1. At 1.1.20X4, the balances of Mac’s business were as follows:

Cash in till

Bank balance (overdrawn)

Receivables

Payables

Inventory, at cost

Capital

1. On 1 January 20X4, he takes a lease on the adjacent shop, with a view to growing the business. The rent to be paid in the year is

 Transactions in the year ended 31 December 20X4 are summarized as follows:

1. Since each night any money in excess of the $150 till float is banked, that balance is to be maintained throughout. Hence, treat all cash transactions as though they go through the bank account.

2. A bank loan of is arranged with interest at 13 per cent pa and with that sum, three vans are purchased.

3. Mac pays from his personal funds to fit out the new shop with fittings.

 4. Inventory of $ is purchased for cash.

5. Inventory of $ is purchased on credit.

3.

1. Sales of items costing $ were sold for $ cash.

2. Sales of items costing $ were sold for $ on credit.

3. Payables were paid $

4. $ was received from receivables.

5. Goods purchased on credit for $ were returned to the supplier.

4. The following payments were made from the bank account: bank account is 150,000

Rent

Interest

Wages

Heat and light

Telephone

Other expenses

Holiday

1. Prepare double-entry T-accounts reflecting the above.

5. Inventory at 31.12.X4 has a selling price of $ and has been marked-up at 50 per cent. However, items costing $ are damaged and will be sold for $

What is the ending cost of inventory?

6. Receivables

1. A receivable of £300 is to be written off.

2. The provision for bad debts is to be 2 per cent of receivables.

7. The inventory value for the financial statements of Global Inc for the year ended 30 June 20X3 was based on a inventory count on 7 July 20X3, which gave a total inventory value of $ Between 30 June and 7 July 20X6, the following transactions took place.

1. $

Purchase of goods

Sale of goods (mark up on cost at 15%)

Goods returned by Global Inc to supplier

What figure should be included in the financial statements for inventories at 30 June 20X3?

8. The financial year of Mitex Co ended on 31 December 20X1. An inventory count on January 4 20X2 gave a total inventory value of $

The following transactions occurred between January 1 and January 4.

 $

 Purchases of goods

 Sales of goods (gross profit margin 40% on sales)

 Goods returned to a supplier

What inventory value should be included in MitexCo’s financial statements at 31 December 20X1?

9. At 30 June 2012 a company’s allowance for receivables was £39,000. At 30 June 2013, trade receivables amounted to £517,000. It was decided to write off debts totalling £37,000 and to adjust the allowance for receivables to £24,000. What figure should appear in the income statement for doubtful debts for the year ended 30 June 2013?

10. When preparing the trial balance, the bookkeeper of Chapman Ltd discovered it disagreed by £ the credit side exceeding the debit side. She posted this difference to the suspense account and then investigated the situation. On investigating the accounting records, she discovered the following:

1. A cheque for £ for heating was entered in the cash book but not posted to the ledger.

2. The debit side of the wages account was overcast by £

3. There was a debit in the rates account of £396 which should have been £

4. The purchase of equipment for £ has been posted to the debit side of the purchases account.

5. A cheque received from A. McConville for £160 has been credited to A. McMahon’s account.

6. An amount of £ paid for postage has been entered in the carriage outwards account.

7. A credit sale to D. Donata of £ was entered in the sales day book as £

8. Bank charges of £ entered in the cash book have not been posted to the bank charges account.

9. Petty cash payments recorded in the books included amounts totalling £ for which the bookkeeper had no vouchers or explanations. No debit entries have yet been included for these cash payments.

Requirement

(a) Prepare the journal entries necessary to correct the above errors and show the suspense account.

 (b) Briefly describe the two main uses of a suspense account.

11. The following are the assets and liabilities of Poker Ltd at 30 th September 2008

Plant £000

Trade receivables £,00

Trade payables £,000

Cash £,000

Tax payable £000

Office equipment £,000

Inventory £,000

a) What is the total of the current assets of Poker Ltd?

b) What is the total of the non-current assets of Poker Ltd?

c) What is the total of the current liabilities of Poker Ltd?

d) What is the amount of the owner’s interest in Poker Ltd?

12. Prepare T account

1. A proprietor put €,000 cash into his business;

2. Cash was paid for a van €00;

3. Cash was paid for rent €00;

4. Cash was paid for electricity €0;

5. Cash was paid to purchase goods €00; and

6. The goods were sold for €00 cash.

13 For two of the following groups of users of accounting information, describe their information requirements, and briefly discuss to what extent financial accounting and reporting is likely to meet their needs:

1. suppliers 2. employees 3. company shareholders 4. company directors and management 5. banks and other lenders 6. the government customers 7. competitors 8. the public.

14. The purpose of the three main financial statements

15. What is an asset

16. what is a liability

17. What is an equity

18. What is an expense

19. What is a revenue

20. Accounting concepts

21. Main qualitative characteristics of accounting:

22. Explain what you understand by the accruals concept, giving an example

23. Explain what you understand by the going concern concept, giving an example

24. Explain what you understand by the matching principal, giving an example

25. Which of the following statement of financial position relationships is correct? Giving an example

(a) Non-current assets + capital + long-term liabilities = current assets - current liabilities

(b) Non-current assets + current assets - current liabilities = capital - long-term liabilities

(c) Non-current assets - long-term liabilities = capital + current liabilities - current assets

(d) Non-current assets - capital + long-term liabilities = current assets - current liabilities

26.

a) Things that are of value and are owned by a business are known as assets. A Lad had just put

in €,000 cash to start a new business of has own, calling the business Lad Enterprises. What is

the value of the assets in the business?

b) From the point of view of the business there are two ‘sides’ to the above transaction. We know that one ‘side’ is the asset (cash) and the other ‘side’ is called ..........

c) Suppose that the business now borrows €,000 from A Lender. There will now be €..........

cash in the business. The value of the assets of the business is therefore €..........

d) Ledger accounts are used to record business transactions. For every transaction two entries are required. These are a debit entry to the ...... side of the account and a ...... entry to the .....side.

c) If a proprietor introduces €,000 into his business he is said to have introduced ...... . Show

the book keeping effects of this by completing the following statement: The entries required to reflect the above transaction are: Debit Cash a/c and ...... ...... a/c with €000.

Questions

1. Long term liabilities
2. Notes Payable
3. Bonds – key elements of bonds
4. Bad debts
5. Account receivables
6. Unearned revenue
7. Briefly describe the key differences between unearned revenue and prepayment
8. the main differences between FIFO and LIFO methods
9. the measurement of an item of property, plant and equipment
10. What are the elements of financial statements?
11. Describe the differences between non - current assets and current assets
12. Find loses

|  |  |
| --- | --- |
| Revenue = $ | Ordinary expenses = $000 |
| Other income = $000 | Other expense = $000 |
| Gains = $000 | Net income = $000 |

1. Find revenue

|  |  |
| --- | --- |
| Net income = $000 | Ordinary expenses = $00 |
| Other income = $000 | Other expense = $000 |
| Gains = $000 | Losses = $000 |

1. Find net income:

|  |  |
| --- | --- |
| Revenue = $000 | Ordinary expenses = $000 |
| Other income = $000 | Other expense = $000 |
| Gains = $000 | Losses = $000 |

1. A)Using the basic accounting equation identify the missing item.
Assets = 1700 **Liabilities =?** Capital = 200 Retained Earnings = 500

b) Using the basic accounting equation identify the missing item.
Assets = 4850 Liabilities = 1250 Capital = 600 Retained Earnings =?

c) During 31.3.20X7, the business made the following transaction:

* Made $700 sales, half for cash, half for credit

Show the correct adjustments to be made on trial balance:

1. At 1 December 2011 Carter, a sole trader, had net assets of £232,000, and on 30 November 2012 the following amounts were extracted from his trial balance

Equipment:

 Cost 000

 Depreciation 000

Receivables 000

Inventory 000

Cash 000

Accounts payable 000

Long-term loan 000

Drawings during the year 000

There was no increase in capital during the period.

What was the profit for the year?

a) £000

b) £000

c) £000

d) £000

17. Paul and Robert are in partnership sharing profits and losses in the ratio 5:3 after allowing for partner salaries of £20,000 and £25,000 respectively. On 1 November 2011 Paul lent the partnership £50,000 at 8% interest per annum. The net profit for the year ended 30 April 2012, before loan interest, is £122,000.

How much profit will be credited to Robert’s current account?

18. When preparing the trial balance, the bookkeeper of Chapman Ltd discovered it disagreed by £2,254, the credit side exceeding the debit side. She posted this difference to the suspense account and then investigated the situation. On investigating the accounting records, she discovered the following:

1. A cheque for £0 for heating was entered in the cash book but not posted to the ledger.

2. The debit side of the wages account was overcast by £56.

3. There was a debit in the rates account of £0which should have been £1,836.

4. The purchase of equipment for £0 has been posted to the debit side of the purchases account.

5. A cheque received from A. McConville for £0has been credited to A. McMahon’s account.

6. An amount of £0paid for postage has been entered in the carriage outwards account.

7. A credit sale to D. Donata of £240 was entered in the sales day book as £24.

8. Bank charges of £22 entered in the cash book have not been posted to the bank charges account.

1. Evelyn Easter commenced business on 1 July 2008, and at the end of each financial year she adjusts the allowance for doubtful debts. The actual percentage rate used is adjusted in accordance with the prevailing economic conditions at the time. The following details are available for the three years ended 30 June 2009, 2010 and 2011.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Bad debts written off Year to 30 June  | Accounts receivable at 30 June after bad debts written-off | Percentage allowance for doubtful debts |
| 2009 |  |  | 2 |
| 2010 |  |  | 5 |
| 2011 |  |  | 4 |

Prepare the bad debts accounts and allowance for doubtful debts accounts for each of the three years 2009 to 2011.

(b) Show the extracts from the statement of financial position as at 30 June 2009, 2010 and 2011.

c) On 1 January 2011, Portland Bay owed Evelyn Easter £1,500. On 15 March 2011 Portland Bay was declared bankrupt. A payment of 40 pence in the pound was received in full settlement. The remaining balance was written off as a bad debt. Write up the account of Portland Bay in Evelyn Easter’s ledger.

(d) Distinguish between ‘capital’ and ‘revenue’ expenditure

20. Petty cash payments recorded in the books included amounts totalling £1,000, for which the bookkeeper had no vouchers or explanations. No debit entries have yet been included for these cash payments.

Requirement

(a) Prepare the journal entries necessary to correct the above errors and show the suspense account.

 (b) Briefly describe the two main uses of a suspense account.

21.A firm issues a $10 million bond with a 6% coupon rate, 4-year maturity, and annual interest payments when market interest rates are 7%. Find:

1. Annnual coupon payments
2. Total of all cash payments to the bondholders
3. Interest expense of the first period

22. CC Corporation reported the following inventory transactions (in chronological order) for the year:

|  |  |
| --- | --- |
| Purchase | Sales |
| 0 units at $0 |  units at $ |
| 0 units at $0 | units at $ |
| 0 units at $0 |  units at $ |

Assuming inventory at the beginning of the year was zero, calculate the year-end inventory using FIFO and LIFO.

23. Given the following data calculate the total assets at the year-end.

|  |  |
| --- | --- |
| Beginning retained earnings | $ million |
| Net income | $0 million |
| Dividends paid | $0 million |
| Contributed capital | $0 million |
| Liabilities | $0 million |

Current assets made 63% of total assets. Please show the absolute number for current assets and long-lived assets.

24.

Given the following data calculate the total liabilities at the year-end.

|  |  |
| --- | --- |
| Beginning retained earnings | $0 million |
| Revenues | $0 million |
| Expenses | $0 million |
| Dividends paid | $0 million |
| Contributed capital | $00 million |
| Long-lived assets | 00 million |
| Current assets | $0 million |

Current liabilities made 32% of total liabilities. Please show the absolute number for current liabilities and non-current liabilities.

25. During the year, a firm’s inventory purchases were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Quarter  | Units Purchased | Cost per Unit | Total  |
| 1 | 0 | $0 | $0 |
| 2 | 0 | 0 | 0 |
| 3 | 0 | 0 | 0 |
| 4 | 0 | 0 | 0 |
|  | 0 |  | $0 |

The firm uses a periodic inventory system and calculates inventory and COGS at the end of the year

Beginning inventory was units at $3 per unit = $

Sales for the year were units

Compute COGS for the year under FIFO and LIFO.

III part

|  |  |
| --- | --- |
| 1. | Lee opened his new business on 1.January 2016. On that date, the only asset |
|  | was a bank balance of $00,000. During the year, Lee’d drawings from the |
|  | business totalled $00,000. On 31 December 2016, the assets and liabilities |
|  | of the business were as follows: |
|  | Computers and furniture $00,000, inventory of raw materials $00,000, |
|  | finished goods, at cost $0,000, bank overdraft $00,000, trade payables, $0,000, |
|  | prepayments $0,000, trade receivables $0,000, the provision for bad debts |
|  | $0,000, bank loan $00,000, interest payable $000, accrued expenses, $0,000. |
|  | What is the profit of the business in the year ended 31 December 2016?1. The selling price of inventory of Company M at 28 February is $00,000. The company marks up its goods by 44%. One quarter of the inventory has been damaged in a fire and will be sold for $0,000. Which of the following will be the correct value for closing inventory at 28 February in the statement of financial position?
2. On 1 February 2017, Computer Deals Limited had 000 computers in inventory costing $0,000 each. During the month, the following transactions occurred:

|  |  |  |  |
| --- | --- | --- | --- |
| *Date* | *Buy/sell* | *Units* | *Price* |
| 2.2.X7 | Buy | 000 | $0,000 |
| 11.2.X7 | Sell | 000 | $0,000 |
| 13.2.X7 | Buy | 000 | $0,000 |
| 17.2.X7 | Buy | 000 | $0,000. |
| 25.2.X2 | Sell | 000 | $0,000 |

What is the (i) value of inventory at 28.2.X7 and (ii) the cost of goods sold (COGS) for the month of February 2017 using the LIFO basis?1. The statements of financial position of Cairns Limited as at 31 December 2016 and 2015 and a summary of the income statement for the year ended 31 December 2016 appear below:
 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Statement of financial position at 31 December |  |  |  |  |  |  |  |
|  |  | **2016** |  | **2015** |
|  |  |  | **$000s** |  |  | **$000s** |
| **Non-Current Assets** | 0000 |  | 0000 |
| **Current Assets** |  |  |  |  |  |  |  |
| Inventory | 0000 |  | 0000 |
| Trade receivables | 0,000 |  | 0,000 |
| Cash at bank |  | 000 |  | 0000 |
|  |  | 0000 | 0000 | 0000 |
| **Total assets** | 0000 | 0000 | 0000 |
| **Equity & liabilities** |  |  |  |  |  |  |  |
| **Equity** |  |  |  |  |  |  |  |
| Ordinary share capital: £1 shares | 0000 | 0000 | 0000 |
| Retained earnings | 0000 | 0000 | 0000 | 0000 |
| **Total equity** | 0000 | 0000 | 0000 |
| **Non-current liabilities** | 0000 | 0000 | 0000 | 0000 | 0000 | 0000 | 0000 |
| Long-term loans | 0000 | 0000 | 0000 |
| **Current liabilities** | 0000 | 0000 | 0000 | 0000 | 0000 | 0000 | 0000 |
| Trade and other payables | 0000 | 0000 | 0000 |
| Tax | 0000 | 0000 | 0000 |
| Bank overdraft | 0000 | 0000 | 0000 | 0000 | 0000 |
|  | 0000 | 0000 | 0000 | 0000 |
| **Total equity and liabilities** | 0000 | 0000 | 0000 | 0000 | 0000 |
| **Summary Income Statement for the year ended 31 December 2016** |  |  |  |
|  |  |  | **$000s** |  | **$000s** |
|  |  | **2016** |  | **2015** |
| Sales | 0000 | 0000 | 0000 |
| Cost of sales | 0000 | 0000 | 0000 |
| Gross profit | 0000 | 0000 | 0000 |
| Expenses | 0000 | 0000 | 0000 |
| Operating profit | 0000 | 0000 | 0000 |
| Interest payable | 0000 | 0000 | 0000 |
| Profit before tax | 0000 | 0000 | 0000 |
| Tax | 0000 | 0000 | 0000 |
| Profit after tax | 0000 | 0000 | 0000 |

|  |  |
| --- | --- |
| Note 1: | Dividends paid in 2016 were £150,000 (2015: £100,000) |
| Note 2: | The share price at 31.12.16 was $4.14 | (31.12.15: £3.66) |

|  |
| --- |
| Return on capital employed |
|  Gross profit ratio |
| Operating profit % |

|  |
| --- |
| Current ratio |
| Receivables period |
| Inventory period |

|  |
| --- |
| Gearing |
| Dividend cover |
| Earnings per share |
| PE ratio |

1. XYZ, Inc. had the ending inventory of $10,000, purchased $95,000 of goods during the year, and cost of goods sold was $87,000. What is XYZ’s beginning inventory?
2. $172,000
3. $2,000
4. $10,000
5. Given the following purchases and ending inventory of 15 items calculate the AVCO COGS:

|  |  |  |  |
| --- | --- | --- | --- |
| Date |  | Number of units | Price per unit $ |
| January 1 | Opening inventory | 0 | 0 |
| January 10 | Purchase | 0 | 0 |
| January 15 | Purchase | 0 | 0 |
| January 23 | Purchase | 0 | 0 |

1. $1,045
2. $1,290
3. $800
4. Denali Limited, a manufacturing company, had the following income statement:

|  |  |
| --- | --- |
| Revenue | 0 |
| Cost of goods sold | 0 |
| Other operating expenses | 0 |
| Interest expense | 0 |
| Tax expense | 0 |

Denali’s gross profit is equal to:

1. Given the following information calculate cash paid to suppliers for ABC company:

|  |  |
| --- | --- |
| Sales | 0 |
| COGS | 0 |
| Decrease in inventory | 0 |
| Increase in accounts payable | 0 |

1. Zoom Inc. has the following per-unit cost information about its inventory for the current year.

|  |  |
| --- | --- |
| Estimated selling price | 0 |
| Estimated selling costs | 0 |
| Net realizable value (NRV) | 0 |
| Replacement cost | 0 |
| Normal profit margin | 0 |

 Original cost of inventory was $210. What will Zoom Inc. report on its Balance sheet and Income statement if it follows IFRS rules?

1. Time Inc. has recently purchased and installed a new machine for its manufacturing plant. The company incurred the following costs:

|  |  |
| --- | --- |
| Purchase price | 0 |
| Freight and insurance | 0 |
| Installation | 0 |
| Testing | 0 |
| Maintenance staff training costs | 0 |

The total cost of the machine to be shown on Time’s balance sheet is *closest* to:

1. Given the following data calculate the total assets at the year-end for ABC Company.

|  |  |
| --- | --- |
| Beginning retained earnings | 0 |
| Net income | 0 |
| Dividends paid | 0 |
| Contributed capital | 0 |
| Liabilities | 0 |

Current assets made 60% of total assets. Please show the absolute number for current assets and long-lived assets

1. Prepare balance sheet for ABC Company for year 2016 using Assets and Equity data from above. Current liabilities make 70% of total liabilities. Current assets are divided as follows: 40% Cash, 30% Receivables, 20% Marketable securities, 10% Inventories. Please show all subsections for each balance sheet item.
2. Calculate the liquidity ratios (current, quick, and cash ratios) using information from above subsections
3. State which books of prime entry the following transactions would be entered into.

(a) Your business pays A Brown (a supplier) $450.00.

(b) You send D Smith (a customer) an invoice for $650.

(c) Your accounts manager asks you for $12 urgently in order to buy some envelopes.

(d) You receive an invoice from A Brown for $300.

1. During 31.3.20X7, the business made the following transactions.

(a) Bought materials for $1,000, half for cash and half on credit

(b) Made $1,040 sales, $800 of which was for credit

(c) Paid wages to shop assistants of $260 in cash

Please show the effects of all three transactions (debits and credits for changes separately), and prepare the final trial balance

1. Selected data from Company P’s balance sheet at the end of the year 2016 follows:

|  |  |
| --- | --- |
|  | $ |
| Deferred taxes | 0 |
| Common stock, $1 par value | 0 |
| Preferred stock, $100 par value | 0 |
| Retained earnings | 0 |
| Accumulated other comprehensive income | 0 |

Calculate the equity for Company P. Explain your calculation

19. Prepare balance sheet of Company P for year 2016 assuming that financial assets are classified as trading securities (portion of current assets), Total current assets are $00 million, 0 million of which is cash, $000,000 is receivables, and $00,000 is inventory. You can find non-current assets using these numbers. Total liabilities = 000,000; 50% of which is current-liabilities and 50% is non-current liabilities. For Equity use the answer from first subsection of this question. Please explain your answers

20. The purpose of financial statements

21. describe accounting for notes payable

22. describe the usefulness and format of statement of cash flows

23. Define debit and credit and explain their use of in recording business transaction

24. the fundamental qualities of useful information

25. Assumptions in financial reporting