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# Verification of accounting records

## Student's Book Chapters 6–9

### 6 The trial balance

- 1 A sole trader's trial balance total on the credit side was \$7 000 more than the total on the debit side. Which error caused this?
- A** A credit entry of \$3 500 was incorrectly posted as a debit entry.
- B** A debit entry of \$3 500 was incorrectly posted as a credit entry.
- C** Drawings of \$7 000 were omitted entirely from the books.
- D** Repairs to motor vehicle of \$7 000 was debited to the motor van account. [1 mark]
- 2 Which error is revealed by a trial balance?
- A** Arithmetical error
- B** Error of commission
- C** Error of original entry
- D** Error of principle [1 mark]
- 3 Which is an error of original entry?
- A** A cheque received from S. Tilly was credited to T. Tilly's account.
- B** A purchases invoice, \$540, entered in the sales journal as \$450.
- C** The purchase of machinery was debited to the bank account and credited to the machinery account.
- D** Wages paid debited to the property account. [1 mark]
- 4 The cost of machinery repairs was debited to the machinery account. How would this affect the profit and the non-current assets? [1 mark]

	Profit for the year		Non-current assets	
	Overstated	Understated	Overstated	Understated
<b>A</b>		✓		✓
<b>B</b>	✓		✓	
<b>C</b>	✓			✓
<b>D</b>		✓	✓	

- 5 Define the following:
- a** A trial balance [1 mark]
- .....
- .....
- b** Closing inventory [1 mark]
- .....
- .....
- 6 Give two uses of a trial balance. [2 marks]
- .....
- .....

[1 mark]

.....

Gaurav		
Trial balance at 31 July 2025		
	Debit	Credit
	\$	\$
Owner's equity	40 000	
Cash		170
Bank overdraft	300	
Trade receivables	500	
Trade payables	700	
Property and buildings		28 520
Machinery		7 000
Inventory at 1 August 2024		1 000
Purchases		760
Sales	2 000	
Returns outwards		50
Returns inwards	200	
Salaries		500
Interest received	600	
Rent		2 000
Inventory at 31 July 2025		4 500
Furniture and fixtures	3 000	
	<u>47 300</u>	<u>44 500</u>

[illegible]

### Student's Book Chapters 15–20

## 15 Sole traders

- 1 Which statement describes a statement of profit or loss?
  - A A business' income and expenditure for a particular period – usually a year.
  - B A list of all the assets, liabilities and owner's equity on a particular date.
  - C A list of the balances of all the ledger accounts of a business on a particular date.
  - D A summary of a business' receipts and payments during a particular period – usually a year. [1 mark]
- 2 How is cost of sales calculated?
  - A Closing inventory + opening inventory – purchases
  - B Closing inventory + purchases – opening inventory
  - C Closing inventory + purchases + opening inventory
  - D Opening inventory + purchases – closing inventory [1 mark]
- 3 The value of Desmond's owner's equity on 31 December 2024 is less than that on 1 January 2024. Desmond did not introduce new capital or make any drawings. Which term describes the difference in Desmond's owner's equity?
  - A Gross loss
  - B Gross profit
  - C Loss for the year
  - D Profit for the year [1 mark]

- 4 Which of the following operates as a trading business?

- A A builder
- B A chemist
- C A lawyer
- D A website designer [1 mark]

- 5 Djarak, a sole trader, provides the following information:

	\$
Cost of sales	50 000
Expenses	4 700
Profit for the year	10 000

What are Djarak's sales?

- A \$14 700
  - B \$54 700
  - C \$60 000
  - D \$64 700 [1 mark]
- 6 If the owner pays the business' rent from his personal bank account, how does this affect the financial statements?
    - A Increase in capital, decrease in bank balance
    - B Increase in expenses, decrease in bank balance
    - C Increase in expenses, increase in capital
    - D Increase in expenses, increase in drawings [1 mark]

## 5 PREPARATION OF FINANCIAL STATEMENTS

- 7 Felcy had \$56 000 in her capital account on 1 January 2025. During the year, she withdrew \$4 500 cash from the business bank account and took inventory for her personal use of \$1 000. Her profit for the year was \$15 700. Copy the ledger below and prepare Felcy's capital account at 31 December 2025. [6 marks]

Felcy's capital account					
Date	Details	\$	Date	Details	\$

- 8 Identify whether the following statements are true or false by writing the word 'true' or 'false' in the following table. [5 marks]

		True/False
A	A service business must prepare a trading account	
B	Non-current assets are listed in the statement of financial position in the order of the length of their economic life	
C	Profit for the year decreases the owner's capital	
D	The trading and profit and loss sections make up the statement of profit or loss	
E	Carriage outwards is the cost of transporting goods to the customer	

- 9 Identify the missing figures by completing the following. [5 marks]

	Sales	Cost of sales	Gross profit/loss
	\$	\$	\$
A	6 700	2 400	
B		3 000	1 100 (profit)
C	3 600		800 (profit)
D		4 900	300 (loss)
E	3 000		500 (loss)

- 10 State **two** advantages and **two** disadvantages of working as a sole trader. [4 marks]  
Advantages:

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Disadvantages:

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**11** State what a statement of profit or loss is and explain why it is prepared. [4 marks]

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**12** State what a statement of financial position is and explain why it is prepared. [4 marks]

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**13** Explain why gross profit is recorded in the financial statements of a trading business but not in the financial statements of a service business. [3 marks]

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## 5 PREPARATION OF FINANCIAL STATEMENTS

- 14** Leroy is a trader with a financial year end of 31 October. The following balances were extracted from his books of account on 31 October 2025.

	\$	
Sales	195 600	
Sales returns	600	
Purchases	87 150	
Carriage inwards	450	
Rent	12 000	
Wages and salaries	25 600	
Drawings	4 500	
Operating expenses	52 600	
Interest	250	
Loose tools	400	
Motor vehicles	17 000	
Fixtures and fittings	8 000	
Provision for depreciation of motor vehicles	3 400	
Provision for depreciation of fixtures and fittings	2 400	
Allowance for irrecoverable debts	260	
Inventory at 1 November 2024	22 100	
Trade receivables	14 120	
Trade payables	14 600	
Bank	780	debit
Capital at 1 November 2024	19 290	
5% bank loan repayable in 2031	10 000	

Additional information at 31 October 2025:

- The value of trade receivables included a debt of \$120, which was considered unlikely to be paid.
  - The allowance for irrecoverable debts was to be maintained at 2 per cent of trade receivables.
  - Loose tools were valued at \$320.
  - Depreciation for the year on motor vehicles, fixtures and fittings was yet to be provided. Leroy depreciates his motor vehicles at the rate of 20 per cent per annum using the reducing balance method. He depreciates his fixtures and fittings at 10 per cent per annum using the straight-line method.
  - During the year, Leroy took goods costing \$2 000 from the business for his own use.
  - Inventory at the year end was valued at \$19 800.
  - Accrued operating expenses at the year end amounted to \$1 650. There was also some unpaid interest on the bank loan.
- a** Prepare the interest account for the year ended 31 October 2025. Balance the account and bring down the balance on 1 November 2025. You can copy the ledger below. [4 marks]

Interest account					
Date	Details	\$	Date	Details	\$

- b** Prepare the statement of profit or loss for the year ended 31 October 2025. [20 marks]

[illegible]

Workings:

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- [20 marks]

- for their personal use [1 mark]