1. A company estimates that $20,000 of its $500,000 of accounts receivable will be uncollectible. Its Allowance for Doubtful Accounts presently has a credit balance of $8,000. The adjusting entry will include a \_\_\_\_\_\_\_\_\_\_ to the Allowance for Doubtful Accounts.
2. A company estimates that $20,000 of its $500,000 of accounts receivable will be uncollectible. Its Allowance for Doubtful Accounts presently has a credit balance of $18,000. The adjusting entry will include a \_\_\_\_\_\_\_\_\_\_ to Bad Debts Expense.
3. A company estimates that $20,000 of its $500,000 of accounts receivable will be uncollectible. Its Allowance for Doubtful Accounts presently has a debit balance of $3,000. The adjusting entry will include a \_\_\_\_\_\_\_\_\_\_ to Allowance for Doubtful Accounts.
4. A company is expecting thousands of credit sales transactions each week with terms of net 30 days. The company uses the allowance method and it prepares weekly financial statements. It believes that 0.001 of its credit sales will be uncollectible. The company's credit sales for its first week of operations are $500,000. The credit sales for its second week are $600,000.
5. The company's bad debts expense for its first week of operations will be $
6. The balance in Allowance for Doubtful Accounts at the end of the first week will likely be $
7. The company's bad debts expense for its second week of operations will be $
8. The amount of accounts receivable that you expect will be written off by the end of the company's second week of operations is $
9. The balance in Allowance for Doubtful Accounts at the end of the second week of operations will likely be $
10. A company's Allowance for Doubtful Accounts has a credit balance of $25,000. It learns that one of its accounts receivable amounting to $1,800 is worthless and needs to be written off.
11. Which account should be debited for $1,800 when writing off the account?

**Allowance For Doubtful Accounts**

**Accounts Receivable**

**Bad Debts Expense**

1. Which account should be credited for $1,800 when writing off the account?

**Allowance for Doubtful Accounts**

**Accounts Receivable**

**Bad Debts Expense**

1. Assuming that after the account is written off, the supplier receives full payment from the customer. Which account will **not** be involved in the accounting entries made at the time when the payment is received?

**Allowance for Doubtful Accounts**

**Accounts Receivable**

**Bad Debts Expense**

1. Under the direct write off method, which account is debited when a company writes off one of its accounts receivable?

**Allowance For Doubtful Accounts**

**Accounts Receivable**

**Bad Debts Expense**

1. A company borrowed $100,000 on December 1 by signing a six-month note that specifies interest at an annual percentage rate (APR) of 12%. No interest or principal payment is due until the note matures on May 31. The company prepares financial statements at the end of each calendar month. The following questions pertain to the **adjusting entry** that should be entered in the **company's records**
2. What date should be used to record the December adjusting entry?
3. How many accounts are involved in the adjusting entry?
4. What is the name of the account that will be debited?
5. What is the name of the account that will be credited?
6. What is the amount of the debit and the credit?
7. What would be the effect on the financial statements if the company fails to make the adjusting entry on December 31?

5. A bank lent $100,000 to a customer on December 1 that required the customer to pay an annual percentage rate (APR) of 12% on the amount of the loan. The loan is due in six months and no payment of interest or principal is to be made until the note is due on May 31. The bank prepares monthly financial statements at the end of each calendar month. The following questions pertain to the **adjusting entry that the bank will be making** for its accounting records.

1. What date should be used to record the December adjusting entry?
2. How many accounts are involved in the adjusting entry?
3. What is the name of the account that should be debited?
4. What is the name of the account that should be credited?
5. What is the amount of the debit and the credit?
6. What would be the effect on the financial statements if the company fails to make the adjusting entry on December 31?
7. On December 1, your company paid its insurance agent $2,400 for the annual insurance premium covering the twelve-month period beginning on December 1. The $2,400 payment was recorded on December 1 with a debit to the current asset [**Prepaid Insurance**](http://www.accountingcoach.com/terms/P/prepaid-insurance) and a credit to the current asset [**Cash**](http://www.accountingcoach.com/terms/C/cash). Your company prepares monthly financial statements at the end of each calendar month. The following questions pertain to the **adjusting entry** that will be written by the **company**.
8. What date should be used to record the December adjusting entry?
9. How many accounts are involved in the adjusting entry?
10. What is the name of the account that will be debited?
11. What is the name of the account that will be credited?
12. What is the amount of the debit and the credit?
13. What would be the effect on the financial statements if the company fails to make the adjusting entry on December 31?
14. On December 1, your company paid its insurance agent $2,400 for the annual insurance premium covering the twelve-month period beginning on December 1. The $2,400 payment was recorded on December 1 with a debit to the income statement account [**Insurance Expense**](http://www.accountingcoach.com/terms/I/insurance-expense) and a credit to the current asset Cash. Your company prepares monthly financial statements at the end of each calendar month. The following questions pertain to the **adjusting entry** that will be written by the **company**.
15. What date should be used to record the December adjusting entry?
16. How many accounts are involved in the adjusting entry?
17. What is the name of the account that will be debited?
18. What is the name of the account that will be credited?
19. What is the amount of the debit and the credit?
20. What would be the effect on the financial statements if the company fails to make the adjusting entry on December 31?
21. On December 1, XYZ Insurance Co. received $2,400 from your company for the annual insurance premium covering the twelve-month period beginning on December 1. XYZ Insurance Co. recorded the $2,400 receipt as of December 1 with a debit to the current asset Cash and a credit to the current liability [**Unearned Revenues**](http://www.accountingcoach.com/terms/U/unearned-revenues). XYZ Insurance Co. prepares monthly financial statements at the end of each calendar month. The following questions pertain to the **adjusting entry** that will be written by the **XYZ Insurance Co**.
22. What date should be used to record the December adjusting entry?
23. What is the name of the account that will be debited?
24. What would be the effect on the financial statements if the company fails to make the adjusting entry on December 31?
25. On December 1, your company began operations. On December 3 it purchased $1,500 of supplies and recorded the transaction with a debit to the current asset [**Supplies**](http://www.accountingcoach.com/terms/S/supplies) and a credit to the current liability [**Accounts Payable**](http://www.accountingcoach.com/terms/A/accounts-payable). Your company prepares monthly financial statements at the end of each calendar month. At the end of the day on December 31, your company estimated that $700 of the supplies were still on hand in the supply room. The following questions pertain to the **adjusting entry** that should be entered by your company.
26. What date should be used to record the December adjusting entry?
27. How many accounts are involved in the adjusting entry?
28. What is the name of the account that will be debited?
29. What is the name of the account that will be credited?
30. What is the amount of the debit and the credit?
31. What would be the effect on the financial statements if the company fails to make the adjusting entry on December 31?
32. Use the following information for Questions:

An employee worked the entire year of 2014 and earned two weeks of vacation as specified in the company's labor agreement. The agreement also states that the two weeks of vacation shall be taken any time in 2015 and the amount paid will be 80 hours multiplied by the employee's rate of pay at December 31, 2014. At December 31, 2014 the employee's pay rate was $15. Assume that the company uses the accrual method of accounting.

Which financial statements are affected in the year 2014?

1. Balance Sheet Only
2. Income Statement Only
3. Balance Sheet & Income Statement
4. Neither The Balance Sheet Nor The Income Statement
5. An entity has a policy of revaluing its PPE. An asset cost $15m on 1 January 2008, has a useful life of 15 years and is depreciated on a straight-line basis to a zero residual value. The value of the asset at 31 December 2008 was $14.5m. At 31 December 2009, the market value of the asset was $12.5m. The accounting entry at 31 December 2009 would be –
6. Depreciation $1.04m to income statement, fall in value of $0.5m charged to revaluation reserve and $0.46m to the income statement]
7. Depreciation $1m to income statement, fall in value of $0.96m to the income statement
8. Depreciation $1m to income statement, fall in value of $0.5m charged to revaluation reserve and $0.5m to the income statement
9. Depreciation $1.04m to income statement, fall in value of $0.96m charged to revaluation reserve
10. A) This is what accumulated depreciation accounts are called because they are deducted from their related fixed asset accounts on the balance sheet.
11. Depreciation expense
12. Fixed assets
13. Adjusted trail balance
14. Contra accounts (or contra asset accounts)
15. The contra assets account credited when recording the depreciation of a fixed asset
16. Depreciation
17. Depreciation expense
18. Accumulated depreciation
19. Depreciation revenue
20. The accounting concept supporting reporting revenues and related expenses in the same period is called \_\_\_\_\_\_\_\_\_\_\_.
21. Revenue recognition concept
22. Accounting period concept
23. Matching concept(or matching principle)
24. Accrual basis of accounting
25. As time passes, equipment loses its ability to provide useful services-- the decrease in usefulness is \_\_\_\_\_\_\_\_\_.
26. Depreciation expense
27. Depreciation revenue
28. Depreciation
29. Depreciate
30. \_\_\_\_\_\_\_\_\_ are the advance receipt of future revenues and are recorded as liabilities when cash is recieved.
31. Accrued revenues
32. Unearned revenues
33. Prepaid expenses
34. Accrued expenses
35. 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 $ 950,000. Between 30 June and 7 July 20X6, the following transactions took place.
36. $

Purchase of goods  11,750

Sale of goods (mark up on cost at 15%) 14,950

Goods returned by Global Inc to supplier 1,500

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

1. A company values its inventory using the first in, first out (FIFO) method. At 1 May 20X2 the company had 700 engines in inventory, valued at $190 each.

During the year ended 30 April 20X3 the following transactions took place:

20X2

1 July  Purchased 500 engines at $220 each

1 November Sold 400 engines for $160,000

20X3

1 February Purchased 300 engines at $230 each

15 April Sold 250 engines for $125,000

What is the value of the company's closing inventory of engines at 30 April 20X3?

1. A company with an accounting date of 31 October carried out a physical check of inventory on 4 November 20X3, leading to an inventory value at cost at this date of $483,700.

Between 1 November 20X3 and 4 November 20X3 the following transactions took place:

1  Goods costing $38,400 were received from suppliers.

2  Goods that had cost $14,800 were sold for $20,000.

3  A customer returned, in good condition, some goods which had been sold to him in October for $600 and which had cost $400.

4  The company returned goods that had cost $1,800 in October to the supplier, and received a credit note for them.

What figure should appear in the company's financial statements at 31 October 20X3 for closing inventory, based on this information?

1. At 30 September 20X3 the closing inventory of a company amounted to $386,400.  The following items were included in this total at cost:

1  1,000 items which had cost $18 each. These items were all sold in October 20X3 for $15 each, with selling expenses of $800.

2  Five items which had been in inventory since 19W3, when they were purchased for $100 each, sold in October 20X3 for $1,000 each, net of selling expenses.

What figure should appear in the company's statement of financial position at 30 September 20X3 for inventory?

1. The financial year of Mitex Co ended on 31 December 20X1. An inventory count on January 4 20X2 gave a total inventory value of $527,300.

The following transactions occurred between January 1 and January 4.

$

Purchases of goods  7,900

Sales of goods (gross profit margin 40% on sales) 15,000

Goods returned to a supplier 800

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

1. An inventory record card shows the following details.

|  |  |  |
| --- | --- | --- |
| February | 1 | 50 units in stock at a cost of $40 per unit |
|  | 7 | 100 units purchased at a cost of $45 per unit |
|  | 14 | 80 units sold |
|  | 21 | 50 units purchased at a cost of $50 per unit |
|  | 28 | 60 units sold |

What is the value of inventory at 28 February using the FIFO method?

1. A company has decided to switch from using the FIFO method of inventory valuation to using the average cost method (AVCO).

In the first accounting period where the change is made, opening inventory valued by the FIFO method was $53,200. Closing inventory valued by the AVCO method was $59,800. Total purchases and during the period were $136,500. Using the AVCO method, opening inventory would have been valued at $56,200.

What is the cost of materials that should be included in the statement of profit or loss for the period?

1. A) 1  400 items which had cost $4 each. All were sold after the reporting period for $3 each, with  selling expenses of $200 for the batch.

B) 2  200 different items which had cost $30 each. These items were found to be defective at the end of the reporting period. Rectification work after the statement of financial position amounted to $1,200, after which they were sold for $35 each, with selling expenses totalling $300.

Which of the following total figures should appear in the statement of financial position of X for inventory?

1. A)What accounted treatment is required for Plant property and equipment

B)The cost of an item of property, plant and equipment shall be recognised when:

1. it is probable that future economic benefits associated with the item will flow to the entity & the cost of the item can be measured reliably
2. it is certain that future economic benefits associated with the item will flow to the entity and the cost of the item is known
3. it is probable that future economic benefits associated with the item will flow to the entity even if the cost of the item cannot be measured reliably
4. what is the cash flow statement?
5. A company bought a property four years ago on 1 January for $ 170 000. Since then property prices have risen substantially and the property has been revalued at $ 210 000.

The property was estimated as having a useful life of 20 years when it was purchased. What is the balance on the revaluation surplus reported in the statement of financial position?

1. 210000
2. 136000
3. 74000
4. 34000
5. The carrying value of a company’s non current assets was $ 200,000 at 1 August 2010. During the year ended 31 july 2011, the company sold non-curretn assets for 25000$ on which it made a loss of $5000, the depreciation charge for the year was $20 000. What was the carrying value of non- current assets at 31 July 2011?
6. 150000
7. 155000
8. 160000
9. 180000
10. A business purchased a motor car on 1July 2003 for $20000. It is to be depreciated at 20 per cent per year on the straight line basis, assuming a residual value at the end of five years of $4000, with a proportionate depreciation charge in the years of purchase and disposal.

The $20 000 cost was correctly entered in the cash book but posted to the debit of the motor vehicles repairs account.

How will the business profit for the year ended 31 December 2003 be affected by the error?

1. Understated by 18 400
2. Understated by 16800
3. Overstated by 18 400
4. Overstated by 16 800
5. Gamma purchased a motor vehicle on 30 September 2001 for $ 15 000 on credit. Gamma has a policy of depreciating motor vehicle using the reducing balance method at 15% per annum pro rata in the years of purchase and sale

What are the correct ledger entries to record the purchase of the vehicle at 30 september 2001 and what is the depreciation charge for the year ended 30 November 2001?

2 nd 25 questions

Multiple Choice (In the answer booklet – write down one option only for each question)

1. 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?

a) £52,000

b) £22,000

c) £37,000

d) £23,850

2. The following information is available for a sole trader who does not keep proper accounting records:

Net business assets at 1 July 2012 93,000

Net business assets at 30 June 2013 137,000

During the year ended 30 June 2013:

Cash drawings by owner 34,000

Additional capital introduced by owner 25,000

Business cash used to buy a car for owner’s wife, who has no involvement in the business. 10,000

Using this information, what is the sole trader’s profit for the year ended 30 June 2013?

a) £63,000

b) £25,000

c) £43,000

d) £45,000

3. John is a sole proprietor whose accounting records are incomplete. All the sales are for cash and during the year £100,000 was banked, including £10,000 from the sale of a business car. John paid £24,000 wages in cash from the till and withdrew £4,000 per month as drawings. The cash in the till at the beginning and end of the year was £600 and £800 respectively.

What were the sales for the year?

a) £161,800

b) £162,000

c) £162,200

d) £172,200

4. Richard is a VAT registered trader whose sales and purchases carry VAT at the standard rate of 20%. Richard received an invoice from a supplier for £4,000 plus VAT. What is the correct double entry to record this transaction?

Debit Credit

a) Purchases £4,000 Payables £4,000

b) Purchases £4,800 Payables £4,800

c) Purchases £4,800 Payables £4,000, VAT £800

d) Purchases £4,000, VAT £800 Payables £4,800

5. The following information has been obtained from the books of Darren for the year ended 31 December 2013:

Opening payables control account balance at 1 January 2013 118,600

Cheque payments to payables 93,565

Discounts received during the year 16,050

Contras 4,562

Credit purchases during the year 78,121

Credit notes received during the year 24,385

On extracting a list of balances from his payables ledger (purchases ledger), Darren found that they totalled £40,902. On further investigation the following errors were discovered:

1. Purchases from Mr Jones of £1,000 have been mistakenly entered in Mrs Barton’s individual account in the receivables ledger.

2. The purchases day book contained a casting error whereby £12,670 was brought forward onto the following page as £21,670.

3. An invoice for £2,000 in respect of purchases from Pink Limited was not recorded in the purchases day book.

4. The discounts received column of the cash payments book has been overcast by £1,050.

5. Invoices amounting to £9,060 have been included in the control account but not in the purchases ledger.

6. In preparing the list of balances from the purchases ledger, credit balances of £634 were incorrectly analysed as debit balances.

7. A contra of £1,970 has been posted to the control accounts without updating the ledgers.

8. Discounts received from Box Limited of £15 were recorded as £51 in the cash book and omitted entirely from the postings to the purchases ledger.

(a) Prepare an adjusted payables control account and reconcile this to the total list of balances.

(b) Briefly explain why it is necessary to prepare a bank reconciliation statement at the accounting year-end.

6. Neil commenced business on 1 January 2011 and purchased two machines for £15,000 each. Both machines had an estimated useful life of five years and a residual value of nil. The straight line method of depreciation was used. Owing to the economic downturn market demand has fallen and Neil has decided to switch to making alternative products. On 31 March 2013, one machine was sold for £7,000. Later in the year, however, it was decided to abandon production altogether, and the second machine was sold on 1 December 2013 for £2,500 cash. John, a friend of Neil’s, acquired new premises at a cost of £250,000 on 1 January 2013. John paid the following costs during the year ended 31 December 2013

Costs of initial adaption 13,900

Legal fees relating to purchase 1,200

Monthly cleaning contract 9,600

Office furniture 6,500

Health and safety training 1,500

(a) Prepare Neil’s machinery account, accumulated depreciation account and disposal account for the year ended 31 December 2013.

(b) What amount should appear as the cost of premises in John’s financial statements for the year ended 31 December 2013?

(c) Briefly explain the difference between the straight line and reducing balance methods of depreciation.

7. 1. A sole trader sells goods costing £300 for £500 cash. Which elements of the accounting equation will change due to this transaction?

a) Assets and liabilities

b) Assets and capital

c) Capital and liabilities

d) Assets only

Noel owns a business and pays his business telephone rental quarterly in advance. £25 is paid on 01/11/10, 01/02/11, 01/05/11, 01/08/11 and 28/10/11. What is the charge that should appear in income statement in respect of telephone rental for the year ended 31/10/11?

a)£125 with a prepayment of £25 in the statement of financial position

b) £100 with an accrual of £25 in the statement of financial position

c) £125 with an accrual of £25 in the statement of financial position d) £100 with a prepayment of £25 in the statement of financial position

8. 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 631,240

Depreciation 205,920

Receivables 57,204

Inventory 44,392

Cash 9,516

Accounts payable 51,806

Long-term loan 160,000

Drawings during the year 49,640

There was no increase in capital during the period.

What was the profit for the year?

a) £42,986

b) £119,686

c) £142,266

d) £191,906

9. 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?

a) £53,875

b) £66,875

c) £53,125

d) £52,375

10. 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 £64 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 £396 which should have been £1,836.

4. The purchase of equipment for £6,000 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 £34 paid 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.

9. 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.

11. 1. Which of the following is the main aim of accounting?

a) To produce a trial balance

b) To provide financial information to users of such information

c) To maintain ledger accounts for every asset and liability

d) To calculate profit

12. A company’s trial balance failed to agree, the totals being:

Debit £815,602

Credit £808,420

Which of the following errors could fully account for the difference?

a) The omission from the trial balance of the balance on the telephone account £7,182 debit

b) Discounts allowed of £3,591 debited in error to the discount received account

c) No entries made in the records for cash sales totalling £7,182

d) The returns outwards total of £3,591 was included in the trial balance as a debit balance

13. Which accounting concept should be considered if the owner of a business takes goods from inventory for his own personal use?

a) The prudence concept

b) The historical cost concept

c) The money measurement concept

d) The separate entity concept

14. The following information is available for the year ended 30 June 2011 for a trader who does not keep proper accounting records:

Inventories at 1 July 2010 38,000

Inventories at 30 June 2011 45,000

Purchases 637,000

Gross profit percentage on sales = 30%

Based on the above information, what was the trader’s sales figure for the year?

a) £900,000

b) £819,000

c) £920,000

d) £837,200

15 At 1 January 2010 Jesse Limited had an allowance for receivables of £98,000. At 31 December 2010 the company’s trade receivables were £1,726,000 and it was decided to write off balances totalling £46,000 and to adjust the allowance for doubtful debts to the equivalent of 5% of the remaining receivables.

What figure should appear in the income statement of Jesse Limited as a result of the above adjustments?

a) £130,000

b) £32,000

c) £60,000

d) £32,300

16. A company owns a number of properties which are rented to tenants. The following information is available for the year ended 30 June 2011:

Rent in advance Rent in arrears

30 June 2010 134,600 4,800

30 June 2011 144,400 8,700

Cash received from tenants in the year ended 30 June 2011 was £834,600. All rent in arrears was subsequently received. What figure should appear in the company’s income statement for rent receivable for the year ended 30 June 2011?

a) £840,500

b) £1,100,100

c) £569,100

d) £828,700

17. The balance on Midge Hayes’ receivables ledger control account (sales ledger control account) at the end of the month of July was £30,172. On extracting a list of balances from his receivables ledger (sales ledger), Midge Hayes found that they totalled £29,766. On further investigation the following errors were discovered:

1. Sales to Mr Good of £250 have been mistakenly entered on Mr Hill’s individual account in the payables ledger.

2. A contra entry of £110 had been made on Mr Simon’s individual account in the receivables ledger against his account in the payables ledger. This has not been recorded in the control accounts.

3. An invoice for £440 in respect of sales to Savage Garden Limited was not recorded in the sales day book.

4. A debit balance of £742 has been omitted from the list of balances.

5. An invoice for £630 has been correctly entered in the sales day book, but posted to the customer’s individual account as £702.

6. Cash received from Mr Luke of £824 has not been recorded in his individual ledger account.

7. Discounts allowed totalling £100 had not been entered in the control account.

8. The sales day book figure contained a casting error whereby £200 was brought forward onto the following page as £300.

(a) Prepare an adjusted receivables ledger control account and reconcile this to the total list of balances.

(b) Explain why a business would want to use control accounts.

18. 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 | 2,530 | 65,000 | 2 |
| 2010 | 3,708 | 97,500 | 5 |
| 2011 | 5,844 | 104,000 | 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.

19. At 1 January 2010 Jesse Limited had an allowance for receivables of £98,000. At 31 December 2010 the company’s trade receivables were £1,726,000 and it was decided to write off balances totalling £46,000 and to adjust the allowance for doubtful debts to the equivalent of 5% of the remaining receivables. What figure should appear in the income statement of Jesse Limited as a result of the above adjustments?

a) £130,000

b) £32,000

c) £60,000

d) £32,300

20. Which of the following best describes an accrued expense?

A)An expense that will be incurred in the next accounting period but that has been paid in this accounting period

b) An expense that has been incurred in this accounting period but that was paid for in the last accounting period

c) An expense that has been incurred in this accounting period but will be paid for in the next accounting period

d) An expense that will be incurred and paid for in the next accounting period

21. The going concern concept is concerned with the following:

a) Accounting for all enterprises as a going concern

b) Allowing predictions to be used in the preparation of financial statements

c) Valuing assets at their realisable amounts

d) Preparing financial statements based on the assumption that they will operate into the foreseeable future, and abandoning the concept if this assumption does not hold

22. An entity’s net profit may be calculated using the following:

a) Closing capital – drawings + capital introduced – opening capital

b) Closing capital + drawings – capital introduced – opening capital

c) Opening capital + drawings – capital introduced – closing capital

d) Opening capital – drawings + capital introduced – closing capital

23. The following totals appear in the day books for march 2016

Sales day book 40 000

Ourchase day book 20 000

Returns inwards day book 2000

Returns outward day book 4000

Opening and closing inventories are both 3000. What is the gross profit for march 2008

1. 22 000
2. 24 000
3. 20 000
4. 18 000

24. Describe clearly two basic criteria must be meet before the recognition of elements of financial statements

1. The following is a summary of the transactions of Hair by Fiona Middleton hairdressing business of which Fiona is the sole proprietor.

1 January Put in cash of $2,000 as capital

Purchased brushes and combs for cash $50

Purchased hair driers from Gilroy Ltd on credit $150

1. anuary Paid three months rent to 31 March $300

Collected and paid in takings $600

31 January Gave Mrs Sullivan a perm, highlights etc on credit $80

3rd 25 questions

1. You are to enter the following transactions, completing double-entry in the books for the month of May 200X. (5 marks)

May 1 Started business with €2,000 in the bank;

May 2 Purchased goods €175 on credit form M. Mills;

May 3 Bought fixtures and fittings €150 paying by cheque;

May 3 Bought fixtures and fittings €150 paying by cheque;

May 6 Bought goods on credit €114 from S. Waites;

May 10 Paid rent by cash €15;

May 12 Bought stationery €27, paying by cash;

May 18 Goods returned to M. Mills €23;

May 21 Let off part of the premises receiving rent by cheque €5;

May 23 Sold goods on credit to U. Henry for €77;

May 24 Bought a motor van paying by cheque €300;

May 30 Paid the month’s wages by cash €117; and

May 31 The proprietor took cash for himself €44

2. What are the elements of financial statements (3 mark)

3. Which of the following statement of financial position relationships is correct? (2 marks)

|  |
| --- |
| 1. Non-current assets + capital + long-term liabilities = current assets - current liabilities |
| 1. Non-current assets + current assets - current liabilities = capital - long-term liabilities |
| 1. Non-current assets - long-term liabilities = capital + current liabilities - current assets |
| 1. Non-current assets - capital + long-term liabilities = current assets - current liabilities |

4. Prepare T account (5 marks)

1. A proprietor put €2,000 cash into his business;

2. Cash was paid for a van €400;

3. Cash was paid for rent €100;

4. Cash was paid for electricity €20;

5. Cash was paid to purchase goods €200; and

6. The goods were sold for €500 cash.

1. What criteria determined whether liabilities should be classified as current or non current (3 marks)
2. Marco set up in business as car dealer on 1st January 2008 with a capital of £150,000 in cash. In the first week, he purchased cash office equipment and a car for £50,000.   
   He also obtained inventory on credit for £80,000.

What was the total of the current assets at the end of the first week? (2 marks)

1. Prepare T balance (5 marks)

Sept 1 Sales on credit to D. Williams €458, J. Moore €235 and G. Grant €98;

Sept 2 Purchases on credit A. White €77, H. Samuels €231 and P. Owens €65;

Sept 8 Sales on credit to J. Moore €444 and F. Franklin €249;

Sept 10 Purchases on credit from H. Samuels €12 and O. Oliver €222;

Sept 12 Returns inwards from G. Grant €9 and J. Moore €26;

Sept 17 We returned goods to H. Samuels €24 and O. Oliver €12;

Sept 20 We paid A. White by cheque €77;

Sept 24 D. Williams paid us by cheque €300;

Sept 28 D. Williams paid us by cash €100; and

Sept 30 F. Franklin pays us by cheque €249.

7. Describe the differences between non current assets and current assets (3 marks)

8. Things that are of value and are owned by a business are known as assets. A Lad had just put in €5,000 cash to start a new business of has own, calling the business Lad Enterprises. What is the value of the assets in the business?

€.......... (2 marks)

1. Preparing Basic financial statements (5 marks)

|  |  |  |
| --- | --- | --- |
|  | DR | CR |
| Sales |  | 138,078 |
| Purchase | 82,350 |  |
| Carriage | 5,144 |  |
| Drawings | 7,800 |  |
| Rent and insurance | 6,622 |  |
| Postage and stationery | 3,001 |  |
| Advertising | 1,330 |  |
| Salaries and wages | 26,420 |  |
| Irrecoverable debts | 877 |  |
| Allowance for receivable |  | 130 |
| Receivables | 12,120 |  |
| Payables |  | 6,471 |
| Cash on hand | 177 |  |
| Cash at bank | 1,002 |  |
| Inventor as at 1 June 2005 | 11,927 |  |
| Equipment at cost | 58,000 |  |
| Accumulated Depreciation |  | 19,000 |
| Capital |  | 53,091 |
|  | 216,770 | 216,770 |

The following addition information as at 31 May 2006 is available

1. Rent is accrued by $210
2. Insurance has been prepaid by $880
3. $2,211 of carriage represents carriage inwards on purchase
4. Equipment is to be depreciated at 15% per annum using straight line methods
5. The allowance for receivables is to be increased by $40
6. Inventory at the close of business has been at $13,551

Required

1. Prepare a statement of profit or loss/other comprehensive income for the year ended 31 May 2006
2. Prepare a statement of financial position as at that date

9.what is an accounting equation? (3 marks)

3. 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 .......... . (2 marks)

The question 10-13

1. The following are the assets and liabilities of Poker Ltd at 30th September 2008. (5 marks)

|  |  |
| --- | --- |
| Plant | £450,000 |
| Trade receivables | £330,000 |
| Trade payables | £150,000 |
|  |  |
| Cash | £60,000 |
| Tax payable | £90,000 |
| Office equipment | £180,000 |
| Inventory | £360,000 |

10 What is the total of the current assets of Poker Ltd?

11.What is the total of the non-current assets of Poker Ltd?

12.What is the total of the current liabilities of Poker Ltd?

13.What is the amount of the owner's interest in Poker Ltd?

14.The draft statement of comprehensive income of Easy Ltd reported: (3 marks)

Gross sales £500,000

Net sales £425,000

Expenses £66,000

Cost of goods sold £289,000

Which of the following figures is the correct gross profit

15. What is the cash accounting and accrual based accounting

16 A ) The draft statement of comprehensive income of Easy Ltd reported: (5 marks)

Gross sales £500,000

Net sales £475,000

Expenses £96,000

Gross profit margin 30%

Which of the following figures is the correct cost of goods sold

B) Things that are of value and are owned by a business are known as assets. A Lad had just put in €5,000 cash to start a new business of has own, calling the business Lad Enterprises. What is the value of the assets in the business?

€..........

C) Suppose that the business now borrows €1,000 from A Lender. There will now be €.......... cash in the business.

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

D) Looking again at the other ‘sides’ of the transactions, the capital of the business is €......... and there is a liability to A Lender of €.......... .

E) 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 .......... .

17. What are the elements of financial statements (3 marks)

18. If a proprietor introduces €5,000 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 €5000.

19.Prepare T balance (5 marks)

Sept 1 Sales on credit to D. Williams €458, J. Moore €235 and G. Grant €98;

Sept 2 Purchases on credit A. White €77, H. Samuels €231 and P. Owens €65;

Sept 8 Sales on credit to J. Moore €444 and F. Franklin €249;

Sept 10 Purchases on credit from H. Samuels €12 and O. Oliver €222;

Sept 12 Returns inwards from G. Grant €9 and J. Moore €26;

Sept 17 We returned goods to H. Samuels €24 and O. Oliver €12;

Sept 20 We paid A. White by cheque €77;

Sept 24 D. Williams paid us by cheque €300;

Sept 28 D. Williams paid us by cash €100; and

Sept 30 F. Franklin pays us by cheque €249.

20 . Describe the differences between non current assets and current assets (3 marks)

21 . Which of the following statement of financial position relationships is correct? (2 marks)

|  |
| --- |
| 1. Non-current assets + capital + long-term liabilities = current assets - current liabilities |
| 1. Non-current assets + current assets - current liabilities = capital - long-term liabilities |
| 1. Non-current assets - long-term liabilities = capital + current liabilities - current assets |
| 1. Non-current assets - capital + long-term liabilities = current assets - current liabilities |

Please , briefly describe the definition of accounting equation

22. Marco set up in business as car dealer on 1st January 2008 with a capital of £150,000 in cash. In the first week, he purchased cash office equipment and a car for £50,000.   
He also obtained inventory on credit for £80,000

23. If a proprietor introduces €5,000 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 €5000.

24. What is the cash accounting and accrual based accounting

25 What is a conceptual framework?