  
 Loan 3,000 + Accounts payable 1,400 + Capital (difference) 9,000.

5.10X

Kelly Statement of Financial Position (Balance Sheet) as at 30 June 2018			
	\$	\$	\$
<i>Non-current assets</i>			
Office machinery			9,000
<i>Current assets</i>			
Inventory	1,550		
Accounts receivable	275		
Cash at bank	<u>5,075</u>	6,900	
<i>Less: Liabilities</i>			
Loan from C. Smith	2,000		
Accounts payable	<u>900</u>	<u>2,900</u>	<u>4,000</u>
<i>Capital</i>			<u><u>13,000</u></u>
			<u><u>13,000</u></u>

5.12X

	<i>Assets</i>	<i>Liabilities</i>	<i>Capital</i>
(a)	+ Motor van	+ Accounts payable	
(b)	– Cash	– Loan from P. Smith	
(c)	+ Inventory		
	– Bank		
(d)	+ Cash		+ Capital
(e)	+ Inventory		
	– Accounts receivable		
(f)	+ Stock	+ Accounts payable	
(g)	– Cash		– Capital
(h)	– Bank	– Accounts payable	



## 5.14X

C. Samuels			
Statement of financial Position (Balance Sheet) as at 10 April 2017			
	\$	\$	\$
<i>Non-current assets</i>			
Buildings			6,000
Motor vehicle			4,000
			10,000
<i>Current assets</i>			
Inventory	2,000		
Accounts receivable	2,500		
Cash at bank	2,000	6,500	
<i>Less: Liabilities</i>			
Loan from L. Stennett	1,000		
Accounts payable	1,100	2,100	
			4,400
			14,400
<i>Capital</i>			14,400

## Chapter 6 The double entry system for assets, liabilities and capital

### 6.3X

	<i>Debited</i>	<i>Credited</i>
(a)	Office machinery	D. Isaacs Ltd
(b)	C. Jones	Capital
(c)	Cash	N. Fox
(d)	Loan: P. Exeter	Bank
(e)	D. Isaacs Ltd	Office machinery
(f)	Bank	N. Lyn
(g)	Motor van	Cash

*Note:* To save time and space the months are omitted in the ledger accounts which follow. The day of the month is shown in brackets.

### 6.8X

<b>Bank</b>	
(1) Capital 15,000	(2) Motor van 4,200
(25) Cash 800	(12) Cash 500
	(19) Super Motors 800
	(30) Office fixtures 300
<b>Capital</b>	
	(1) Bank 15,000
<b>Motor van</b>	
(2) Bank 4,200	
(8) Super Motors 3,800	
<b>Office furniture</b>	
(5) Young Ltd 800	
(15) Cash 200	
(30) Bank 300	

<b>Young Ltd</b>	
	(5) Office fixtures 800
<b>Super Motors Ltd</b>	
(19) Bank 800	(8) Motor van 3,800
<b>Cash</b>	
(12) Bank 500	(15) Office fixtures 200
(21) Loan J. Jarvis 1,000	Bank 800
<b>Loan J. Jarvis</b>	
	(21) Cash 1,000



## 6.9X

Bank			
(2) Loan M. Chow	5,000	(8) Cash	300
		(15) Loan M Chow	800
		(17) View displays	1,550
Loan M. Chow			
(15) Bank	800	(2) Bank	5,000
(24) Cash	100		
Display equipment			
(5) View displays	1,550		
Cash			
(1) Capital	1,000	(3) Machinery	600
(8) Bank	300	(24) Loan M. Chow	100

Machinery			
(3) Cash	600		
(31) D. Smith	800		
View displays			
(17) Bank	1,550	(5) Display equipment	1,550
D. Smith			
		(31) Machinery	800
Capital			
		(1) Cash	1,000

## 6.10X

Cash			
(1) Capital	14,000	(2) Bank	13,600
(16) Bank	300	(10) Shop fittings	350
		(18) Machinery	280
Capital			
		(1) Cash	14,000
Shop fittings			
(3) Lawrence	600	(14) Lawrence	150
(10) Cash	350		
Bank			
(2) Cash	13,600	(4) Motor van	4,000
(6) A. Lee	500	(16) Cash	300
		(21) Lawrence	450
		(23) Lee	200
		(31) Pear Tree Garage	2,800
Lawrence			
(14) Shop fittings	150	(3) Shop fittings	600
(21) Bank	450		

Motor van			
(4) Bank	4,000		
(7) Pear Tree Garage	2,800		
Pear Tree Garage			
(31) Bank	2,800	(7) Motor van	2,800
Better Built Ltd			
		(28) Machinery	1,300
Loan A. Lee			
(23) Bank	200	(6) Bank	500
Machinery			
(18) Cash	280		
(28) Better Built Ltd	1,300		

## Chapter 7 The double entry system for the asset of inventory

### 7.3X

<i>Debited</i>	<i>Credited</i>
(a) Purchases	J. Reid
(b) B. Perkins	Sales
(c) Motor vans	H. Quarrie
(d) Bank	Sales
(e) Cash	Sales
(f) H. Hardy	Returns outwards
(g) Cash	Machinery
(h) Returns inwards	J. Nelson
(i) Purchases	D. Singh
(j) H. Forbes	Returns outwards

### 7.4X

<i>Debited</i>	<i>Credited</i>
(a) Purchases	T. Morgan
(b) Returns inwards	J. Thomas
(c) L. Jones Ltd	Machinery
(d) Purchases	Cash
(e) Motor van	D. Davies
(f) I. Prince	Returns outwards
(g) Bank	D. Picton
(h) Purchases	Bank
(i) B. Henry	Bank
(j) J. Mullings	Sales



## 7.9X

Capital	
	(1) Bank 20,000
Purchases	
(3) Computers Wholesale Ltd	8,000
(8) Bank	1,000
(30) Computers Wholesale Ltd	850
Furniture & fittings	
(4) Bank	1,690
(26) Bank	300
Sales	
	(12) Bank 1,700
	(20) Cash 340
	(28) Law & Co 1,600
	(30) Bank 2,300
Cash	
(20) Sales	340

Bank	
(10) Capital	20,000
(12) Sales	1,700
(30) Sales	2,300
(4) Furniture & fittings	1,690
(8) Purchases	1,000
(9) Motor car	7,000
(26) Furniture & fittings	300
(29) Computers Wholesale Ltd	5,000
Computers Wholesale Ltd	
(16) Returns outwards	900
(29) Bank	5,000
(3) Purchases	8,000
(30) Purchases	850
Motor car	
(9) Bank	7,000
Returns Outwards	
	(16) Computers Wholesale Ltd 900
Law & Co	
(28) Sales	1,600
(30) Returns outwards	220
Returns Inwards	
(30) Law & Co	220

## Chapter 8 The double entry system for expenses and revenues

### 8.3X

	<i>Account to be debited</i>	<i>Account to be credited</i>
(a)	Insurance	Bank
(b)	Motor expenses	Cash
(c)	Cash	Rent received
(d)	Rates	Bank
(e)	Bank	Rates
(f)	Stationery	Cash
(g)	Wages	Cash
(h)	Bank	Stationery
(i)	Bank	Sales commission
(j)	Motor van	Bank

### 8.4X

	<i>Account to be debited</i>	<i>Account to be credited</i>
(a)	Cash	Stationery
(b)	Wages	Bank
(c)	Bank	Rent received
(d)	Returns inwards	B. Roberts
(e)	Commissions received	Bank
(f)	Machinery	Bank
(g)	Lighting expenses	Cash
(h)	Bank	Insurance
(i)	Buildings	Bank
(j)	Building repairs	Cash



## 8.7X

<b>Cash</b>			
(1) Capital	15,000	(2) Bank	14,000
(14) Sales	490	(4) Rent	250
(24) Sales	500	(11) Stationery	45
(31) Sales	526		
<b>Capital</b>			
		(1) Bank	15,000
<b>Bank</b>			
(2) Cash	14,000	(4) Motor van	3,000
(9) Sales	323	(5) Purchases	2,100
		(21) Advertising	60
		(25) Motor expenses	110
		(25) Wages	540
		(25) Stationery	82
		(28) J. Paul	1,245
<b>Rent</b>			
(4) Cash	250		
<b>Motor van</b>			
(4) Bank	3,000		
<b>Stationery</b>			
(11) Cash	45		
(25) Bank	82		

<b>Advertising</b>			
(21) Bank	60		
<b>Wages</b>			
(25) Bank	540		
<b>Motor expenses</b>			
(25) Bank	110		
<b>Purchases</b>			
(2) J. Paul	592		
(50) Bank	2,100		
(19) J. Paul	720		
<b>Sales</b>			
		(9) Bank	323
		(14) Cash	490
		(24) Cash	500
		(31) Cash	526
<b>Returns Outwards</b>			
		(18) J. Paul	67
<b>J. Paul</b>			
(18) Returns outwards	67	(2) Purchases	592
(28) Bank	1,245	(19) Purchases	720

## 8.8X

<b>Bank</b>			
(1) Capital	8,000	(2) Stationery	30
(20) D. Small	200	(8) Machinery expenses	50
		(17) Rent	100
		(21) H. Morgan	500
		(31) Express Ltd	80
<b>Cash</b>			
(4) Sales	180	(5) Insurance	40
(28) Rent	20	(14) Wages	70
<b>Machinery</b>			
(7) H. Morgan	500		
<b>Stationery</b>			
(2) Bank	30		
(23) Express Ltd	80		
<b>Machinery expenses</b>			
(8) Bank	50		
<b>Rent</b>			
(17) Bank	100	(28) Cash	20
<b>Insurance</b>			
(5) Cash	40		
<b>Wages</b>			
(14) Cash	70		

<b>Capital</b>			
		(1) Bank	8,000
<b>Sales</b>			
		(4) Cash	180
		(10) D. Small	320
		(25) N. Thomas	230
<b>Purchases</b>			
(3) I. Walsh	900		
<b>Returns Outwards</b>			
		(11) I. Walsh	70
<b>Express Ltd</b>			
(31) Bank	80	(23) Stationery	80
<b>H. Morgan</b>			
(21) Bank	500	(7) Machinery	500
<b>D. Small</b>			
(10) Sales	320	(20) Bank	200
<b>N. Thomas</b>			
(25) Sales	230		
<b>I. Walsh</b>			
(11) Returns outwards	70	(3) Purchases	900



## 8.9X

Bank			
(1) Capital	3,000	(5) Stationery	49
(24) B. Grant	200	(16) Rates	130
(28) Rates	10	(19) Rent	100
		(28) T. Small	250
		(28) C. Todd	130
		(28) C. White	600
Cash			
(1) Capital	2,000	(3) Purchase	230
(22) Sales	886	(4) Rent	100
		(7) Wages	600
		(11) Rent	100
		(19) Insurance	120
		(21) Motor expenses	60
		(23) Wages	900
Rates			
(16) Bank	130	(28) Bank	10
Insurance			
(18) Cash	120		
Motor expenses			
(21) Cash	60		
Motor van			
(20) C. White	6,000		
Purchases			
(2) T. Small	250		
(2) C. Todd	190		
(2) V. Ryan	180		
(3) Cash	230		
Sales			
		(6) C. Crooks	140
		(6) R. Rogers	100
		(6) B. Grant	240
		(15) J. Burns	90
		(15) J. Smart	130
		(15) N. Thorn	170
		(22) Cash	886
Returns Outwards			
		(10) C. Todd	60
Returns Inwards			
(13) R. Rogers	20		

Capital			
		(1) Bank	3,000
		(1) Cash	2,000
Rent			
(4) Cash	100		
(11) Cash	100		
(19) Bank	100		
Wages			
(7) Cash	600		
(23) Cash	900		
Stationery			
(5) Bank	49		
C. White			
(28) Bank	600	(2) Motor van	6,000
T. Small			
(28) Bank	250	(2) Purchases	250
C. Todd			
(10) Returns inwards	60	(2) Purchases	190
(28) Bank	130		
V. Ryan			
		(2) Purchases	180
C. Crooks			
(6) Sales	140		
R. Rogers			
(6) Sales	100	(13) Returns inwards	20
B. Grant			
(6) Sales	240	(24) Bank	200
J. Burns			
(15) Sales	90		
J. Smart			
(15) Sales	130		
N. Thorn			
(15) Sales	170		

## Chapter 9 Balancing off accounts

### 9.4X

H. Harvey				
2017		Dr	Cr	Balance
May 1	Sales	690		690 Dr
May 4	Sales	66		756 Dr
May 10	Returns		40	716 Dr
May 24	Cash		300	416 Dr

J. Lindo				
2017		Dr	Cr	Balance
May 1	Sales	420		420 Dr
May 10	Returns		20	400 Dr
May 20	Bank		400	0

N. Morgan				
2017		Dr	Cr	Balance
May 1	Sales	153		153 Dr
May 18	Bank		153	0

L. Masters				
2017		Dr	Cr	Balance
May 4	Sales	418		418 Dr
May 31	Sales	203		621 Dr



## 9.5X

J. Young				
2017		Dr	Cr	Balance
June 1	Purchases		458	458 Cr
June 10	Returns	55		403 Cr
June 15	Purchases		80	483 Cr
June 28	Cash	250		233 Cr

G. Norman				
2017		Dr	Cr	Balance
June 1	Purchases		708	708 Cr
June 10	Returns	22		686 Cr

L. Williams				
2017		Dr	Cr	Balance
June 1	Purchases		120	120 Cr
June 3	Purchases		77	197 Cr
June 30	Returns	17		180 Cr

T. Harris				
2017		Dr	Cr	Balance
June 3	Purchases		880	880 Cr
June 19	Bank	880		0

## 9.6X

M. Sinclair			
(10) Returns	19	(1) Purchases	249
(22) Returns	14		
(31) Balance c/d	216		
	<u>249</u>		<u>249</u>
		(1) Balance b/d	216

  

M. Brown			
(10) Returns	15	(1) Purchases	188
(31) Cash	125	(4) Purchases	77
(31) Balance c/d	469	(12) Purchases	278
	<u>609</u>	(28) Purchases	66
			<u>609</u>
		(1) Balance c/d	469

Capital			
(19) Bank	570	(1) Purchases	260
(31) Balance c/d	665	(4) Purchases	55
		(12) Purchases	255
		(28) Purchases	665
	<u>1,235</u>		<u>1,235</u>
		(1) Balance c/d	665

  

D. Cox			
(31) Balance c/d	62	(1) Purchases	62
		(1) Balance c/d	62

  

P. Moss			
(7) Bank	100	(4) Purchases	100

## 9.7X

L. Sterling			
(1) Sales	445	(4) Returns	15
		(9) Bank	430
	<u>445</u>		<u>445</u>

  

R. Spencer			
(1) Sales	221	(4) Returns	33
(8) Sales	129	(19) Returns	25
(12) Sales	235	(22) Bank	300
	<u>585</u>	(31) Balance c/d	227
			<u>585</u>
(1) Balance c/d	227		

L. Lindo			
(1) Sales	480	(22) Bank	414
(8) Sales	66	(31) Balance c/d	1,019
(31) Sales	887		
	<u>1,433</u>		<u>1,433</u>
(1) Balance c/d	1,019		

  

L. Banks			
(8) Sales	465	(19) Returns	21
(12) Sales	777	(31) Balance c/d	1,663
(31) Sales	442		
	<u>1,684</u>		<u>1,684</u>
(1) Balance c/d	1,663		



## 9.8X

<b>B. Flynn</b>		<b>S. Wood</b>	
(1) Sales 241	(19) Bank 241	(15) Returns 8	(2) Purchases 148
(21) Sales 44	(31) Balance c/d 44	(28) Bank 140	
285	285	148	148
(1) Balance c/d 44			
<b>R. Kelly</b>		<b>T. DuQuesnay</b>	
(1) Sales 29	(31) Balance c/d 383	(31) Balance c/d 169	(2) Purchases 27
(8) Sales 74		169	(9) Purchases 142
(21) Sales 280			169
383	383		(1) Balance b/d 169
(1) Balance c/d 383		<b>R. Johnson</b>	
<b>J. Long</b>		(28) Bank 60	(2) Purchases 77
(1) Sales 887	(1) Returns 17	(31) Balance c/d 17	
(8) Sales 132	(19) Bank 500	77	77
1,019	(31) Balance c/d 502		(1) Balance b/d 17
(1) Balance b/d 502	1,019	<b>G. Henriques</b>	
<b>T. Fryer</b>		(15) Returns 18	(2) Purchases 108
(1) Sales 124	(10) Returns 44	(28) Bank 50	(9) Purchases 44
	(12) Cash 80	(31) Returns 4	
124	124	(31) Balance c/d 80	152
		152	152
			(1) Balance b/d 80

## Chapter 10 The trial balance

### 10.4X

<b>Bank</b>		<b>Rates</b>	
(1) Capital 8,000	(6) Carriage 20	(7) Bank 190	(30) Balance c/d 190
(28) L. Matthews 58	(7) Rates 190	(1) Balance b/d 190	
(28) K. Alberga 30	(23) T. Henriques 1,020	<b>Sundry expenses</b>	
(30) Capital 3,000	(23) J. Smith 230	(17) Cash 40	(30) Balance c/d 40
	(23) W. Rogers 400	(1) Balance b/d 40	
	(25) Office furniture 700	<b>Loan from A. Williams</b>	
	(30) Balance c/d 8,528	(30) Balance b/d 400	(26) Cash 400
11,088	11,088		(1) Balance b/d 400
(30) Balance b/d 8,528		<b>T. Henriques</b>	
<b>Cash</b>		(18) Returns outwards 140	(3) Purchases 1,160
(5) Sales 240	(17) Sundry expenses 40	(23) Bank 1,020	
(26) Loan from A. Williams 400	(30) Balance c/d 600	1,160	1,160
640	640	<b>J. Smith</b>	
(1) Balance b/d 600		(23) Bank 230	(3) Purchases 230
<b>Purchases</b>		<b>P. Bonitto</b>	
(3) T. Henriques 1,160	(30) Balance c/d 2,580	(18) Returns outwards 20	(3) Purchases 310
(3) J. Smith 230		(30) Balance c/d 370	(19) Purchases 80
(3) P. Bonitto 310		390	390
(3) W. Rogers 400			(1) Balance c/d 370
(19) P. Bonitto 80		<b>L. Matthews</b>	
(19) W. Rogers 270		(11) Sales 320	(20) Returns inwards 40
(19) D. Diaz 130		98	(28) Bank 58
2,580	2,580		98
(1) Balance b/d 2,580		<b>K. Alberga</b>	
<b>Carriage</b>		(11) Sales 320	(20) Returns inwards 20
(6) Bank 20	(30) Balance c/d 20		(28) Bank 30
(1) Balance b/d 20		320	(30) Balance c/d 270
<b>Sales</b>			320
(30) Balance c/d 1,828	(5) Cash 240	(1) Balance b/d 270	
	(11) L. Matthew 98		
	(11) K. Alberga 320		
	(11) R. Hall 1,170		
1,828	1,828		
	(1) Balance b/d 1,828		



Returns outwards			
(30) Balance c/d	160	(18) T. Henriques	140
		(18) P. Bonitto	20
	<u>160</u>		<u>160</u>
		(1) Balance b/d	160
Returns inwards			
(20) K. Alberga	20	(30) Balance c/d	60
(20) L. Matthews	40		
	<u>60</u>		<u>60</u>
(1) Balance b/d	60		
Capital			
(30) Balance c/d	11,000	(1) Bank	8,000
		(30) Bank	3,000
	<u>11,000</u>		<u>11,000</u>
		(1) Balance c/d	11,000
Motor van			
(21) U.Z. Motors	6,500	(30) Balance c/d	6,500
	<u>6,500</u>		<u>6,500</u>
(1) Balance b/d	6,500		
Office furniture			
(25) Bank	700		
W. Rogers			
(23) Bank	400	(3) Purchases	400
(30) Balance c/d	270	(19) Purchases	270
	<u>670</u>		<u>670</u>
		(1) Balance b/d	270
D. Diaz			
(30) Balance b/d	130	(19) Purchases	130
		(1) Balance b/d	130
R. Hall			
(11) Sales	1,170	(30) Balance c/d	1,170
	<u>1,170</u>		
U.Z. Motors			
(30) Balance c/d	6,500	(21) Motor van	6,500
		(1) Balance b/d	6,500

### Trial balance as at 30 November 2017

	Dr	Cr
	\$	\$
Bank	8,528	
Cash	600	
Purchases	2,580	
Sales		1,828
Returns outwards		160
Returns inwards	60	
Capital		11,000
Motor van	6,500	
Carriage	20	
Rates	190	
Sundry expenses	40	
Loan from A. Williams		400
P. Bonitto		370
W. Rogers		270
D. Diaz		130
R. Hall	1,170	
U.Z. Motors		6,500
Office furniture	700	
K. Alberga	270	
	<u>20,658</u>	<u>20,658</u>

### 10.5X

Cash			
(1) Capital	3,500	(2) Bank	2,800
(21) Sales	90	(3) Purchases	150
(30) Loan: Henry	200	(11) Wages	120
(30) P. Peart	500	(30) Balance c/d	1,220
	<u>4,290</u>		<u>4,290</u>
(1) Balance b/d	1,220		
Bank			
(2) Cash	2,800	(8) Rent	55
(16) Loan: Henry	600	(15) Printer	700
(29) J. Smart	115	(26) M. Burton	450
(29) T. Binns	250	(26) T. Hill	50
	<u>3,765</u>	(30) Balance c/d	2,510
(1) Balance b/d	2,510		<u>3,765</u>
Purchases			
(3) Cash	150	(30) Balance c/d	1,450
(4) L. Coke	360		
(4) M. Burton	490		
(4) T. Hill	110		
(4) C. Small	340		
	<u>1,450</u>		<u>1,450</u>
(1) Balance b/d	1,450		

Sales			
(30) Balance c/d	1,235	(6) S. Walters	90
		(6) T. Binns	150
		(6) C. Howard	190
		(6) P. Peart	160
		(21) Cash	90
		(24) T. Binns	100
		(24) P. Peart	340
		(24) J. Smart	115
	<u>1,235</u>		<u>1,235</u>
		(1) Balance b/d	1,235
Returns Outwards			
(30) Balance c/d	100	(14) M. Burton	40
		(14) T. Hill	60
	<u>100</u>		<u>100</u>
		(1) Balance b/d	100
Returns Inwards			
(18) S. Walters	20	(30) Balance c/d	60
(18) C. Howard	40		
	<u>60</u>		<u>60</u>
(1) Balance b/d	60		
Stationery			
(5) Subaran Ltd	170	(30) Balance c/d	170
(1) Balance b/d	170		



<b>Rent</b>	
(8) Bank	55
(1) Balance b/d	55
<b>Wages</b>	
(11) Cash	120
(1) Balance b/d	120
<b>Fixtures</b>	
(10) Matalon Ltd	480
(1) Balance b/d	480
<b>Printer</b>	
(15) Bank	700
(1) Balance b/d	700
<b>Loan from J. Henry</b>	
(30) Balance c/d	800
(16) Bank	600
(30) Cash	200
(1) Balance b/d	800
<b>Matalon Ltd</b>	
(30) Balance c/d	480
(10) Fixtures	480
(1) Balance b/d	480
<b>T. Binns</b>	
(6) Sales	150
(24) Sales	100
	250
(29) Bank	250
<b>C. Howard</b>	
(6) Sales	190
(18) Returns inwards	40
(30) Balance c/d	150
(1) Balance b/d	190
<b>P. Peart</b>	
(6) Sales	160
(24) Sales	340
	500
(30) Cash	500
<b>Capital</b>	
(30) Balance c/d	3,500
(1) Cash	3,500
(1) Balance b/d	3,500
<b>L. Coke</b>	
(30) Balance c/d	360
(4) Purchases	360
(1) Balance b/d	360

<b>T. Hill</b>		
(14) Returns outwards	60	
(26) Bank	50	
	110	
(4) Purchases	110	
<b>C. Small</b>		
(30) Balance c/d	340	
(4) Purchases	340	
(1) Balance b/d	340	
<b>Subaran Ltd</b>		
(30) Balance c/d	170	
(5) Stationery	170	
(1) Balance b/d	170	
<b>J. Smart</b>		
(24) Sales	115	
(29) Bank	115	
<b>S. Walters</b>		
(6) Sales	90	
(18) Returns inwards	20	
(30) Balance c/d	70	
(1) Balance b/d	90	
<b>M. Burton</b>		
(14) Returns outwards	40	
(26) Bank	450	
	490	
(4) Purchases	490	
<b>Trial Balance as at 30 June 2018</b>		
	<b>Dr</b>	<b>Cr</b>
	\$	\$
Cash	1,220	
Bank	2,510	
Purchases	1,450	
Sales		1,235
Returns outwards		100
Returns inwards	60	
Capital		3,500
Stationery	170	
Rent	55	
Wages	120	
Fixtures	480	
Printer	700	
Loan from J. Henry		800
Matalon Ltd		480
C. Howard	150	
S. Walters	70	
L. Coke		360
C. Small		340
Subaran Ltd		170
	<u>6,985</u>	<u>6,985</u>



## 10.7X

Ms Anita Hall Trial Balance as at 31 December 2017		
	Dr	Cr
	\$	\$
Plant and machinery	21,450	
Motor vehicles	26,000	
Premises	80,000	
Wages	42,840	
Purchases	119,856	
Sales		179,744
Rent received		3,360
Telephone, printing and stationery	3,600	
Accounts payable		27,200
Accounts receivable	30,440	
Bank overdraft		2,216
Capital		131,250
Drawings	10,680	
General expenses	3,584	
Lighting and heating	2,960	
Motor expenses	2,360	
	343,770	343,770

## PART 2 Introduction to financial statements and ratios

### Chapter 11 Introduction to the trading and profit and loss accounts (income statements)

#### 11.3X

F. Chaplin Trading and Profit and Loss Account (Income Statement) for the year ended 31 December 2018		
	\$	\$
Sales		26,815
Less: Cost of goods sold:		
Purchases	18,385	
Less: Closing inventory	4,960	13,425
Gross profit		13,390
Less: Expenses:		
Wages	3,560	
Rent and rates	400	
Motor expenses	735	
General expenses	210	
Insurance	392	5,297
Net profit		8,093

#### 11.4X

F. Kidd Trading and Profit and Loss Account (Income Statement) for the year ended 30 June 2017		
	\$	\$
Sales		35,600
Less: Cost of goods sold:		
Purchases	30,970	
Less: Closing inventory	9,960	21,010
Gross profit		14,590
Less: Expenses:		
Wages	4,850	
Rent and rates	1,560	
Insurance	305	
Lighting and heating	516	
Motor expenses	1,960	
Trade expenses	806	9,997
Net profit		4,593



## 11.6X

R. Cairns		
Trading and Profit and Loss Account (Income Statement) for the year ended 30 June 2018		
	\$	\$
Sales		99,082
Less: Cost of goods sold:		
Purchases	71,409	
Less: Closing inventory	<u>11,498</u>	<u>59,911</u>
Gross profit		39,171
Less: Expenses:		
Wages	9,492	
Rates	2,000	
Printing and stationery	562	
Electricity	1,266	
Insurance	605	
Sundry expenses	1,518	
Motor expenses	<u>3,109</u>	<u>18,552</u>
Net profit		<u><u>20,619</u></u>

## Chapter 12 Statements of financial positions (balance sheets)

### 12.3X

F. Chaplin		
Statement of Financial Position (Balance Sheet) as at 31 December 2018		
	\$	\$
<i>Non-current assets</i>		
Premises	20,000	
Motor vehicle	<u>2,800</u>	22,800
<i>Current assets</i>		
Inventory	4,960	
Accounts receivable	4,090	
Bank	1,375	
Cash	<u>25</u>	
	10,450	
<i>Less: Current liabilities</i>		
Accounts payable	<u>5,160</u>	
<i>Net current assets</i>		<u>5,290</u>
		<u><u>28,090</u></u>
<i>Financed by:</i>		
Capital		
Balance at 1.1.2018	24,347	
Add Net profit	<u>8,093</u>	
	32,440	
<i>Less: Drawings</i>	<u>4,350</u>	<u>28,090</u>



## 12.4X

F. Kidd		
Statement of Financial Position (Balance Sheet) as at 30 June 2017		
	\$	\$
<i>Non-current assets</i>		
Shop buildings	28,000	
Shop fixtures	3,960	
Motor vans	3,500	35,460
<i>Current assets</i>		
Inventory	9,960	
Accounts receivable	6,810	
Bank	1,134	
	17,904	
<i>Less: Current liabilities</i>		
Accounts payable	3,250	
<i>Net current assets</i>		14,654
		50,114
<i>Financed by:</i>		
Capital		
Balance at 1.7.2016	51,799	
Add Net profit	4,593	
	56,392	
<i>Less: Drawings</i>	6,278	50,114

## 12.6X

R. Cairns		
Statement of Financial Position (Balance Sheet) as at 30 June 2018		
	\$	\$
<i>Non-current assets</i>		
Premises		145,000
Computer equipment		8,000
Motor vehicle		16,500
		169,500
<i>Current assets</i>		
Inventory	11,498	
Accounts receivable	9,498	
Cash at bank	6,541	
Cash in hand	-	
	27,537	
<i>Less: Current liabilities</i>		
Accounts payable	3,618	
<i>Net current assets</i>		23,919
		193,419
<i>Financed by:</i>		
Capital introduced		185,000
Add: Net profit for the year		20,619
		205,619
<i>Less: Drawings</i>		12,200
		193,419

## Chapter 13 Financial statements: further considerations

### 13.2X

C. Black			
Trading Account for the year ended 31 March 2018			
	\$	\$	\$
Sales		54,600	
Less: Returns inwards		1,372	
			53,228
<i>Less: Cost of goods sold:</i>			
Opening inventory		16,492	
Add: Purchases	36,905		
Less: Returns outwards	2,896	34,009	
Carriage inwards		1,122	
		51,623	
<i>Less: Closing inventory</i>		18,504	33,119
Gross profit			20,109



## 13.5X

J. Singh		
Trading and Profit and Loss Account (Income Statement) for the year ended		
31 March 2018		
	\$	\$
Sales		92,340
Less: Cost of goods sold:		
Opening inventory		18,160
Add: Purchases	69,185	
Less: Returns outwards	640	
Carriage inwards		420
		87,125
Less: Closing inventory		22,390
<b>Gross profit</b>		<b>27,605</b>
Less: Expenses		
Wages		10,240
Carriage outwards		1,570
Rent and rates		3,015
Communications expenses		624
Commissions payable		216
Insurance		405
Sundry expenses		318
<b>Net profit</b>		<b>11,217</b>

Trading and Profit and Loss Account (Income Statement) for the year ended		
31 March 2018		
	\$	\$
<i>Non-current assets</i>		
Buildings	20,000	
Fixtures	2,850	22,850
<i>Current assets</i>		
Inventory	22,390	
Accounts receivable	14,320	
Bank	2,970	
Cash	115	
		39,795
<i>Less: Current liabilities</i>		
Accounts payable	8,160	
<b>Net current assets</b>		<b>31,635</b>
		54,485
<i>Less: Long-term liability</i>		
Loan from K. Blake		10,000
		44,485
<i>Financed by:</i>		
Capital		
Balance at 1.4.2017		40,888
Add: Net profit		11,217
		52,105
<i>Less: Drawings</i>		7,620
		44,485



## 13.6X

L. Binns		
Trading and Profit and Loss Account (Income Statement) for the year ended September 2018		
	\$	\$
Sales		130,900
Less: Returns inward		<u>550</u>
		130,350
Less: Cost of goods sold:		
Opening inventory		23,910
Add: Purchases	92,100	
Less: Returns outwards	<u>307</u>	
Add: Carriage inwards		<u>215</u>
		115,918
Less: Closing inventory		<u>27,475</u>
		88,443
		<u>41,907</u>
<i>Gross profit</i>		
Less: Expenses		
Wages		12,810
Carriage outwards		309
Motor expenses		1,630
Rents and rates		2,970
Telephone and internet services		405
Insurance		492
Office expenses		1,377
Sundries		<u>284</u>
<i>Net profit</i>		<u>20,277</u>
		<u>21,630</u>

Statement of Financial Position (Balance Sheet) as at 30 September 2018		
	\$	\$
<i>Non-current assets</i>		
Motor van	4,100	
Office equipment	<u>6,250</u>	10,350
<i>Current assets</i>		
Inventory	27,475	
Accounts receivable	12,300	
Bank	3,115	
Cash	<u>295</u>	
	43,185	
<i>Less: Current liabilities</i>		
Accounts payable	<u>9,370</u>	
<i>Net current assets</i>		<u>33,815</u>
		44,165
<i>Less: Long-term liability</i>		
Loan from P. Parkin		<u>5,000</u>
		<u>39,165</u>
<i>Financed by:</i>		
Capital		
Balance at 1.10.2017		25,955
Add: Net profit		<u>21,630</u>
		47,585
<i>Less: Drawings</i>		<u>8,420</u>
		<u>39,165</u>

## Chapter 14 Introduction to accounting ratios

- 14.2X (a) Markup = 50%  
Margin =  $33\frac{1}{3}\%$
- (b) Markup = 100%
- (c) Margin =  $33\frac{1}{3}\%$



## 14.5X

Trading and Profit and Loss Account		
Sales	(c)	?
Less: Cost of goods sold	(a)	?
Gross Profit	(b)	?
Less: Expenses	(d)	?
Net profit	(e)	?

- (a) We know, per book, that:

$$\frac{\text{Cost of goods sold}}{\text{Average stock}} = \text{Rate of turnover}$$

so, filling in with known information:

$$\frac{?}{4,200} = 7$$

so, by arithmetical deduction, Cost of goods sold = 29,400

- (b) We know that the margin is 33 1/3%, i.e. this is the same as trade discount in this case. If margin is 33 1/3% we can calculate, per book, that mark-up is 50%, Mark-up equals Gross profit, i.e. 29,400 x 50% = 14,700.
- (c) Sales, i.e. turnover, will be Cost of goods sold + Mark-up = 29,400 + 14,700 = 44,100.
- (d) Total expenses = 70% of Gross profit = 14,700 x 70% = 10,290.
- (e) Gross profit less Expenses = Net profit, i.e. 14,700 – 10,290 = 4,410.

To check, let us complete a Trading and Profit and Loss Account and ascertain that the ratios fit in with the figures deducted.

Trading and Profit and Loss Account (Income Statement)		
Sales	(c)	44,100
Less: Cost of goods sold	(a)	29,400
Gross Profit	(b)	14,700
Less: Expenses	(d)	10,290
Net profit	(e)	4,410

## 14.6X

	Category A	Category B
(a) Cost of goods sold = Sales less Trade discount	3,000 – (20% of 3,000) = 2,400	7,000 – (25% of 3,000) = 5,250
(b) Sales – Cost of goods sold = Gross profit	3,000 – 2,400 = 600	7,000 – 5,250 = 1,750
(c) Total expenses = 10% of Sales	300	700
(d) Gross profit – Expenses = Net profit	600 – 300 = 300	1,750 – 700 = 1,050
(e) $\frac{\text{Cost of goods sold}}{\text{Average inventory}} = \text{Inventory turnover}$	$\frac{2,400}{?} = 12$	$\frac{5,250}{?} = 20$
So, be arithmetical deduction	= 200	= 262.50



## Chapter 15 Capital and revenue expenditure

### 15.2X

#### Newton Data Systems

Type of expenditure	Reason
(a) Revenue	Used up in the short term
(b) Capital	Adds to value of computer equipment
(c) Revenue	Used up in the short term
(d) Revenue	Used up in the short term
(e) Capital	Adds to value of the computer
(f) Question is not clear	
(1) If spent on improving building construction = Capital	Adds to value of non-current assets
(2) If spent on extra wages for security guards = Revenue	Used up in the short term

**15.4X** Capital: 1,500 of (a); 500 of (b); 2,300 of (c); 100 of (e); (f).  
Revenue: 6,500 of (a); 1,500 of (b); 200 of (c); (d); 700 of (e).

- 15.5X (a)**
- (i) Capital
  - (ii) Capital
  - (iii) Capital
  - (iv) Revenue
- (b)**
- (i) Expenses would be too high and net profit too low.
  - (ii) The value of the non-current assets in the statement of financial position (balance sheet) would be too low.

## PART 3 Books of original entry

### Chapter 16 Business documentation

**16.2X** Refer to section 16.2 – Case Study of Zest Wooden Toys Ltd., for definition of ‘debit note’ and ‘credit note’. Debit notes are prepared and sent by the firm returning goods to the supplier. Credit notes are prepared and sent by the supplier to the customer.

**16.4X** Draft a statement as shown in the Case Study in Section 16.2 and complete the details as follows:

		Dr	Cr	Balance
		\$	\$	\$
June 1	Balance b/f			253.75
June 4	Invoice 731	109.37		363.12
June 9	Invoice 742	87.50		450.62
June 16	Credit note 322		25.50	425.12
June 20	Invoice 760	186.25		611.37
June 29	Cheque		128.75	482.62

**16.5X** Draft a remittance advice as shown in the Case Study in Section 16.2 and complete as follows:

		Balance
		\$
June 1	Balance b/f	253.75
June 4	Invoice	109.37
June 9	Invoice	87.50
June 16	Credit note	(25.50)
June 20	Invoice	186.25
June 29	Cheque	(128.75)
	Amount due	<u>482.62</u>



Note: To save space, the folio numbers in answers 17.1 to 17.5, and in 19.1 to 19.4 have been omitted.

## Chapter 17 Accounting for sales, discounts and internal control

### 17.2X

Sales Day Book		
		\$
(1) J. Johnson		305
(3) T. Royes		164
(5) B. Ho		45
(7) M. Lee		100
(16) J. Jureidini		308
(23) A. Vendryes		212
(30) J. Samuels		1,296
		2,430
Sales Ledger		
J. Johnson		
(1) Sales	305	
T. Royes		
(3) Sales	164	

(5) Sales	45		
M. Lee			
(7) Sales	100		
J. Jureidini			
(16) Sales	308		
A. Vendryes			
(23) Sales	212		
J. Samuels			
(30) Sales	1,296		
General Ledger			
Sales			
			(31) Total for month 2,430

### 17.4X Invoice summaries

		\$
A. Portsmouth	22 meters plastic tubing x \$1	22
	6 sheets foam rubber x \$3	18
	4 boxes vinyl padding x \$5	20
		60
	Less: Trade discount 25%	15
		45
B. Butler	50 lengths polythene sheets x \$2	100
	8 boxes vinyl padding x \$5	40
	20 sheets foam rubber x \$3	60
		200
	Less: Trade discount 20%	40
		160
A. Gate	4 meters plastic tubing x \$1	4
	33 lengths polythene sheets x \$2	66
	30 sheets foam rubber x \$3	90
		160
	Less: Trade discount 25%	40
		120
L. Mackeson	29 meters plastic tubing x \$1	29
		29
M. Alison	32 meters plastic tubing x \$1	32
	24 lengths polythene sheets x \$2	48
	20 boxes vinyl padding x \$5	100
		180
	Less: Trade discount 33 1/3%	60
		120

Sales Day Book			
		\$	
(1) A. Portsmouth		45	
(5) B. Butler		160	
(11) A. Gate		120	
(21) L. Mackeson		29	
(30) M. Alison		120	
		474	
Sales Ledger			
A. Portsmouth			
(1) Sales	45		
B. Butler			
(5) Sales	160		
A. Gate			
(11) Sales	120		
L. Mackeson			
(21) Sales	29		
M. Alison			
(30) Sales	120		
General Ledger			
Sales			
			(30) Total for month 474



## Chapter 18 Accounting for purchases

### 18.2X

(2) C. Lee	2 sets golf clubs x 250	\$ 500
	5 footballs x 20	100
		<u>600</u>
	Less: Trade discount 25%	150
		<u>450</u>
(11) M. Elliot	6 cricket bats x 20	120
	6 ice skates x 30	180
	4 rugby balls x 25	100
		<u>400</u>
	Less: Trade discount 20%	100
		<u>300</u>
(18) B. Wong	6 sets golf trophies x 100	600
	4 sets golf clubs x 300	1,200
		<u>1,800</u>
	Less: Trade discount 33 1/3%	600
		<u>1,200</u>
(25) B. Parkinson	5 cricket bats x 40	200
	Less: Trade discount 25%	50
		<u>150</u>
(30) N. Francis	8 goal posts x 70	560
	Less: Trade discount 25%	140
		<u>420</u>

Purchases Day Book		\$
(2) C. Lee		450
(11) M. Elliot		300
(18) B. Wong		1,200
(25) B. Parkinson		150
(30) N. Francis		420
		<u>2,520</u>
<b>Purchase Ledger</b>		
<b>C. Lee</b>		
	(2) Purchases	450
<b>M. Elliot</b>		
	(11) Purchases	300
<b>B. Wong</b>		
	(18) Purchases	1,200
<b>B. Parkinson</b>		
	(25) Purchases	150
<b>N. Francis</b>		
	(30) Purchases	420
<b>General Ledger</b>		
<b>Purchases Day Book</b>		
(30) Total for month	2,520	

### 18.4X

Purchases Day Book		\$
(9) C. Clarke		240
(16) A. Charles		160
(31) M. Nelson		50
		<u>450</u>
<b>Sales Day Book</b>		
<b>\$</b>		
(1) M. Marshall		45
(7) R. Richards		200
(23) T. Young		160
		<u>405</u>
<b>Purchase Ledger</b>		
<b>C. Clarke</b>		
	(9) Purchases	240
<b>A. Charles</b>		
	(16) Purchases	160

<b>M. Nelson</b>		
	(31) Purchases	50
<b>Sales Ledger</b>		
<b>M. Marshall</b>		
(1) Sales	45	
<b>R. Richards</b>		
(7) Sales	200	
<b>T. Young</b>		
(23) Sales	160	
<b>General Ledger</b>		
<b>Sales</b>		
	(31) Total for month	405
<b>Purchases</b>		
(31) Total for month	450	



**18.6X (a)** Steps to take when authorising an invoice for payment. Ensure that:

- Correct order number used
- Goods actually received
- Goods are in good condition and fit for purpose
- Goods match with the order placed
- Prices charged are in agreement with order
- Invoice made out to the company and properly addressed
- Calculations, additions and extensions are accurate
- Discounts due have been allowed

**(b)**

4 concrete mixers @ \$260 each =	1,040.00
Less: Trade discount 25%	260.00
	780.00
Cash discount allowed 2.5%	19.50
Net amount to be paid	760.50

## Chapter 19 Accounting for returns

**19.2X**

Sales Day Book	Returns Inwards																																																																															
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## 19.5X

Sales Day Book			
			\$
(3) E. Rigby	510		
(3) E. Phillips	246		
(3) F. Thompson	356		
(8) A. Green	307		
(8) H. George	250		
(8) J. Ferguson	185		
(20) E. Phillips	188		
(20) F. Powell	310		
(20) E. Lee	420		
			<u>2,772</u>
Returns Inwards Day Book			
			\$
(14) E. Phillips	18		
(14) F. Thompson	22		
(31) E. Phillips	27		
(31) E. Rigby	30		
			<u>97</u>
Sales Ledger			
<b>E. Rigby</b>			
(3) Sales	510	(31) Returns inwards	30
<b>E. Phillips</b>			
(3) Sales	246	(14) Returns inwards	18
(20) Sales	188	(31) Returns inwards	27
<b>F. Thompson</b>			
(3) Sales	356	(14) Returns inwards	22
<b>A. Green</b>			
(8) Sales	307		
<b>H. George</b>			
(8) Sales	250		
<b>J. Ferguson</b>			
(8) Sales	185		
<b>F. Powell</b>			
(20) Sales	310		
<b>E. Lee</b>			
(20) Sales	420		
General Ledger			
<b>Sales</b>			
		(31) Sales Book	2,772
<b>Purchases</b>			
(31) Purchases Book	3,292		

Purchases Day Book			
			\$
(1) K. Hill	380		
(1) M. Norman	500		
(1) N. Senior	106		
(5) R. Morton	200		
(5) J. Cook	180		
(5) D. Edwards	410		
(5) C. Davies	66		
(24) C. Ferguson	550		
(24) K. Ennevor	900		
			<u>3,292</u>
Returns Outwards Day Book			
			\$
(12) M. Norman	30		
(14) N. Senior	16		
(31) J. Cook	13		
(31) C. Davies	11		
			<u>70</u>
Purchases Ledger			
<b>K. Hill</b>			
		(1) Purchases	380
<b>M. Norman</b>			
(12) Returns outwards	30	(1) Purchases	500
<b>N. Senior</b>			
(12) Returns outwards	16	(1) Purchases	106
<b>R. Morton</b>			
		(5) Purchases	200
<b>J. Cook</b>			
(31) Returns outwards	13	(5) Purchases	180
<b>D. Edwards</b>			
		(5) Purchases	410
<b>C. Davis</b>			
(31) Returns outwards	11	(5) Purchases	66
<b>C. Ferguson</b>			
		(24) Purchases	550
<b>K. Ennevor</b>			
		(24) Purchases	900
Returns Inwards			
(31) Returns inwards book	97		
Returns Outwards			
		(31) Returns outwards book	70

## Chapter 20 Cash book and cash discounts

### 20.2X

Cash Book					
Cash			Bank		
	\$	\$		\$	\$
(1) Capital		4,000	(2) Fixtures		660
(4) Sales	225		(5) Rent	140	
(6) T. Thomas		188	(12) Wages	275	
(8) Sales		308	(15) Cash	C	200
(10) J. Khaleel	300		(20) Stationery	60	
(14) J. Walters (Loan)		500	(22) J. Fung		166
(15) Bank	C	200	(28) Drawings	100	
(30) J. Scott		277	(31) Balances c/d	216	4,247
(31) Sales	66				
	<u>791</u>	<u>5,273</u>		<u>791</u>	<u>5,273</u>



### 20.3X

Cash Book					
	Cash	Bank		Cash	Bank
	\$	\$		\$	\$
(1) Balances b/f	105	2,164	(3) Bank	500	
(2) Sales	605		(5) Postage	60	
(3) Cash		500	(6) Office equipment		189
(4) J. Matthews		217	(7) J. Lindo		50
(9) Rates		72	(11) Cash		250
(11) Bank	250		(12) Wages	239	
(16) L. Levy (Loan)	200		(14) Motor expenses		57
(20) R. Norman		112	(28) General expenses	22	
			(30) Insurance		74
			(31) Balances c/d	339	2,445
	<u>1160</u>	<u>3,065</u>		<u>1160</u>	<u>3,065</u>

### 20.4X (a)

Cash Book					
	Cash	Bank		Cash	Bank
	\$	\$		\$	\$
(1) Balance	160	3,725	(7) Purchases		647
(8) Sales	206	975	(8) Bank	C 166	
(8) Cash	C 166	166	(12) Rent		900
(15) Sales	896	547	(15) Bank	C 796	
(15) Cash	C 796	796	(16) Repairs to equipment		166
(31) Sales	1724	2,590	(21) Drawings		220
(31) Cash	C 624	624	(27) Purchases		724
			(31) Motor expenses		307
			(31) Office equipment	500	
			(31) Insurance	600	
			(31) Bank	C 624	
			(31) Balances c/d	300	6,459
	<u>2,986</u>	<u>9,423</u>		<u>2,986</u>	<u>9,423</u>

### (b)

Purchases			
(7) Bank	647	(31) Balance c/d	1,371
(27) Bank	724		
	<u>1,371</u>		<u>1,371</u>
Sales			
(31) Balance c/d	6,938	(8) Cash book	1,181
		(15) Cash book	1,443
		(31) Cash book	4,314
	<u>6,938</u>		<u>6,938</u>

### (c)

			\$
Expenses:	Equipment repairs		166
	Motor expenses		307
	Insurance		600
	Rent		900
			<u>1,973</u>



## 20.8X

Cash Book							
	Disc.	Cash	Bank		Disc.	Cash	Bank
		\$	\$			\$	\$
(1) Balances b/f		97	2,186	(5) Rent		88	
(2) R. Harty	50		950	(6) J. Charlton	10		390
(2) C. White	14		266	(6) H. Sobers	16		624
(2) P. Peers	9		171	(6) D. Smallcross	5		195
(2) O. Hardy	30		570	(8) Cash			250
(3) Sales			134	(14) Wages		250	
(8) Bank		250		(16) L. Lucas	6		111
(10) Sales		206		(16) D. Fisher	8		198
(12) D. Deeds	2		87	(20) Fixtures			8,000
(29) D. Steel				(24) Motor van			7,166
(30) Cash		116		(30) Stationery		60	
(30) Balance c/d			12,401	(30) Balances c/d		271	
	<u>105</u>	<u>669</u>	<u>16,934</u>		<u>45</u>	<u>669</u>	<u>16,934</u>
<b>Discounts Allowed</b>							
(30) Total for month	105						
<b>Discounts Received</b>							
				(30) Total for month			45

## Chapter 21 Petty cash and the imprest system

### 21.3X

Receipts	Date	Details	Voucher no	Total	Petty Cash Book				Ledger folio	Ledger accounts
					School bus expenses	Staff travelling expenses	Postage	Cleaning		
\$				\$	\$	\$	\$	\$	\$	
300	Sept 1	Cash								
	Sept 2	Petrol	1	16	16					
	Sept 3	T. Keats	2	23		23				
	Sept 3	Postage	3	12			12			
	Sept 4	D. Twist	4	32		32				
	Sept 7	Cleaning	5	11				11		
	Sept 9	Petrol	6	21	21					
	Sept 12	K. Woods	7	13		13				
	Sept 14	Petrol	8	23	23					
	Sept 15	L. Blake	9	5		5				
	Sept 16	Cleaning	10	11				11		
	Sept 18	Petrol	11	22	22					
	Sept 20	Postage	12	12			12			
	Sept 22	Cleaning	13	11				11		
	Sept 24	H. Williams	14	7		7				
	Sept 27	T. Clarke	15	13					PL18	13
	Sept 29	Postage	16	12			12			
				<u>244</u>	<u>82</u>	<u>80</u>	<u>36</u>	<u>33</u>		<u>13</u>
					GL17	GL29	GL44	GL64		
	Sept 30	Balance	c/d	<u>56</u>						
<u>300</u>				<u>300</u>						
56	Oct 1	Balance	b/d							
244	Oct 1	Cash								





## Chapter 22 The general journal

### 22.3X

		\$			\$
(i) Fixtures	<i>Dr</i>	1,809	J. Harper	<i>Cr</i>	1,809
(ii) Drawings	<i>Dr</i>	500	Purchases	<i>Cr</i>	500
(iii) Purchases	<i>Dr</i>	28	Drawings	<i>Cr</i>	28
(iv) Fixtures and fittings	<i>Dr</i>	500	K. Lamb	<i>Cr</i>	500
(v) J. Harper	<i>Dr</i>	65	Fixtures	<i>Cr</i>	65
(vi) Office equipment	<i>Dr</i>	2,190	Super Offices	<i>Cr</i>	2,190

### 22.4X (a)

The journal		
	Dr	Cr
	\$	\$
Bank	2,910	
Cash	160	
Equipment	5,900	
Premises	25,000	
Account receivable:		
J. Carnegie	540	
Accounts payable:		
R. Smith		890
T. Thomas		610
Loan: J. Higgins		4,000
Capital		29,010
	34,510	34,510



(b)

Cash Book					
Cash			Bank		
	Cash	Bank		Cash	Bank
	\$	\$		\$	\$
(1) Balances b/f	160	2,910	(5) R. Smith		500
(31) Sales	8,560		(12) J. Higgins		1,000
(31) Cash C		8,000	(31) Bank C	8,000	
			(31) Loan interest		200
			(31) Balances c/d	720	9,210
	<u>8,720</u>	<u>10,910</u>		<u>8,720</u>	<u>10,910</u>
<b>Equipment</b>			<b>J. Higgins (Loan)</b>		
(1) Balance b/d	5,900		(12) Bank	1,000	(1) Balance b/d 4,000
<b>Premises</b>			<b>Loan interest</b>		
(1) Balance b/d	25,000		(31) Bank	200	
<b>R. Smith</b>			<b>Capital</b>		
(5) Bank	500	(1) Balance b/d 890			(1) Capital 29,010
<b>J. Carnegie</b>			<b>Returns Inwards</b>		
(1) Balance b/d	540	(31) Returns 400	(31) J. Carnegie	400	
(24) Sales	2,220		<b>Sales</b>		
<b>T. Thomas</b>					(24) J. Carnegie 2,220
		(1) Balance b/d 610			(31) Cash 8,560
		(2) Purchases 2,100	<b>Purchases</b>		
			(2) T. Thomas	2,100	

Trial Balance as at 31 May 2018		
	Dr	Cr
	\$	\$
Cash	720	
Bank	9,210	
Equipment	5,900	
Premises	25,000	
R. Smith		390
J. Carnegie	2,360	
T. Thomas		2,710
J. Higgins		3,000
Loan interest	200	
Capital		29,010
Sales		10,780
Purchases	2,100	
Returns inwards	400	
	<u>45,890</u>	<u>45,890</u>



22.5X (a)

Journal				
	Date 2017		Dr \$	Cr \$
(i)	April 1	Premises Office Equipment Inventory Bank Cash  Accounts payable Loan from bank Capital Assets and liabilities at this date entered to open the books	60,000 5,000 20,000 32,500 500	     8,000 30,000 80,000
(ii)	Nov 23	Computer equipment Computex Data Services Purchases of new computer equipment on credit from Computex Data Services	20,000	20,000
(iii)	Nov 30	Bad debts K. Bond Amount owed to company by K. Bond written off as bad	780	780
(iv)	Nov 30	Bank Van Sale of secondhand van to Ms Chandler	3,000	3,000

(b)

Three from:

- Cash Book
- Purchases Day Book
- Sales Day Book
- Returns Outwards Day Book
- Petty Cash Book
- Returns Inwards Day Book

## Chapter 23 Control accounts

23.3X

Purchases Ledger Control Account			
2017	\$	2017	\$
Jun 30 Returns	315	Jun 1 Balances b/f	3,890
Jun 30 Cash and bank	5,230	Jun 30 Purchases	5,640
Jun 30 Discounts received	110		
Jun 30 Balances c/d	3,875		
	<u>9,530</u>		<u>9,530</u>

23.4X

Purchases Ledger Control Account			
2018	\$	2018	\$
Nov 30 Discounts received	240	Nov 1 Balances b/f	7,560
Nov 30 Returns	355	Nov 30 Purchases	11,100
Nov 30 Cash and bank	9,850		
Nov 30 Balances c/d	8,215		
	<u>18,660</u>		<u>18,660</u>



### 23.6X

Sales Ledger Control Account			
<b>2017</b>	<b>\$</b>	<b>2017</b>	<b>\$</b>
Apr 1 Balance b/f	4,960	Apr 1 Balance b/f	120
Apr 30 Sales	8,470	Apr 30 Cash and bank	7,695
Apr 30 Balances c/d	46	Apr 30 Discounts allowed	245
		Apr 30 Set-offs: Purchases Ledger	77
		Apr 30 Balances c/d	5,339
	<u>13,476</u>		<u>13,476</u>

### 23.7X (a)

Sales Ledger Control Account			
<b>2017</b>	<b>\$</b>	<b>2017</b>	<b>\$</b>
Jan 1 Balances b/d	10,030	Jan 1 Balance b/d	71
Dec 31 Sales	79,660	Dec 31 Discounts allowed	2,910
Dec 31 Balance c/d	71	Dec 31 Bank	69,015
		Dec 31 Returns inwards	1,578
		Dec 31 Bad debts w/o	408
		Dec 31 Set-of C	543
		Dec 31 Balance c/d	15,236
	<u>89,761</u>		<u>89,761</u>
Jan 1 Balance b/d	15,236	Jan 1 Balance b/d	71

### (b)

Purchase Ledger Control Account					
<b>2017</b>		<b>\$</b>	<b>2017</b>		<b>\$</b>
Jan 1	Balance b/d	131	Jan 1	Balance b/d	7,794
Dec 31	Returns outwards	669	Dec 31	Cash	131
Dec 31	Discounts received	1,843	Dec 31	Purchases	50,099
Dec 31	Bank	46,634			
Dec 31	Set-off C	543			
Dec 31	Balance c/d	8,204			
		<u>58,024</u>			<u>58,024</u>
			Jan 1	Balance b/d	8,204

### (c) Refer to text, Sections 23.1 and 23.9

## Chapter 24 Bank reconciliation statements

**Note for teacher:** Both in theory and in practice you can start with the cash book balance working to the bank statement balance, or you can reverse this method. Many teachers have their preferences, but this is a personal matter only. Examiners sometimes ask for them using one way, sometimes the others. Students should therefore be able to tackle them both ways.

### 24.2X

Cash Book			
	<b>\$</b>		<b>\$</b>
Balance b/f	456.48	Fire insurance	21.58
B. Green	40.00	Bank charges	15.00
		Balance c/d	459.90
	<u>496.48</u>		<u>496.48</u>

Bank Reconciliation Statement as at 28 February 2017	
	<b>\$</b>
Balance per cash book	459.90
Add Unpresented cheques (21.62 + 36.55)	58.17
	<u>518.07</u>
Less: Bank lodgement not on bank statement	372.31
Balance per bank statement	<u>145.76</u>



## 24.4X

Cash Book			
	\$		\$
Balance b/f	570	Bank charges	25
R. Jones (correction)	20	W. Green (dishonoured)	125
		Balance c/d	440
	<u>590</u>		<u>590</u>

N. Orange	
Bank Reconciliation Statement as at 31 October 2018	
	\$
Balance per cash book	440
Add Unpresented cheque	150
	<u>590</u>
Less: Banking not recorded on bank statement	200
Balance per bank statement	<u>390</u>

## 24.6X

Cash Book			
	\$		\$
2017 (Totals 6,017 - 5,280)	737	2017 (Totals so far)	6,017
Mar 31 M. Turnbull	57	Mar 31 B.K.S.	49
Mar 31 Balance c/d	5,300	Mar 31 Bank charges	28
	<u>6,094</u>		<u>6,094</u>

Bank Reconciliation Statement as at 31 March 2017	
	\$
Overdraft per cash book	5,300
Add Bankings not yet in bank statement	160
	<u>5,460</u>
Less: Unpresented cheques	490
Overdraft per bank statement	<u>4,970</u>

- 24.7X (a) (i) - ; (ii) - ; (iii) + ; (iv) - ; (v) + ; (vi) + ; (vii) - ; (viii) -  
(b)

Bank Account			
	\$		\$
Balance b/d	4,980	T. Cooper (dishonoured cheque)	180
K. Stevens (error corrected)	400	Bank charges	100
R. Salt	760	Rent	175
		Balance c/d	5,685
	<u>6,140</u>		<u>6,140</u>

Bank Reconciliation Statement as at 31 July 2017	
	\$
Balance per cash book	5,685
Add Unpresented cheques	532
	<u>6,217</u>
Less: Bank lodgement not entered	477
Balance per bank statement	<u>5,740</u>



## PART 4 Accounting adjustments

### Chapter 25 The nature of depreciation and calculations

#### 25.4X

Straight Line		Reducing Balance	
(a) Machine cost	5,120	(b) Machine cost	5,120
Yr 1 Depreciation	781*	Yr 1 Depreciation 25% of 5,120	1,280
	4,339		3,840
Yr 2 Depreciation	781	Yr 2 Depreciation 25% of 3,840	960
	3,558		2,880
Yr 3 Depreciation	781	Yr 3 Depreciation 25% of 2,880	720
	2,777		2,160
Yr 4 Depreciation	781	Yr 4 Depreciation 25% of 2,160	540
	1,996		1,620
Yr 5 Depreciation	781	Yr 5 Depreciation 25% of 1,620	405
	1,215		1,215
*Calculation: $\frac{5,120 - 1,215}{4} = \frac{3,905}{5} = 781$			

#### 25.5X

Reducing Balance		Straight Line	
(a) Photocopier	12,150	(b) Photocopier	12,150
Yr 1 Depreciation 33 1/3%	4,050	Yr 1 Depreciation	2,110*
	8,100		10,040
Yr 2 Depreciation 33 1/3% of 8,100	2,700	Yr 2 Depreciation	2,110
	5,400		7,930
Yr 3 Depreciation 33 1/3% of 5,400	1,800	Yr 3 Depreciation	2,110
	3,600		5,820
Yr 4 Depreciation 33 1/3% of 3,600	1,200	Yr 4 Depreciation	2,110
	2,400		3,710
Yr 5 Depreciation 33 1/3% of 2,400	800	Yr 5 Depreciation	2,110
	1,600		1,600
*Calculation: $\frac{12,150 - 1,600}{5} = \frac{10,550}{5} = 2,110$			

#### 25.6X

Reducing Balance		Straight Line	
(a) Concrete mixer	6,000	(b) Concrete mixer	6,000
Yr 1 Depreciation 20%	1,200	Yr 1 Depreciation	976*
	4,800		5,024
Yr 2 Depreciation 20% of 4,800	960	Yr 2 Depreciation	976
	3,840		4,048
Yr 3 Depreciation 20% of 3,840	768	Yr 3 Depreciation	976
	3,072		3,072
*Calculation: $\frac{6,000 - 3,072}{3} = \frac{2,928}{3} = 976$			



- 25.7X** (a) Machinery has straight line depreciation; fixtures has reducing balance  
 (b) Machinery:  $4,800 - 1,600 - 1,600 = \$1,600$ .  
 Fixtures:  $2,025 - 506 - 380 = \$1,139$ .  
 (c) Machinery:  $8,000 - 2,000 - 1,500 - 1,125 - 844 = \$2531$  (Depreciation rate is 25% p.a.)

## Chapter 26 Double entry records for depreciation and the disposal of assets

- 26.3X** (a) Straight line method

Machine			
<b>2015</b>		\$	\$
Nov 1 Bank	18,000		
<b>Provision for Depreciation: Machine</b>			
<b>2016</b>			<b>2016</b>
Oct 31 Balance c/d	1,800		Oct 31 Profit and Loss
			1,800
<b>2017</b>			<b>2016</b>
Oct 31 Balance c/d	3,600		Nov 1 Balance b/d
			1,800
	3,600		<b>2017</b>
			Oct 31 Profit and Loss
			1,800
			3,600
<b>2018</b>			<b>2017</b>
Oct 31 Balance c/d	5,400		Nov 1 Balance b/d
			3,600
	5,400		<b>2018</b>
			Oct 31 Profit and Loss
			1,800
			5,400
			<b>2018</b>
			Nov 1 Balance b/d
			5,400

- (b) Reducing balance method

Machine			
<b>2015</b>		\$	\$
Nov 1 Bank	18,000		
<b>Provision for Depreciation: Machine</b>			
<b>2016</b>			<b>2016</b>
Oct 31 Balance c/d	1,800		Oct 31 Profit and Loss
			1,800
<b>2017</b>			<b>2016</b>
Oct 31 Balance c/d	3,420		Nov 1 Balance b/d
			1,800
	3,420		<b>2017</b>
			Oct 31 Profit and Loss
			1,620
			3,420
<b>2018</b>			<b>2017</b>
Oct 31 Balance c/d	4,878		Nov 1 Balance b/d
			3,420
	4,878		<b>2018</b>
			Oct 31 Profit and Loss
			1,458
			4,878
			<b>2018</b>
			Nov 1 Balance b/d
			4,878

- 26.4X** (a) Depreciation is excess of cost over disposal value of non-current assets. Depreciation must be charged to profit and loss because it represents the cost of use of the asset in the firm. If depreciation is not charged excess profits would be shown. This could encourage businessmen to take out higher drawings than the business can afford.



(b)

Dumpers			
<b>2015</b>	\$	<b>2016</b>	\$
Jan 1 Bank	144,000	Jan 1 Dumpers disposal	48,000
		Dec 31 Balance c/d	96,000
	<u>144,000</u>		<u>144,000</u>
<b>2017</b>			
Jan 1 Balance b/d	96,000		
Dumpers Disposal			
<b>2016</b>	\$	<b>2016</b>	\$
Jan 1 Dumpers	48,000	Jan 1 Bank	25,000
		Dec 31 Provision for depreciation	9,000
		Dec 31 Profit and Loss	14,000
	<u>48,000</u>		<u>48,000</u>

Provision for depreciation – Dumpers			
<b>2015</b>	\$	<b>2015</b>	\$
Dec 31 Balance c/d	27,000	Dec 31 Profit and loss	27,000
<b>2016</b>		<b>2016</b>	
Jan 1 Dumpers Disposal	9,000	Jan 1 Balance b/d	27,000
Dec 31 Balance c/d	36,000	Dec 31 Profit and loss	18,000
	<u>45,000</u>		<u>45,000</u>
<b>2017</b>		<b>2017</b>	
Dec 31 Balance c/d	54,000	Jan 1 Balance b/d	36,000
	<u>54,000</u>	Dec 31 Profit and loss	28,000
			<u>54,000</u>
		<b>2018</b>	
		Jan 1 Balance b/d	54,000

Workings: For each dumper, depreciation for each dumper is:

$$\frac{48,000 - 3,000}{5} = \frac{45,000}{5} = 9,000 \text{ per annum}$$

26.5X (a)

Computer Equipment			
<b>2015</b>	\$	<b>2018</b>	\$
Jan 1 Bank	9,500	Jan 1 Computer disposals	9,500

(b)

Provision for Depreciation: Computer Equipment			
<b>2015</b>	\$	<b>2015</b>	\$
Dec 31 Balance c/d	1,900	Dec 31 Profit and Loss	1,900
<b>2016</b>		<b>2016</b>	
Dec 31 Balance c/d	3,800	Jan 1 Balance b/d	1,900
	<u>3,800</u>	Dec 31 Profit and Loss	1,900
			<u>3,800</u>
<b>2017</b>		<b>2017</b>	
Dec 31 Balance c/d	5,700	Jan 1 Balance b/d	3,800
	<u>5,700</u>	Dec 31 Profit and Loss	1,900
			<u>5,700</u>
<b>2018</b>		<b>2018</b>	
Jan 1 Computer disposals	5,700	Jan 1 Balance b/d	5,700



(c)

Computer Equipment Disposals			
<b>2018</b>	\$	<b>2018</b>	\$
Jan 1 Computer Equipment	9,500	Jan 1 Depreciation	5,700
Dec 31 Profit and Loss	450	Jan 1 Bank	4,250
	<u>9,950</u>		<u>9,950</u>

(d)

Profit and Loss Account extracts			
2015 Provision for depreciation	1,900		
2016 Provision for depreciation:	1,900		
2017 Provision for depreciation	1,900	2018 Profit on sale of computer	450

(e)

Statements of financial position (Balance Sheets) (extracts)			
	2015	2016	2017
Computer equipment at cost	9,500	9,500	9,500
Less: Depreciation to date	<u>1,900</u>	<u>3,800</u>	<u>5,700</u>
Net book value	7,600	5,700	3,800

26.7X (a)

Motor Van Disposals			
Motor van	12,000	Provision for depreciation	9,700
		Bank	1,850
		Profit and Loss: loss on sale	450
	<u>12,000</u>		<u>12,000</u>

(b)

Machinery Disposals			
Machinery	27,900	Provision for depreciation	19,400
Profit and Loss: profit on sale	<u>2,770</u>	Bank	<u>11,270</u>
	<u>30,670</u>		<u>30,670</u>

(c)

Fixtures Disposals			
Fixtures	8,420	Provision for depreciation	7,135
		Bank	50
		Profit and Loss: loss on sale	1,235
	<u>8,420</u>		<u>8,420</u>

(d)

Buildings Disposals			
Buildings	200,000	Provision for depreciation	110,000
Profit and Loss: profit on sale	<u>59,000</u>	Bank	<u>149,000</u>
	<u>259,000</u>		<u>259,000</u>

## Chapter 27 Bad debts and the provision for doubtful debts

27.3X

Date: 31 Dec	Total Accounts			Final Figures for Statement of Financial Position
	receivable	Profit and Loss	Dr/Cr	
	\$	\$		\$
2017	7,000	70	Dr	6,930 (net)
2018	8,000	10	Dr	7,920 (net)
2019	6,000	20	Cr	5,940 (net)
2020	7,000	10	Dr	6,930 (net)



## 27.4X

Bad Debts			
<b>2015</b>		<b>2015</b>	
Dec 31 Various accounts receivable	298	Dec 31 Profit and loss	298
<b>2016</b>		<b>2016</b>	
Dec 31 Various accounts receivable	386	Dec 31 Profit and loss	386
<b>2017</b>		<b>2017</b>	
Dec 31 Various accounts receivable	344	Dec 31 Profit and loss	344
<b>2018</b>		<b>2018</b>	
Dec 31 Various accounts receivable	477	Dec 31 Profit and loss	477

Provision for Doubtful Debts			
<b>2015</b>		<b>2015</b>	
Dec 31 Balance c/d	100	Dec 31 Profit and loss	100
<b>2016</b>		<b>2016</b>	
Dec 31 Balance c/d	130	Jan 1 Balance b/d	100
	130	Dec 31 Profit and loss	30
			130
<b>2017</b>		<b>2017</b>	
Dec 31 Profit and loss	15	Jan 1 Balance b/d	130
Dec 31 Balance c/d	115		
	130		130
<b>2018</b>		<b>2018</b>	
Dec 31 Balance c/d	150	Jan 1 Balance b/d	115
	150	Dec 31 Profit and loss	35
			150
		<b>2019</b>	
		Jan 1 Balance b/d	150

Profit and Loss Extracts for the year ended 31 December				
<b>2015</b>	Bad debts	298		
	Provision for doubtful debts	100		
<b>2016</b>	Bad debts	386		
	Provision for doubtful debts	30		
<b>2017</b>	Bad debts	344	Reduction in provision for doubtful debts	15
<b>2018</b>	Bad debts	477		
	Provision for doubtful debts	35		

Statement of financial position (Balance Sheet) Extracts as at 31 December each year							
<b>2015</b>	Accounts receivable	\$ 12,000	\$ 11,900	<b>2017</b>	Accounts receivable	\$ 14,000	\$ 13,885
	Less: Provision	100			Less: Provision	115	
<b>2016</b>	Accounts receivable	\$ 15,000	\$ 14,870	<b>2018</b>	Accounts receivable	\$ 18,000	\$ 17,850
	Less: Provision	130			Less: Provision	150	

## 27.5X (a)

Provision for Doubtful Debts			
<b>2017</b>		<b>2017</b>	
Dec 31 Balance c/d	600	Dec 31 Profit and loss	600
<b>2018</b>		<b>2018</b>	
Dec 31 Balance c/d	840	Jan 1 Balance b/d	600
	840	Dec 31 Profit and loss	240
			840
<b>2019</b>		<b>2019</b>	
Dec 31 Balance c/d	1,040	Jan 1 Balance b/d	840
	1,040	Dec 31 Profit and loss	200
			1,040
		<b>2020</b>	
		Jan 1 Balance b/d	1,040



(b)

J. Brown			
<b>2019</b>		<b>2019</b>	
Jan 1 Balance b/d	800	Jan 2 Cash	200
		Jan 2 Bad debts	600
	<u>800</u>		<u>800</u>
Bad Debts			
<b>2019</b>			
Jan 2 J. Brown	600		

(c) A provision for doubtful debts is created in case some of the outstanding debts are not paid. The provision is charged to the profit and loss account and then deducted from the accounts receivable in the statement of financial position (balance sheet), thereby showing a realistic figure of the debts owed and what payment the business expects to receive.

## Chapter 28 Accruals, prepayments and other adjustments for financial statements

### 28.2X

Motor Expenses			
<b>2016</b>		<b>2016</b>	
Dec 31 Bank	4,971	Dec 31 Profit and loss	5,381
Dec 31 Owing c/d	410		
	<u>5,381</u>		<u>5,381</u>
Sundry Expenses			
<b>2016</b>		<b>2016</b>	
Dec 31 Bank	115	Dec 31 Profit and loss	127
Dec 31 Owing c/d	12		
	<u>127</u>		<u>127</u>
Electricity			
<b>2016</b>		<b>2016</b>	
Dec 31 Bank	885	Dec 31 Profit and loss	1,101
Dec 31 Owing c/d	216		
	<u>1,101</u>		<u>1,101</u>
Computer Hire Rental			
<b>2016</b>		<b>2016</b>	
Dec 31 Bank	1,200	Dec 31 Profit and loss	900
		Dec 31 Prepaid c/d	300
	<u>1,200</u>		<u>1,200</u>
Security Expenses			
<b>2016</b>		<b>2016</b>	
Dec 31 Bank	3,750	Dec 31 Profit and loss	3,000
		Dec 31 Prepaid c/d	750
	<u>3,750</u>		<u>3,750</u>

28.4X (a)

Rent Receivable			
<b>2015</b>		<b>2015</b>	
Dec 31 Profit and loss	4,200	Dec 31 Bank	5,250
Dec 31 Received in advance	1,050		
	<u>5,250</u>		<u>5,250</u>

(b)

Commission Receivable			
<b>2015</b>		<b>2015</b>	
Dec 31 Profit and loss	3,550	Dec 31 Bank	3,280
		Dec 31 Owing c/d	270
	<u>3,550</u>		<u>3,550</u>



(c)

Bank Deposit Interest			
<b>2015</b>		<b>2015</b>	
Dec 31 Profit and loss	603	Dec 31 Bank	489
		Dec 31 Owing c/d	114
	<u>603</u>		<u>603</u>

(d)

Advertising Revenue			
<b>2015</b>		<b>2015</b>	
Dec 31 Profit and loss	1,329	Dec 31 Bank	1,577
Dec 31 Received in advance c/d	248		
	<u>1,577</u>		<u>1,577</u>

28.6X (a)

Stationery			
<b>2015</b>		<b>2015</b>	
Jul 1 Inventory b/f	290	Jun 30 Profit and loss	800
<b>2016</b>		Jun 30 Inventory c/d	345
Jun 30 Cash and bank	855		
	<u>1,145</u>		<u>1,145</u>

(b)

General Expenses			
<b>2016</b>		<b>2015</b>	
Jun 30 Cash and banks	590	Jul 1 Owing b/f	64
Jun 30 Owing c/d	90	<b>2016</b>	
	<u>680</u>	Jun 30 Profit and loss	616
			<u>680</u>

(c)

Rent and Rates			
<b>2016</b>		<b>2015</b>	
Jun 30 Cash and bank	3,890	Jul 1 Owing b/f	
Jun 30 Rates owing c/d	360	Rent	160
		Rates	205
		<b>2016</b>	
		Jun 30 Profit and loss	3,635
		Jun 30 Rent prepaid c/d	250
	<u>4,250</u>		<u>4,250</u>

(d)

Motor Expenses			
<b>2016</b>		<b>2015</b>	
Jun 30 Cash and bank	4,750	Jul 1 Owing b/f	180
Jun 30 Owing c/d	375		
		<b>2016</b>	
		Jun 30 Profit and loss	4,945
	<u>5,125</u>		<u>5,125</u>



(e)

Commission Receivable			
<b>2015</b>		<b>2016</b>	
Jul 1 Owing b/f	80	Jun 30 Cash and bank	850
		Jun 30 Owing c/d	145
<b>2016</b>			
Jun 30 Profit and loss	915		
	<u>995</u>		<u>995</u>

28.7X

J. Lester			
Trading and Profit and Loss Account for the year ended 31 December 2017			
	\$	\$	\$
Sales		152,000	
Less: Returns inwards		<u>2,460</u>	149,540
Less: Cost of goods sold:			
Opening inventory		21,600	
Add: Purchases	81,500		
Less: Returns outwards	<u>1,910</u>	79,590	
Carriage inwards		<u>360</u>	
		101,550	
Less: Closing inventory		<u>27,540</u>	74,010
<b>Gross profit</b>			75,530
Add: Discounts received		3,100	
Commission received		<u>820</u>	3,920
			79,450
Less: Expenses			
Wages		21,470	
Carriage outwards		580	
Rent and rates		4,110	
Bad debts		570	
Bank charges		230	
General expenses		490	
Discounts allowed		1,650	
Loan interest		400	
Depreciation		<u>12,400</u>	41,900
<b>Net profit</b>			<u>37,550</u>



## 28.11X

J. Jordan		
Trading and Profit and Loss Account for the year ended 31 December 2018		
	\$	\$
Sales		120,320
Less: Returns inwards		<u>1,384</u>
		118,936
Less: Cost of goods sold:		
Opening inventory		30,816
Add: Purchases	84,290	
Less: Returns outwards	<u>810</u>	
Carriage inwards		<u>309</u>
		114,605
Less: Closing inventory		<u>36,420</u>
		78,185
<b>Gross profit</b>		40,751
Add: Discounts received		506
Add: Rent receivable		250
Add: Reduction in provision for doubtful debts		<u>78</u>
		41,585
Less: Expenses		
Motor expenses (4,917 + 33)		4,950
Wages		16,184
Carriage outwards		218
Discounts allowed		410
Repairs to premises		1,383
Sundry expenses (807 + 62)		869
Rates and insurance (2,896 - 166)		2,730
Bad debts		1,314
Loan interest		4,000
Depreciation: Motors		<u>2,100</u>
		34,158
<b>Net profit</b>		<u><u>7,427</u></u>

J. Jordan			
Statement of Financial Position (Balance Sheet) as at 31 December 2018			
	\$	\$	\$
	Cost	Total depreciation	N.B.V
<i>Non-current assets</i>			
Premises	40,000	-	40,000
Motor vehicles	<u>11,160</u>	<u>5,960</u>	<u>5,200</u>
	<u>51,160</u>	<u>5,960</u>	45,200
<i>Current assets</i>			
Inventory		36,420	
Accounts receivable Less: provision (31,640 - 580)		31,060	
Prepayments and expense debtors (166 + 250)		416	
Bank		4,956	
Cash		<u>48</u>	
		72,900	
<i>Less: Current liabilities</i>			
Accounts payable	24,320		
Expenses owing (4,000 + 62 + 33)	<u>4,095</u>	<u>28,415</u>	
Net Current assets			<u>44,485</u>
			89,685
<i>Less: Long-term liability:</i>			
Loan from P. Holland			<u>40,000</u>
			<u>49,685</u>
<i>Financed by:</i>			
<i>Capital</i>			
Balance as at 1.1.2018			50,994
Add: Net profit			<u>7,427</u>
			58,421
<i>Less: Drawings</i>			<u>8,736</u>
			<u>49,685</u>



## 28.12X

J. Jones			
Profit and Loss Account for the year ended 31 December 2017			
	\$	\$	\$
Revenue			10,400
Less: Expenses			
Rates (140 - 30)		110	
Telephone		110	
Advertising		230	
Cleaning		50	
Motor car expenses (480 - 160)		320	
Sundry expenses		1,200	
Depreciation:			
Equipment	112		
Motor (see workings)	176	288	2,308
<b>Net profit</b>			<u>8,092</u>



J. Jones			
Statement of Financial Position (Balance Sheet) as at 31 December 2017			
	\$	\$	\$
	Cost	Total depreciation	N.B.V
<i>Non- current assets</i>			
Freehold premises	6,000	–	6,000
Equipment	1,120	512	608
Motor car	1,800	744*	1,056
	<u>8,920</u>	<u>1,256</u>	7,664
<i>Current assets</i>			
Prepaid expenses		30	
Bank		5,400	
Cash		40	
		<u>5,470</u>	
<i>Less: Current liabilities</i>			
Expenses owing		50	5,420
Net Current assets			<u>13,084</u>
<i>Financed by:</i>			
<i>Capital</i>			
Balance at 1.1.2017			9,740
Add: Net profit			8,092
			<u>17,832</u>
<i>Less: Drawings*</i>			
			4,748
			<u>13,084</u>
<i>Workings:*</i>			
Depreciation: Motor vehicles $1,320 \times 20\%$			264
Of this	charge to Profit and loss $\frac{2}{3}$		176
	charge to Drawings $\frac{1}{3}$		88
			<u>264</u>
Drawings: as per Trial Balance			4,500
$\frac{1}{3}$ Depreciation of motor vehicles			88
$\frac{1}{3}$ Motor car expenses			160
			<u>4,748</u>
Depreciation: Motor vehicles			
To start of year (Cost 1,800 – 1,320)			480
For the year (including private part)			264
			<u>744</u>



## Chapter 29 The extended trial balance

### 29.3X

Reitzen & Co Trial Balance as at 31 December 2016		
	Dr \$	Cr \$
Purchases	334,500	
Sales		511,050
Returns inwards	10,050	
Returns outwards		8,400
Inventory 1 January 2016	33,000	
Discount allowed	6,900	
Discounts received		8,250
Wages and salaries	55,750	
Carriage inwards	2,100	
Carriage outwards	3,300	
Printing and stationery	4,200	
Electricity	7,300	
Motor expenses	18,250	
Telephone	3,100	
General expenses	2,900	
Accounts receivable	51,000	
Accounts payable		32,400
Bad debts written off	1,650	
Provision for doubtful debts at 31 December 2016		675
Cash in hand	1,200	
Bank overdraft		35,100
Capital		57,825
Property	75,000	
Plant and equipment	96,000	
Provision for depreciation at 31 December 2016		
Property		15,000
Plant and equipment		37,500
	706,200	706,200



## 29.5X

C. Travares – Extended trial balance as at 31 July 2018

	Description	Ledger Balances		Adjustments		Profit and Loss (PL)		Statement of Financial Position (SFP)	
		Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
		\$	\$	\$	\$	\$	\$	\$	\$
PL	Inventory 1 August 2017	29,150				29,150			
PL	Purchases	243,800				243,800			
PL	Sales		509,450				509,450		
PL	Returns inwards	3,805				3,805			
PL	Returns outwards		2,655				2,655		
PL	Discounts allowed	6,620				6,620			
PL	Discounts received		5,750				5,750		
PL	Wages and salaries	76,500				76,500			
PL	Lighting and heating	9,250				9,250			
PL	Telephone, stationery and advertising	13,600				13,600			
PL	Motor expenses	10,500		(a) 200		10,700			
PL	General expenses	3,005				3,005			
PL	Rates and insurance	15,000			(b) 3,500	11,500			
SFP	Motor vehicles (cost)	20,000						20,000	
SFP	Accumulated depreciation		5,000		(d) 5,000				10,000
SFP	Fixtures and fittings (cost)	22,100						22,100	
SFP	Accumulated depreciation		9,945		(d) 3,315				13,260
SFP	Accounts payable		21,900						21,900
SFP	Accounts receivable	31,700						31,700	
SFP	Drawings	22,325						22,325	
SFP	Cash in hand	995						995	
SFP	Cash at bank	10,985						10,985	
SFP	Capital		114,635						114,635
SFP	Land and buildings	150,000						150,000	
		669,335	669,335						
SFP	Accrual - Motor expenses				(a) 200				200
SFP	Prepayment - Insurance			(b) 3,500				3,500	
SFP	Inventory - 31 July 2018			(c) 30,700				30,700	
PL	Inventory - 31 July 2018				(c) 30,700		30,700		
PL	Depreciation - Motor vehicles			(d) 5,000		5,000			



PL	Depreciation - Fixtures and fittings		(d) 3,315		3,315			
			42,715	42,715				
	Net profit				132,310			132,310
					548,555	548,555	292,305	292,305

## Chapter 30 Inventory valuation

### 30.3X

C. Jones Trading Account for the year ended 30 September 2017		
	\$	\$
Sales (15 x 65) February 2017		975
Less: Cost of goods sold:		
Opening inventory (2 x 50)	100	
Add: Purchases (17 x 50)	<u>850</u>	
	950	
Less: Closing inventory (4 x 50)	<u>200</u>	<u>750</u>
<b>Gross profit</b>		<u><u>225</u></u>

### 30.6X

(i) FIFO 6 x \$13 = \$78

(ii) LIFO

2017	Received	Issued	Inventory after each transaction	\$	\$
Jan	24 x \$10		24 x \$10		240
Apr	16 x \$12.50		24 x \$10 = 16 x \$12.50 =	240 200	440
Jun		14 x \$10 <u>16 x \$12.50</u> 30	10 x \$10		100
Oct	30 x \$13		10 x \$10 = 30 x \$13 =	100 390	490
Nov		4 x \$10 <u>30 x \$13</u> 34	6 x \$10		60

(iii) AVCO

2017	Received	Issued	Average cost per unit of inventory held \$	No of units in inventory	Total value of inventory \$
Jan	24 x \$10		10	24	240
Apr	16 x \$12.50		11	40	440
Jun		30	11	10	110
Oct	30 x \$13		12.50	40	500
Nov		34	12.50	6	75



Trading Account for the year ended 31 December 2017						
	FIFO		LIFO		AVCO	
	\$	\$	\$	\$	\$	\$
Sales						
30 x 16 = 480						
34 x 18 = 612		1,092		1,092		1,092
Less: Cost of goods sold						
Purchases	830		830		830	
Less: Closing inventory	78	752	60	770	75	755
Gross profit		<u>340</u>		<u>322</u>		<u>337</u>

### 30.7X

Computation of inventory as at 31 December 2017			
	\$	\$	\$
Total per stock sheets			85,980
Add: (c) Goods on sale or return	480		
Less: Profit content 25%	<u>120</u>	360	
(d) Undercalculation (576-420)		156	
(e) Goods returned to supplier		<u>98</u>	<u>614</u>
			86,594
Less: (a) Goods received since year end		3,987	
(b) Less: overcast	4,897		
	<u>- 4,798</u>	<u>99</u>	<u>4,086</u>
			<u><u>82,508</u></u>

### 30.8X (a)

		\$	\$
Sales	15 x \$40 =	600	
	10 x \$45	<u>450</u>	1,050
Cost of goods sold:			
Purchases		1,376	
Less: Closing inventory*		<u>836</u>	<u>540</u>
Gross profit			<u><u>510</u></u>

\*FIFO 10 x \$24 + 16 x \$26 + 6 x \$30 = \$836

### (b)

		\$	\$
Sales (as above)			1,050
Cost of goods sold:			
Purchases		1,376	
Less: Closing inventory*		<u>756</u>	<u>620</u>
Gross profit			<u><u>430</u></u>

\*LIFO 15 x \$20 + 5 x \$24 + 6 x \$26 + 6 x \$20 = 756



## Chapter 31 Errors and their effect on accounting records

### 31.2X

			\$			\$
(a)	H. Wood	Dr	699	K. Wong	Cr	699
(b)	Cash	Dr	189	Bank	Cr	189
(c)	B. Ming	Dr	443	B. Gordon	Cr	443
(d)	K. Isaacs	Dr	10	Purchases	Cr	10
(e)	H. Marcano	Dr	178	Cash	Cr	178

Needs double the amount to first cancel out the error and then replace it with the correct amount.

### 31.4X (a)

		\$	\$
	Net profit per accounts		3,040
Add 1	Fittings included in Purchases		<u>140</u>
			3,180
Less 2	Depreciation on motors	280	
3	Bad debt written off	41	
4	Closing inventory overvalued	<u>124</u>	<u>445</u>
	Corrected net profit		<u><u>2,735</u></u>

### (b)

R. James			
Statement of Financial Position (Balance Sheet) as at 31 December 2017			
	\$	\$	\$
	Cost	Total depreciation	N.B.V
<i>Non-current assets</i>			
Furniture and fittings	1,680	-	1,680
Motor vehicle	<u>2,980</u>	<u>280</u>	<u>2,700</u>
	<u><u>4,660</u></u>	<u><u>280</u></u>	<u><u>4,380</u></u>
<i>Current assets</i>			
Inventory		2,600	
Accounts receivable		1,200	
Bank		<u>1,235</u>	
		5,035	
<i>Less: Current liabilities</i>			
Accounts payable		<u>1,850</u>	
Net Current assets			<u><u>3,185</u></u>
<i>Financed by:</i>			
<i>Capital</i>			
Balance as at 1.1.2017			7,690
Add: Net profit (as corrected)			<u>2,735</u>
			10,425
<i>Less: Drawings</i>			
			<u><u>2,860</u></u>
			<u><u>7,565</u></u>



### 31.5X

Tom Ainsworth - Journal		
	Dr	Cr
(a) Sales	1,000	
Fixtures and fittings		1,000
Correction of unwanted fixtures and fittings sold credited to the sales account in error		
(b) Motor repairs	420	
Motor van		420
Correction of payment for repairs to motor van posted in error to the motor van account		
(c) C. Clarkson	800	
C. Clark		800
Correction of payment received from C. Clark credited in error to C. Clarkson		
(d) Drawings	500	
Salaries		500
Correction of error, proprietor's drawings credited to salaries account		
(e) Office cleaning	240	
Office equipment		240
Office cleaning expenses posted in error to office equipment account		

## Chapter 32 Suspense accounts and errors

### 32.3X (a)

J. Blake			
Computation of Correct Net Profit for the year ended 26 February 2017			
		\$	\$
Net profit per accounts			2,370
Less:	Sales overcast	140	
	Discounts allowed omitted	84	224
Corrected Net profit			<u>2,146</u>

*Note:* Errors (1) and (3) do not affect profit calculation.

### (b)

The Journal (narratives omitted)			
		Dr	Cr
		\$	\$
1	Suspense	116	
	Accounts receivable		116
2	Sales	140	
	Suspense		140
3	Suspense	144	
	S. Johnson		144
	Note: needs adjustment of twice the error		
4	Discounts allowed	84	
	Suspense		84

### (c)

Suspense			
Accounts receivable	116	Balance b/f	36*
S. Johnson	144	Sales	140
		Discounts allowed	84
	<u>260</u>		<u>260</u>

\*Figure needed to make account balance



### 32.5X

Item	If no effect state 'No'	Debit side exceeds credit side by:	Credit side exceeds debit side by
1	No		
2			\$3,400
3	No		
4		\$1,500	
5			\$610
6			\$170
7	No		

### 32.7X (a)

Suspense			
(i) Purchases overcast	258	Balance as per Trial Balance	1,546
(iii) Cash Book	1,500	(iv) Account Payable	168
		(v) Sundry expenses	44
	<u>1,758</u>		<u>1,758</u>

*Note:* Item (ii) does not affect suspense account.

### (b)

D. Fearon Trial Balance as at 31 December 2017		
	Dr	Cr
	\$	\$
Capital		25,621
Drawings	13,690	
Sales		94,630
Purchases (60,375 – 258)	60,117	
Returns inwards and outwards	1,210	1,109
Wages and salaries (14,371 – 2,000)	12,371	
Sundry expenses (598 + 44)	642	
Inventory 1.1.2017	8,792	
Accounts receivable and payable (accounts payable: 4,290 – 168)	11,370	4,122
Loan from J. Chandler		3,000
Equipment	16,000	
Bank (5,790 – 1,500)	4,290	
	<u>128,482</u>	<u>128,482</u>



## PART 5 Financial statements of other organisations

### Chapter 33 Receipts and payments accounts and income and expenditure accounts

#### 33.3X

Port Maria Sports and Social Club Income and Expenditure Account for the year ended 31 May 2017		
	\$	\$
<i>Income</i>		
Subscriptions (270 + 28)		298
Net proceeds of dance		426
Bar profits (see workings)		318
		<u>1,042</u>
<i>Less: Expenditure</i>		
Staff wages	396	
Hire of rooms	<u>128</u>	
Depreciation of equipment	70	594
Surplus of income over expenditure		<u>448</u>

Port Maria Sports and Social Club Balance Sheet as at 31 May 2017			
	\$	\$	\$
<i>Non-current assets</i>			
Equipment	<u>1,012</u>	<u>Total depreciation</u> 70	<u>N.B.V.</u> 942
<i>Current assets</i>			
Bar inventory		202	
Subscriptions owing		28	
Bank		<u>704</u>	<u>934</u>
			<u>1,876</u>
<i>Financed by</i>			
Accumulated fund			
Balance as at 1.6.2016		1,428	
Add: Surplus for year		<u>448</u>	<u>1,876</u>
<i>Workings</i>			
Bar: Opening inventory	176		
Add: Purchases	<u>794</u>		
	970	Accumulated fund as at 1.6.2016	\$
Less: Closing inventory	<u>202</u>	Bar stocks	176
		Equipment	680
Cost of goods sold	768	Bank	<u>572</u>
Gross profit	<u>318</u>		
Bar takings	<u>1,086</u>		<u>1,428</u>

#### 33.4X (a)

City Domino Club Coffee Bar Trading Account for the year ended 31 December 2017		
	\$	\$
Takings		2,798
<i>Less: Cost of bar supplies</i>		
Opening inventory	59	
Add: Purchases	<u>1,456</u>	
	1,515	
<i>Less: Closing inventory</i>	<u>103</u>	<u>1,412</u>
		1,386
<i>Less: Staff wages</i>		<u>650</u>
Profit to Income and Expenditure Account		<u>736</u>



(b)

<i>Working: Accumulated fund 1.1.2017</i>	\$
Equipment	2,788
Coffee bar inventory	59
Bank	1,298
	<u>4,145</u>

(c)

City Domino Club		
Income and Expenditure Account for the year ended 31 December 2017		
	\$	\$
<i>Income</i>		
Subscriptions (3,790 + 29)		3,819
Coffee bar profits		736
Profits from dances		186
Profit on domino exhibition		112
		<u>4,853</u>
<i>Less: Expenditure</i>		
Wages	1,126	
Rent of rooms	887	
Travelling expenses of teams	673	
Depreciation of equipment	279	
Loss on equipment sold	11	2,976
Surplus of income over expenditure		<u>1,877</u>

City Domino Club		
Statement of Financial Position (Balance Sheet) as at 31 December 2017		
	\$	\$
<i>Non-current assets</i>		
Equipment (2,711 + 565)	3,276	
Less: Depreciation	<u>279</u>	2,997
<i>Current assets</i>		
Coffee bar inventory	103	
Accounts receivable for subscriptions	29	
Bank	<u>2,893</u>	3,025
		<u>6,022</u>
<i>Accumulated fund</i>		
Balance as at 1.1.2017 (see Workings)		4,145
Add: Surplus for the year		<u>1,877</u>
		<u>6,022</u>

33.5X (a)

Sunny Bay Social Club			
Subscription Account for the year ended 31 December 2017			
	\$		\$
Arrears b/f	290	Received in advance b/f	420
Income and Expenditure Account	6,420	Cash	5,920
		Arrears c/d	370
	<u>6,710</u>		<u>6,710</u>

(b)

Sunny Bay Social Club			
Receipts and Payments Account for the year ended 31 December 2017			
Receipts		Payments	
	\$		\$
Balance c/f	3,070	Equipment	700
Subscriptions	5,920	Wages	2,880
Sales of lottery tickets	1,090	Disco costs	4,970
Receipts from discos	7,510	Travel expenses	1,220
Ground hire	900	Competition prizes	580
Donations	1,500	Committee expenses	690
		Rent of buildings	2,170
		Balance c/d	6,780



19,990

19,990

(c)

<b>Sunny Bay Social Club</b>		
<b>Income and Expenditure Account for the year ended 31 December 2017</b>		
	\$	\$
<i>Income</i>		
Subscriptions		6,420
Sales of lottery tickets		1,090
Receipts from discos	7,510	
Less: Costs	<u>4,970</u>	2,540
Ground hire		900
Donations received		<u>1,500</u>
		12,450
<i>Less: Expenditure</i>		
Groundsman's pay	2,880	
Team's travelling expenses	1,220	
Competition prizes	580	
Rent	2,170	
Committee expenses	690	
Depreciation	<u>250</u>	<u>7,790</u>
<i>Surplus of income over expenditure</i>		<u><u>4,660</u></u>

## Chapter 34 Partnership accounts: an introduction

34.3X (a)

<b>Wain, Brown and Cairns</b>			
<b>Appropriation Account for the year ended 31 March 2017</b>			
		\$	\$
Net profit			60,000
<i>Less: Salaries</i>			
Wain	10,000		
Brown	<u>8,000</u>		<u>18,000</u>
			42,000
<i>Balance of profits shared:</i>			
Wain	50%	21,000	
Brown	30%	12,600	
Cairns	20%	<u>8,400</u>	<u>42,000</u>

(b)

<b>Capital Accounts</b>							
	<i>Wain</i>	<i>Brown</i>	<i>Cairns</i>		<i>Wain</i>	<i>Brown</i>	<i>Cairns</i>
				<b>2017</b>			
				31 Mar Balances b/d	30,000	50,000	70,000

<b>Current Accounts</b>							
	<i>Wain</i>	<i>Brown</i>	<i>Cairns</i>		<i>Wain</i>	<i>Brown</i>	<i>Cairns</i>
				<b>2017</b>			
31 Mar Drawings	12,000	15,050	14,980	31 Mar Balances b/d	2,400	3,100	5,700
31 Mar Balance c/d	21,400	8,650	-	31 Mar Salaries	10,000	8,000	-
				31 Mar Share of profits	21,000	12,600	8,400
				31 Mar Balance c/d			880
	<u>33,400</u>	<u>23,700</u>	<u>14,980</u>		<u>33,400</u>	<u>23,700</u>	<u>14,980</u>
				<b>2017</b>			
1 Apr Balance b/d			880	1 Apr Balance b/d	21,400	8,650	-



34.4X (a)

Dent, Bishop and White			
Trading and Profit and Loss Account for the year ended 31 December 2017			
		\$	\$
Net profit b/d			50,400
<i>Add:</i> Interest on drawings:	Dent	400	
	Bishop	360	
	White	240	1,000
			51,400
<i>Less:</i> Interest on capital:	Dent	3,000	
	Bishop	2,800	
	White	1,600	7,400
<i>Less:</i> Salary	Bishop		2,000
Balance of profits shared:	Dent 3/6	21,000	
	Bishop 2/6	14,000	
	White 1/6	7,000	42,000
			51,400

(b)

Balance Sheet extract as at 31 December 2017					
		\$	\$	\$	\$
<i>Capital:</i>	Dent	30,000			
	Bishop	28,000			
	White	16,000			74,000
<i>Current accounts</i>					
Balances 1.1.2017		750	1,340	220	
<i>Add:</i>	Interest on capital	3,000	2,800	1,600	
	Salary	-	2,000	-	
	Balance of profits	21,000	14,000	7,000	
		24,750	20,140	8,820	
<i>Less:</i>	Drawings	8,000	7,200	4,800	
	Interest on drawings	400	360	240	
		16,350	12,580	3,780	32,710
* Interest on drawings					
Dent	4,000 x 10% x 9 months			300	
	4,000 x 10% x 3 months			100	400
Bishop	3,600 x 10% x 9 months			270	
	3,600 x 10% x 3 months			90	360
White	2,400 x 10% x 9 months			180	
	2,400 x 10% x 3 months			60	240



## 34.6X

Oscar and Felix			
Trading and Profit and Loss Account for the year ended 31 March 2017			
	\$	\$	\$
Sales			90,370
Less: Cost of goods sold			
Opening inventory		24,970	
Add: Purchases		71,630	
		<u>96,600</u>	
Less: Closing inventory		27,340	69,260
Gross Profit			<u>21,110</u>
Less: Expenses			
Wages		8,417	
Office expenses (1,370 + 110)		1,480	
Discounts allowed		563	
Depreciation:			
Motors	1,840		
Office equipment	650	2,490	12,950
Net profit			8,160
Add: interest on drawings			
Oscar		180	
Felix		210	390
			<u>8,550</u>
Less: Interest on capital:			
Oscar		2,700	
Felix		1,200	3,900
			<u>4,650</u>
Balance of profits shared:			
Oscar $\frac{3}{5}$		2,790	
Felix $\frac{2}{5}$		1,860	<u>4,650</u>

Balance Sheet as at 31 March 2017			
	\$	\$	\$
<i>Non-current assets</i>	<b>Cost</b>	<b>Total depreciation</b>	<b>N.B.V.</b>
Office equipment	6,500	2,600	3,900
Motor vehicles	9,200	5,520	3,680
	<u>15,700</u>	<u>8,120</u>	<u>7,580</u>
<i>Current assets</i>			
Inventory		27,340	
Accounts receivable		20,960	
Bank		615	
Cash		140	
		<u>49,055</u>	
Less: Current liabilities			
Accounts payable	16,275		
Expenses owing	110	16,385	
Net current assets			<u>32,670</u>
			<u>40,250</u>
<i>Capital:</i>			
Oscar		27,000	
Felix		1,200	39,000
<i>Current accounts</i>			
	<b>Oscar</b>	<b>Felix</b>	
	\$	\$	\$
Balance as at 1.4.2016	1,379	1,211	
Add: Interest on capital	2,700	1,200	
Add: Share of profits	2,790	1,860	
	<u>6,869</u>	<u>4,271</u>	
Less: Drawings	5,500	4,000	
Less: Interest on drawings	180	210	4,210
	<u>1,189</u>	<u>61</u>	<u>1,250</u>
			<u>40,250</u>



**34.8X (a) and (b)**

Steve and Jane Profit and Loss Account and Profit and Loss Appropriation Account for the year ended 31 December 2017				
		\$	\$	\$
Profit b/d				56,000
Less: Wages			12,560	
Rent and rates			4,440	
Loan interest			<u>2,000</u>	<u>19,000</u>
Net profit				37,000
Add: Interest on drawings:				
Steve			600	
Jane			<u>900</u>	<u>1,500</u>
				38,500
Less: Interest on capital:				
Steve		4,000		
Jane		<u>6,000</u>	10,000	
Salary: Jane			6,000	
Balance of profits shared:				
Steve $\frac{2}{3}$		15,000		
Jane $\frac{1}{3}$		<u>7,500</u>	<u>22,500</u>	<u>38,500</u>

**(c)**

Current Accounts					
	Steve	Jane		Steve	Jane
	\$	\$		\$	\$
Balance b/d	500		Balance b/d		3,700
Drawings	6,000	9,000	Interest on capital	4,000	6,000
Interest on drawings	600	900	Salary		6,000
Balance c/d	<u>11,900</u>	<u>13,300</u>	Share of profits	<u>15,000</u>	<u>7,500</u>
	<u>19,000</u>	<u>23,200</u>		<u>19,000</u>	<u>23,200</u>

- (d)** Credit balances on current accounts signify the profit still available for a partner to draw out of the business. Debit balances on current accounts signify the amount by which drawings have exceeded partners' profits.

**Chapter 35 New partners: entries on admission, goodwill and premiums**

**35.2X** Average yearly sales:  $(160,000 + 192,000 + 188,000 + 208,000) = 748,000 \div 4 = 187,000$ .  
Goodwill  $1\frac{1}{2} \times 187,000 = 280,500$ .

**35.4X** Average annual fees:  $(250,000 + 295,000 + 275,000 + 370,000 + 425,000) = 1,615,000 \div 5 = 323,000$ .  
Goodwill  $3 \times 323,000 = 969,000$ .

**35.6X**

Annual net profits		\$	\$
Less:	Alternative possible remuneration	35,000	
	Alternative possible investment income	<u>5,400</u>	<u>40,400</u>
Annual super profits			<u>14,600</u>
Goodwill =	$14,600 \times 8 =$	<u>116,800</u>	



## 35.8X

Lee, Harvey and Nunez Balance Sheet as at 1 April 2017						
		(a)	(b)		(c)	
	\$	\$	\$		\$	\$
<i>Non-current assets</i>						
Goodwill		-	-			18,000
Fixtures		3,000	3,000			3,000
Motor vehicles		7,000	7,000			7,000
		<u>10,000</u>	<u>10,000</u>			<u>28,000</u>
<i>Current assets</i>						
Inventory	3,500		3,500		3,500	
Accounts receivable	1,500		1,500		1,500	
Bank	5,000		2,000		2,000	
		<u>10,000</u>	<u>7,000</u>		<u>7,000</u>	
<i>Less: Current liabilities</i>						
Accounts payable	3,000	<u>7,000</u>	<u>3,000</u>	<u>4,000</u>	<u>3,000</u>	<u>4,000</u>
		<u>17,000</u>	<u>14,000</u>			<u>32,000</u>
<i>Capital:</i>						
Lee		6,800	5,000			15,800
Henry		6,200	5,000			12,200
Nunez		4,000	4,000			4,000
		<u>17,000</u>	<u>14,000</u>			<u>32,000</u>

## Chapter 36 Costing principles

- 36.3X (a) (i)** Cost unit refer to Section 36.5
- (ii)** Cost centre refer to Section 36.6
- (b)** In a printing and stationery business examples of costs units:
- Printing wedding invitations for a customer
  - Printing letter heads for a customer
  - Producing diaries, calendars, etc
  - Supplying boxes of envelopes, copy paper, etc
- Examples of a cost centre:
- Design department
  - Printing department
  - Stores section for stationery
  - Marketing

## 36.5X

Gibbons Engineering Total Cost Statement for the six months Ended 30 June 2018			
		\$	\$
<u>Direct costs</u>			
Raw materials			142,680
Carriage on raw materials			1,642
Manufacturing wages			126,650
	<b>Prime Cost</b>		<u>270,882</u>
<u>Factory overheads</u>			
Factory power	12,440		
Rent and rates	14,600		
Other factory expenses	12,860		
Depreciation: factory plant & equipment	2,850		42,750
	<b>Production Cost</b>		<u>313,632</u>
<u>Administrative overheads</u>			
Salaries of office staff	61,200		
Office expenses	5,600		66,800
	<b>Total Cost</b>		<u>380,432</u>



## 36.6X

	Standard \$	Delux \$
Direct materials	90,000	95,662
Direct labour	31,875	42,000
Direct expenses	7,785	10,450
<b>Prime Cost</b>	129,660	148,112
<b>Add</b>		
Factory overheads	30,340	35,200
	160,000	183,312
Unit cost =	160,000	183,312
	4,000 units	3,819 units
	= \$40 per unit	= \$48 per unit

## 36.7X Berry's Fashions

Table showing analysis of production overheads and allocation basis for the two departments

Overhead	Basis of apportionment	TOTAL	Ladies	Children
Rent & Rate	Floor Area	32,400	21,600	10,800
Insurance of Building	Floor Area	2,400	1,600	800
Heating & Lighting	Floor Area	6,000	4,000	2,000
Depreciation of Equipment	Net Book Value of Equipment	3,000	2,100	900
Supervisor's Salary	No. of Employees	26,000	19,500	6,500
Insurance of Equipment	Net Book Value	1,500	1,050	450
Canteen	No. of Employees	12,000	9,000	3,000
		83,300	58,850	24,450

Overhead absorption rates based on direct labour hours for each of the two departments

$$\frac{\text{Total cost centre overheads}}{\text{Total number of hours worked}} = \text{Cost per direct labour hour}$$

Ladies	Children
30 workers x 38 hours x 47 weeks = 53,580 hours	10 workers x 38 hours x 47 weeks = 17,860 hours
$\frac{\$58,850}{53,580 \text{ hours}} = \$1.098$	$\frac{\$24,450}{17,860 \text{ hours}} = \$1.369$
Rounded to \$1.10	Rounded to \$1.37

### Workings:

- Rents & Rates** = \$32,400 ÷ 1,200 square metres = \$27 per square metre  
Ladies = 800 sq. m x \$27 = \$21,600  
Children = 400 sq. m x \$27 = \$10,800
- Insurance of Buildings** = \$2,400 ÷ 1,200 square metres = \$2 per square metre  
Ladies = 800 sq. m x \$2 = \$1,600  
Children = 400 sq. m x \$2 = \$800



3. **Heating and Lighting** = \$6,000 ÷ 1,200 square metres = \$5 per square metre  
Ladies = 800 sq. m x \$5 = \$4,000  
Children= 400 sq. m x \$5 = \$2,000
4. **Depreciation of Equipment** = \$3,000 ÷ \$30,000 = \$0.10  
Ladies = \$21,000 x \$0.10 = \$2,100  
Children= \$9,000 x \$0.10 = \$900
5. **Supervisor's Salary** = \$26,000 ÷ 40 = \$650  
Ladies = 30 x \$650 = \$19,500  
Children=10 x \$650 = \$6,500
6. **Insurance of Equipment** = \$1,500 ÷ \$30,000 = \$0.05  
Ladies = \$21,000 x \$0.05 = \$1,050  
Children=\$ 9,000 x \$0.50 = \$450
7. **Canteen** = \$12,000 ÷ 40 = \$300  
Ladies = 30 x \$300 = \$9,000  
Children=10 x \$300 = \$3,000

## Chapter 37 Manufacturing accounts

### 37.2X

P. Lucas			
Manufacturing and Trading Account for the year ended 30 September 2017			
	\$		\$
Stock of raw material 1.10.2016			8,460
Add: Purchases	38,720		
Carriage inwards	2,720		41,440
			49,900
Less: Stock of raw materials 30.9.2017			10,970
Cost of raw materials consumed			38,930
Manufacturing wages			20,970
<b>Prime cost</b>			59,900
Add: Indirect manufacturing costs			
Power	6,120		
Factory expenses	12,650		
Depreciation: Plant and machinery	7,560		26,330
			86,230
Add: Work in progress 1.10.2016			3,070
			89,300
Less: Work in progress 30.9.2017			2,460
<b>Production costs of goods completed c/d</b>			<u>86,840</u>
Sales			134,610
Less: Cost of goods sold			
Inventory of finished goods 1.10.2016	12,380		
Add: Production cost of goods completed b/d	86,840		
			99,220
Less: Inventory of finished goods 30.9.2017	14,570		84,650
<b>Gross profit c/d</b>			49,960
Less: Expenses			
Salesmen's salaries and expenses	6,420		
Office and administration expenses	5,910		
Delivery van expenses	5,890		
Advertising	5,080		
Depreciation:			
Delivery van	3,040		
Office equipment	807	3,847	27,147
<b>Net profit</b>			<u><u>22,813</u></u>



37.3X (a)

CCC Ltd		
Manufacturing Account for the year ended 31 December 2017		
	\$	\$
Stock of raw material 1.1.2017		4,500
Add: Purchases	8,800	
Carriage inwards	390	
		<u>9,190</u>
		13,690
Less: Stock of raw materials 31.12.2017		<u>5,800</u>
Cost of raw materials used	(i)	7,890
Stock of cases 1.1.2017	2,250	
Add: Purchases	2,250	
		<u>4,500</u>
Less: Stock of cases 31.12.2017		<u>1,920</u>
Cost of wooden cases used	(ii)	2,580
Wages (22,500 x 4/5)		<u>18,000</u>
<b>Prime cost</b>	(iii)	28,470
<i>Indirect manufacturing costs:</i>	(iv)	
Indirect wages (22,500 x 1/5)	4,500	
Manager's salary	1,650	
Power	1,820	
Rates	910	
Lighting (600 x ½)	300	
Depreciation	20,000	
		<u>29,180</u>
		57,650
Add: Work-in-progress 1.1.2017		<u>1,250</u>
		58,900
Less: Work-in-progress 31.12.2017		<u>1,900</u>
<b>Production cost of goods completed c/d</b>	(v)	<u><u>57,000</u></u>

(b)

CCC Ltd		
Trading and Profit and Loss Account for the year ended 31 December 2017		
	\$	\$
Sales (80 x 1,000)		80,000
Less: Production cost of goods sold b/d		<u>57,000</u>
<b>Gross profit</b>		23,000
Less: Expenses:		
Administration expenses	2,400	
Salesmen's salaries	5,950	
Lighting (600 x ½)	300	
Carriage outwards	210	
		<u>8,860</u>
<b>Net profit</b>		<u><u>14,140</u></u>

(c)  $\$57,000 \div 1,000 = \$57$  each

(d)  $\$23,000 \div 1,000 = \$23$  each



37.6X (a)

Ideal Products		
Manufacturing and Trading Account for the year ended 31 December 2018		
	\$	\$
Stock of raw materials 1.1.2018		12,400
Add: Purchases		84,500
Add: Carriage inwards		4,900
		<u>101,800</u>
Less: Stock of raw materials 31.12.2018		<u>13,800</u>
Cost of raw materials consumed (i)		88,000
Production wages		59,200
<b>Prime cost (ii)</b>		<u>147,200</u>
Add: Factory overhead expenses: (iii)		
Indirect wages	5,700	
Indirect expenses	6,100	
Factory repairs	11,500	
Lighting	12,700	
Rent	2,000	
Depreciation	5,600	
	<u>53,500</u>	43,600
	(iv)	<u>190,800</u>
Add: Work in progress 1.1.2018		6,200
		<u>197,000</u>
Less: Work in progress 31.12.2018		<u>7,000</u>
<b>Production cost of goods completed c/d (v)</b>		<u><u>190,000</u></u>
Sales		300,000
Inventory of finished goods 1.1.2018	37,500	
Add: Production cost of goods completed b/d	190,000	
Add: Purchases	6,800	
	<u>234,300</u>	
Less: Inventory of finished goods 31.12.2018	<u>39,600</u>	
	(vi)	<u>194,700</u>
<b>Gross profit (vii)</b>		<u><u>105,300</u></u>

(b) Average cost per unit  
(i)

$$\begin{aligned} \text{Ideal Products} &= \frac{\text{Production cost}}{\text{Units completed}} \\ &= \frac{\$19,000}{10,000} = \$19 \text{ each} \\ \\ \text{Other Things} &= \frac{\$198,000}{11,000} = \$18 \text{ each} \end{aligned}$$

(ii) Other Things is more productive. Both its prime cost and production cost per unit are lower than that for Ideal Products.



## Chapter 38 Accounting for limited liability companies

38.2X (a)

C. Blake Limited			
Appropriation Account for the year ended 31 December 2017			
	\$		\$
Net profit brought down			11,340
Less: Appropriations:			
Transfer to general reserve	1,500		
Preference dividend 10%	1,000		
Proposed ordinary dividend 12½%	<u>7,500</u>		<u>10,000</u>
Retain profits carried forward to next year			<u><u>1,340</u></u>

(b)

Statement of Financial Position as at 31 December 2017			
	Cost	Total Depreciation	N.B.V.
	\$	\$	\$
<i>Non-current assets</i>			
Premises	50,000	-	50,000
Equipment	<u>45,000</u>	<u>4,500</u>	<u>40,500</u>
	<u>95,000</u>	<u>4,500</u>	90,500
<i>Current assets</i>			
Inventory		8,800	
Accounts receivable	4,120		
Less: Provision for doubtful debts	<u>350</u>	3,770	
Bank		9,660	
Cash		<u>2,160</u>	
		24,390	
<i>Less: Current liabilities</i>			
Accounts payable	3,550		
Proposed dividends	<u>8,500</u>	<u>12,050</u>	<u>12,340</u>
Net current assets			102,840
<i>Less: Long-term liability</i>			
Debentures			<u>30,000</u>
			<u>72,840</u>
<i>Financed by:</i>			
<i>Share capital</i>			
Authorised		<u>100,000</u>	
Issued:			
60,000 ordinary shares \$1		60,000	
10,000 preference shares \$1		<u>10,000</u>	70,000
<i>Reserves</i>			
General reserve		1,500	
Retained profits		<u>1,340</u>	<u>2,840</u>
			<u>72,840</u>

- 38.4X (a) \$20,000  
 (b) \$1,600  
 (c) \$10,000  
 (d) \$1000  
 (e)

	\$	\$
Net profit		35,000
Less: Debenture interest	1,000	
Less: Preference dividend	<u>1,600</u>	<u>2,600</u>
Balance available for ordinary shareholders		<u><u>32,400</u></u>
Ordinary shares = \$150,000		
Therefore ordinary dividend =	$\frac{\$32,400}{\$150,000}$	= 21.6%



## 38.6X

B. Tyler Ltd Trading and Profit and Loss Account for the year ended 31 December 2017		
	\$	\$
Sales		135,486
<i>Less: Cost of goods sold</i>		
Opening inventory	40,360	
<i>Add: Purchases</i>	72,360	
<i>Add: Carriage inwards</i>	1,570	
	114,290	
<i>Less: Closing inventory</i>	52,360	61,930
<b>Gross profit</b>		<b>73,556</b>
<i>Less: Expenses</i>		
Wages	18,310	
Rent (4,235 + 280)	4,515	
Carriage outwards	1,390	
Office expenses (3,022 + 190)	3,212	
Sundry expenses	1,896	
Depreciation:		
Buildings	5,000	
Equipment	9,000	
Directors' remuneration	9,500	52,823
<b>Net profit</b>		<b>20,733</b>
<i>Add: Retained profits from last year</i>		15,286
		36,019
<i>Less: Appropriations:</i>		
Proposed dividend	10,000	
Foreign exchange reserve	800	
General reserve	1,000	11,800
		24,219

Statement of Financial Position (Balance Sheet) as at 31 December 2017			
	Cost \$	Depreciation \$	N.B.V. \$
<i>Non-current assets</i>			
Buildings	100,000	37,000	63,000
Equipment	45,000	25,000	20,000
	145,000	62,000	83,000
<i>Current assets</i>			
Inventory		52,360	
Accounts receivable		18,910	
Bank		6,723	
		77,993	
<i>Less: Current liabilities</i>			
Accounts payable	12,304		
Expenses owing	470		
Proposed dividend	10,000	22,774	
<b>Net Current Assets</b>			<b>55,219</b>
			<b>138,219</b>
<i>Financed by:</i>			
<i>Capital and reserves</i>			
Authorised and issued			100,000
Reserves			
Foreign exchange reserve		5,000	
General reserve		9,000	
Profit and loss		24,219	38,219
			<b>138,219</b>



38.8X (i)

The Journal			
Date	Details	Dr	Cr
2017		\$	\$
04-Jun	Bank	75,000	
	Debenture Applicants		75,000
30-Jun	Debenture Applicants	75,000	
	6% Debentures		75,000

(ii) See Sections 38.7 and 38.8.

## Chapter 39 Accounting for co-operatives

39.3X

Printers' Cooperative Credit Union Ltd			
Income and Expenditure Account for the year ended 31 December 2015			
		\$	\$
<i>Income</i>			
Interest on members' loans			34,600
Interest on investments			11,180
			<u>45,780</u>
<i>Expenditure</i>			
Accounting expenses	8,400		
Auditor's remuneration	1,950		
Advertising and publicity (3,060 - 480)	2,580		
Repairs and maintenance	2,100		
General expenses	4,630		
Affiliation fees (2,000 + 500)	2,500		
Interest on members' deposits	6,220		
Depreciation:			
Buildings	4,400		
Motor vehicles	3,000		
			<u>35,780</u>
<b>Surplus for the year</b>			10,000
Add: Undistributed surplus from last year			7,650
			<u>17,650</u>
<i>Transfer to reserves:</i>			
Statutory reserve	1,000		1,000
			<u>16,650</u>
<i>Less:</i>			
Honorarium to retiring secretary	1,500		
Proposed dividends	8,600		
			<u>10,100</u>
Undistributed surplus c/f to next year			<u><u>6,550</u></u>

# Principles of Accounts

for the  
Caribbean  
6th edition



## Statement of Financial Position (Balance Sheet) as at 31 December 2018

	\$	\$	\$
	Cost	Total depreciation	N.B.V.
<i>Employment of capital</i>			
<i>Non-current assets</i>			
Buildings	220,000	64,400	155,600
Motor vehicles	<u>30,000</u>	<u>13,000</u>	<u>17,000</u>
	<u>250,000</u>	<u>77,400</u>	172,600
Investments			167,600
Loans to members			<u>271,600</u>
			611,800
<i>Current assets</i>			
Prepaid expenses	480		
Bank	<u>52,770</u>	53,250	
<i>Less: Current liabilities</i>			
Members' deposits	61,400		
Accrued expenses	2,000		
Proposed dividends	<u>8,600</u>	<u>72,000</u>	
			(18,750)
			<u>593,050</u>
<i>Less: Long-term liability:</i>			
Mortgage			<u>115,500</u>
			<u>477,550</u>
<i>Capital employed:</i>			
Share capital			430,000
Statutory reserve			41,000
Undistributed surplus			<u>6,550</u>
			<u>477,550</u>



## Chapter 40 Analysis and interpretation of financial statements

### 40.2X (a)

	R				T			
(i) Gross profit as % of sales:	$\frac{60,000}{250,000}$	x	$\frac{100}{1}$	= 24%	$\frac{60,000}{160,000}$	x	$\frac{100}{1}$	= 37.5%
(ii) Net profit as % of sales:	$\frac{25,000}{250,000}$	x	$\frac{100}{1}$	= 10%	$\frac{32,000}{160,000}$	x	$\frac{100}{1}$	= 20%
(iii) Expenses as % of sales:	$\frac{35,000}{250,000}$	x	$\frac{100}{1}$	= 14%	$\frac{28,000}{160,000}$	x	$\frac{100}{1}$	= 17.5%
(iv) Inventory turnover:	$\frac{190,000}{(90,000 + 110,000) \div 2}$			= 1.9 times	$\frac{100,000}{(30,000 + 50,000) \div 2}$			= 2.5 times
(v) Rate of return on capital employed:	$\frac{25,000}{120,000}$	x	$\frac{100}{1}$	= 20.8% approx	$\frac{32,000}{80,000}$	x	$\frac{100}{1}$	= 40%
(vi) Current ratio:	$\frac{180,000}{90,000}$	=		2	$\frac{80,000}{16,000}$	=		5
(vii) Acid test ratio:	$\frac{70,000}{90,000}$	=		0.8 approx	$\frac{30,000}{16,000}$	=		1.9 approx
(viii) Accounts receivable: sales ratio:	$\frac{62,500}{250,000}$	x 12	=	3 months	$\frac{20,000}{160,000}$	x 12	=	1.5 months
(ix) Accounts Payable: Purchases ratio	$\frac{90,000}{210,000}$	x 12	=	5.1 months approx	$\frac{16,000}{120,000}$	x 12	=	1.6 months

**(b)** T is obviously the most efficient company. It has made \$32,000 profit as compared with \$25,000 profit and also has achieved a rate of return of 40% on its money, almost double that of R with 20.8%.

Reasons - again these are conjecture - as you really have to know more about the businesses before you can be definite.

- (i)** Somehow T has managed to achieve a far greater gross profit %, while maintaining a reasonable level of sales.
- (ii)** Because expenses are lower, but the gross profit is the same as for R, obviously a higher figure for net profit has been achieved.
- (iii)** T kept inventory down to relatively lower figures than R, and also managed to get higher inventory turnover.
- (iv)** T has almost double R's rate of return on capital employed, helped by lower inventory, better accounts receivable/sales ratio, + relatively lower accounts payable.
- (v)** T's acid test ratio is much healthier than R's.



## 40.3X

### Rio Grande Ltd. Statement of Financial Position as at 31 December 2017

	\$	\$	\$
	Cost	Total depreciation	N.B.V.
<i>Non-current assets</i>			
Land and buildings	190,000	-	190,000
Equipment	35,000	17,800	17,200
	<u>225,000</u>	<u>17,800</u>	207,200
<i>Current assets</i>			
Inventory	37,500		
Accounts receivable	15,430		
Prepaid expenses	800		
Bank	6,300		
Cash	470	60,500	
<i>Less: Current liabilities</i>			
Accounts payable	86,000		
Debenture interest owing	1,000		
Proposed dividend	12,000	99,000	
			(38,500)
			168,700
<i>Less: Long-term liability:</i>			
10% Debentures			20,000
			<u>148,700</u>
<i>Authorised and issued share capital:</i>			
Share capital			120,000
<i>Reserves:</i>			
General reserve		25,000	
Profit and loss		3,700	28,700
			<u>148,700</u>



## PART 6 Accounting for the entrepreneur

### Chapter 41 The banking system and payroll accounting

- 41.3X** Refer to text – Chapter 41 Section 41.10
- 41.4X** (a) Remittance advice  
 (b) Incorrect date  
 Words and figures do not match No signature  
 (c) Refer to text, Sections 41.5 and 41.6

**41.7X**

Time Sheet							
Name of company: Chemical Laboratories Ltd					Week commencing: 1 Feb 2016		
Name of employee: Richards, L.				Works no. 7		Department: Processing	
Day	a.m.		p.m.		Normal hours	Overtime hours	Total hours
	In	Out	In	Out			
Mon	800	1200	1300	1800	8	1	9
Tues	800	1200	1300	1800	8	1	9
Wed	800	1200	1300	1900	8	2	10
Thur	800	1200	1300	1900	8	2	10
Fri	800	1200	1300	1700	8		8
Sat							
Sun							
Total					40	6	46

Time Sheet							
Name of company: Chemical Laboratories Ltd					Week commencing: 1 Feb 2016		
Name of employee: Garner, D.				Works no. 11		Department: Processing	
Day	a.m.		p.m.		Normal hours	Overtime hours	Total hours
	In	Out	In	Out			
Mon	800	1200	1300	1700	8		8
Tues	800	1200	1300	1700	8		8
Wed	800	1200	1300	1900	8	2	10
Thur	800	1200	1300	1800	8	1	9
Fri	800	1200	1300	1800	8	1	9
Sat							
Sun							
Total					40	4	44



Time Sheet							
Name of company: Chemical Laboratories Ltd					Week commencing: 1 Feb 2016		
Name of employee: Weekes, C.			Works no. 14		Department: Chemist		
Day	a.m.		p.m.		Normal hours	Overtime hours	Total hours
	In	Out	In	Out			
Mon	900	1200	1330	1630	6		6
Tues	900	1200	1330	1630	6		6
Wed	900	1200	1330	1630	6		6
Thur	900	1200	1330	1630	6		6
Fri	900	1200	1330	1630	6		6
Sat							
Sun							
Total					30		30

Time Sheet							
Name of company: Chemical Laboratories Ltd					Week commencing: 1 Feb 2016		
Name of employee: Walcott, R.			Works no. 16		Department: Office		
Day	a.m.		p.m.		Normal hours	Overtime hours	Total hours
	In	Out	In	Out			
Mon	900	1200	1300	1730	7½		7½
Tues	900	1200	1300	1800	7½	½	8
Wed	900	1200	1300	1800	7½	½	8
Thur	900	1200	1300	1800	7½	½	8
Fri	900	1200	1300	1900	7½	1½	9
Sat							
Sun							
Total					37½	3	40½

### 41.8X (a)

Payroll Register											
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Employee	Total hours	Regular \$	Overtime \$	Gross \$	Year to date earnings \$	Nat. ins. \$	Income tax \$	Life ins. \$	Credit union \$	Total \$	Net pay \$
Richards, L.	46	400	75	475	2,465	29	100	30	40	199	276
Garner, D.	44	400	50	450	2,500	27	90	30	40	187	263
Weekes, C.	30	600		600	3,000	40	125	25	50	240	360
Walcott, R.	40½	450	54	504	2,784	32	106	25	35	198	306

### (b)

Employee Earnings Record: L. Richards											
Period ended	Year to date earnings	Regular	Overtime	Gross	Nat. ins.	Income tax	Life ins.	Credit union	Total	Net pay	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Week 5	2,465	400	75	475	29	100	30	40	199	276	
Week 6	2,975	400	115	515	29	110	30	40	209	306	



(c)

Payslip for week commencing 1 February 2016		
	\$	\$
Gross pay		450
Less: National insurance	27	
Income tax	90	
Life insurance	30	
Credit union	40	187
Net pay		<u>263</u>

R. Walcott Payslip for week commencing 1 February 2016		
	\$	\$
Gross pay		504
Less: National insurance	32	
Income tax	106	
Life insurance	25	
Credit union	35	198
Net pay		<u>306</u>

41.11X

R. Kennedy Payslip for week ended .....17		
	\$	\$
Basic pay		220
Danger money 20 x \$10		200
		420
Less: Income tax 30% x (420 - 280) = 30% x 140	42	
Less: Social security 5% x 420	21	63
Net pay		<u>357</u>

41.12X

Jane Jones Payslip for week ended 7 June		
	\$	\$
40 hours x \$6		240.00
10 hours x \$9		90.00
		330.00
Less: Income tax 30% x (330 - 12 - 200) = 30% x 118	35.40	
Less: Social security 5% x 330	16.50	
Less: Superannuation 5% x 240	12.00	63.90
Net pay		<u>266.10</u>

## Chapter 42 Single entry and incomplete records

42.3X

Total Accounts Receivable			
2018		2018	
31 May Balances b/d	5,670	31 May Bank	45,112
31 May Sales	45,550	31 May Balances c/d	6,108
	<u>51,220</u>		<u>51,220</u>

Total Accounts Payable			
2018		2018	
31 May Bank	29,375	31 May Balances b/d	3,410
31 May Balances c/d	4,126	31 May Purchases	30,091
	<u>33,501</u>		<u>33,501</u>



### Trading Account for the year ended 31 May 2018

	\$	\$
Sales		45,550
<i>Less: Cost of Goods Sold</i>		
Opening Inventory	11,590	
Add: Purchases	<u>30,091</u>	
	41,681	
<i>Less: Closing Inventory</i>	<u>13,425</u>	<u>28,256</u>
Gross profit		<u>17,294</u>

### 42.5X

Workings:	Transactions numbered									Adjusted figures	
	1	2	3	4	5	6	7	8	9		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Capital	14,000		+150	+50	-50			-100		-150	13,900
Accounts payable	1,500	+350				-800					1,050
	<u>15,500</u>										<u>14,950</u>
Fixtures	5,000										5,000
Motor vans	4,000				-1000						3,000
Inventory	3,000	+350	-350	-100						-150	2,750
Accounts receivable	1,300		+500				-700	-100	-50		950
Bank	2,000				+950	-800	+700				2,850
Cash	200			+150					+50		400
	<u>5,500</u>										<u>14,950</u>

### G. Brown

#### Statement of Financial Position (Balance Sheet) as at 1 June 2017

	\$	\$
<i>Non-current assets</i>		
Fixtures		5,000
Motor van		<u>3,000</u>
		8,000
<i>Current assets</i>		
Inventory	2,750	
Accounts receivable	950	
Bank	2,850	
Cash	<u>400</u>	
	6,950	
<i>Less: Current liabilities</i>		
Accounts payable	<u>1,050</u>	
Net Current assets		<u>5,900</u>
		<u>3,900</u>
<i>Financed by:</i>		
Capital		<u>13,900</u>



- 42.6X (a) Capital as at 30<sup>th</sup> June 2018 is \$62,550  
(b)

D. Lewis Statement of Financial Position (Balance Sheet) as at 30 June 2018		
	\$	\$
<i>Non-current assets</i>		
Plant		36,000
Fixtures		3,600
		39,600
<i>Current assets</i>		
Inventory	13,500	
Accounts receivable	9,300	
Bank	6,000	
Cash	1,350	
	30,150	
<i>Less: Current liabilities</i>		
Accounts payable	7,200	22,950
		62,550
<i>Financed by:</i>		
Capital	(a)	60,000
Add: Net profit		18,550
		78,550
<i>Less: Drawings</i>		16,000
		62,550

- 42.8X (a)

At 31 March 2016, Capital is	\$
Non-current assets	6,240
Add: Current assets	7,980
	14,220
<i>Less: Current liabilities</i>	3,920
Capital	10,300

- (b)

Statement of Financial Position (Balance Sheet) as at 31 March 2017			
	\$		\$
<i>Non-current assets (see note below)</i>		*	6,800
Current assets	8,520		
<i>Less: Current liabilities</i>	3,760		4,760
			11,560
<i>Capital</i>			
Balance as at 1.4.2016			10,300
Add: Extra capital introduced (furniture)			720
Add: Net profit		(A)	3,220
		(B)	14,240
<i>Less: Drawings</i>			2,680
		(C)	11,560

(C) is figure needed to make balance sheet totals equal = 11,560

(B) by deduction is (C)  $11,560 + 2,680 = 14,240$

(A) is missing figure to add up to  $14,240 = 3,220$

\*Assumed that the figure of Non-current assets \$6,800 includes the \$720 additional office furniture.

The opposite assumption will increase profit by \$720.



(c)

Capital			
<b>2017</b>	\$	<b>2016</b>	\$
Mar 31 Drawings	2,680	Apr 1 Balance b/f	10,300
		<b>2017</b>	
Mar 31 Balance c/d	11,560	Mar 31 Office furniture purchased privately	720
		Mar 31 Net profit	3,220
	<u>14,240</u>		<u>14,240</u>
		<b>2017</b>	
		Apr 1 Balance b/d	11,560

42.10X (a) and (b)

Sales Control			
Balances b/f	16,840	Bank	67,595
Sales (difference)	76,770	Cash	6,630
		Balances c/d	19,385
	<u>93,610</u>		<u>93,610</u>

Purchases Control			
Bank	49,382	Balances b/f	6,238
Cash	406	Purchases (difference)	47,737
Balances c/d	4,187		
	<u>53,975</u>		<u>53,975</u>

Cash Book			
Balance b/f	165	Drawings	6,070
Cash loan	500	Suppliers	406
Sales (difference)	6,630	General expenses	707
		Balance c/d	112
	<u>7,295</u>		<u>7,295</u>

(c)

Workings: Capital 1.1.2018			
Inventory		10,500	
Cash		165	
Accounts receivable		16,840	
Rent in advance		115	
Motor van 8,000 – 2,000 - 1,500 =		4,500	
Fixtures 2,000 – 30%		<u>1,400</u>	
		33,520	
Less: Overdraft	2,059		
Accounts payable	6,238		
Motor expenses owing	<u>123</u>	<u>8,420</u>	25,100



(d)

S. Agnew		
Trading and Profit and Loss Account for the year ended 31 December 2018		
	\$	\$
Sales		76,770
Less: Cost of goods sold:		
Opening inventory	10,500	
Add: Purchases	47,737	
	<u>58,237</u>	
Less: Closing inventory	11,370	<u>46,867</u>
Gross profit		29,903
Less: Expenses		
Rent and rates	4,073	
Motor expenses	4,739	
General expenses	1,553	
Loan interest	40	
Depreciation:		
Motor van	1,125	
Fixtures	550	<u>12,080</u>
Net profit		<u><u>17,823</u></u>

## Chapter 43 The business plan and cash flow projections

### 43.4X Cash flow forecast for Alex White for the period January–April

Details	Jan	Feb	Mar	Apr
<b>Cash Inflow (Receipts)</b>	\$	\$	\$	\$
New Capital	10,000	0	0	0
Sales	4,000	18,000	19,000	19,000
<b>Total Cash Inflow</b>	<u>14,000</u>	<u>18,000</u>	<u>19,000</u>	<u>19,000</u>
<b>Cash Outflows (Payments)</b>				
Rent	500	500	500	500
Wages	2,000	2,000	2,000	2,000
Advertising	1,500	1,500	1,500	1,500
Utilities (electricity, telephone)	500	500	500	500
Equipment	8,500	0	6,000	0
Materials	4,000	4,000	5,000	4,000
<b>Total Cash Outflow</b>	<u>17,000</u>	<u>8,500</u>	<u>15,000</u>	<u>8,500</u>
Balance	–	-3,000	6,500	10,000
<b>Add Cash Inflows (Receipts)</b>	<u>14,000</u>	<u>18,000</u>	<u>19,000</u>	<u>19,000</u>
	14,000	15,000	25,500	29,000
<b>Less Cash Outflows (Payments)</b>	<u>17,000</u>	<u>8,500</u>	<u>15,000</u>	<u>8,500</u>
Balance c/forward	<u>-3,000</u>	<u>6,500</u>	<u>10,500</u>	<u>20,500</u>



**43.5X (a) Cash flow forecast for Laura Kerr for the period 1<sup>st</sup> July – 31<sup>st</sup> December**

Details	Jul	Aug	Sep	Oct	Nov	Dec
<b>Cash Inflows (Receipts)</b>	\$	\$	\$	\$	\$	\$
Sales	18,000	30,000	20,000	18,000	20,000	29,000
<b>Total Cash Inflows</b>	<b>18,000</b>	<b>30,000</b>	<b>20,000</b>	<b>18,000</b>	<b>20,000</b>	<b>29,000</b>
<b>Cash Outflows (Payments)</b>						
Purchases	15,000	18,000	10,000	12,000	13,000	16,000
Wages	10,000	10,000	10,000	10,000	10,000	10,000
Tax	-	-	6,000	-	-	-
New Equipment	-	-	-	9,000	-	-
Fixed Costs	600	600	600	600	600	600
Rent	400	400	400	400	400	600
Drawings	800	800	800	800	800	600
<b>Total Cash Outflow</b>	<b>26,800</b>	<b>29,800</b>	<b>27,800</b>	<b>32,800</b>	<b>24,800</b>	<b>27,000</b>
Balance	25,000	16,200	16,400	8,600	(6,200)	(11,000)
<b>Add Cash Inflows (Receipts)</b>	<b>18,000</b>	<b>30,000</b>	<b>20,000</b>	<b>18,000</b>	<b>20,000</b>	<b>29,000</b>
	43,000	46,200	36,400	26,600	13,800	18,000
<b>Less Cash Outflows (Payments)</b>	<b>26,800</b>	<b>29,800</b>	<b>27,800</b>	<b>32,800</b>	<b>24,800</b>	<b>27,000</b>
<b>Balance c/forward</b>	<b>16,200</b>	<b>16,400</b>	<b>8,600</b>	<b>(6,200)</b>	<b>(11,000)</b>	<b>(9,800)</b>

- (b) The closing bank balance is an overdraft of \$9,800. Laura would need to obtain an overdraft in October to cover her expenses. To ensure she has enough funds to cover the overdraft of \$11,000 in November an overdraft of about \$12,000 is advisable.
- (c) Additional funds can be obtained from either a bank loan, loan from family or friends or taking a new partner.

## PART 7 Technology, SBA and other considerations

### Chapter 44 Computer and accounting systems

**44.3X Refer to text, Sections 41.4 and 41.3**

- 44.4X (a)** Benefits to a small business when it has the use of internet facilities would include:
- Access to web sites to obtain further information in many areas including competitors, product ranges, location of customers/suppliers etc.
  - Transactions such as ordering, purchasing, selling, making payments to customers and staff, receiving monies etc., can all be carried out online.
  - The use of email for correspondence is quick, efficient and cost effective.
- (b) A web designer would bring many benefits to a business as follows:
- Development of initial user-friendly web site
  - Maintain an up-to-date web site
  - Develop online facilities for businesses to offer online ordering and purchasing from suppliers and sales to customers etc.
  - Promote a range of company products/services over a wider area which could lead to increased sales and ultimately greater profits.



**44.5X** Benefits of investing in a computerised accounting system would include:

- Quick and easy to install
- Capital outlay reasonable since packages are now much cheaper
- Less time to carry out book-keeping/accounting transactions
- Easier/less onerous work
- More financial information available for management
- Greater accuracy
- Can process documents, e.g. invoices, credit notes, statements, payslips etc.

Adverse effects:

- Cost and disruption on installation
- Training
- Reluctance to change by staff
- Security issues
- Health risks
- Problems if the system goes down.