

# Principles of A/Ccounts

## Chapter 1



- 1) Measure savings  
Make decisions on how to spend funds  
Make decisions how best to use acquired funds  
Acquire funds  
Track money spent.

- 2) Government entities – 5  
Employees – 3  
Prospective Investors – 2  
Owners – 1  
Banks – 4

3)

Activity	Bookkeeping/Accounting
Journalizing - Recording in books of prime entry;	B
Sorting and classifying source documents;	B
Preparing final accounts	A
Posting - sending from books of prime entry to ledger accounts;	B
Preparing trial balance – transfer balances from ledger accounts to a trial balance;	B
Making adjusting entries and correcting errors	A
Preparing adjusted trial balance	A
Analyzing final accounts	A

- 4) Owners and managers, employees/trade unions, financial institutions, prospective investors/financial analysts and government entities

5)

Prepare the Trial Balance	4
Prepare the Trading and Profit & Loss Account	5
Journalise	2
Analyse Source Documents	1
Prepare the Balance Sheet	6
Post to the Ledger	3

**Multiple Choice**

1. C
2. A
3. A
4. A
5. B

# Principles of A/Ccounts

## Chapter 2



- 1)
  - a) False
  - b) True
  - c) True
  - d) False
  - e) True
- 2) Recording into journals, updating stock, writing of cheques and Preparing payroll.
- 3) Problems caused by possible viruses or unauthorised entry into the system. Implement security systems, install software programmes in order to deter viruses or create backup systems.
- 4) The Income Statement (known as the Trading and Profit and Loss) used to determine the gross profit/loss and the net profit/loss over a period of time.

The Balance sheet describes a business's financial position over a period of time.

The Cash Flow Statement identifies a firm's cash inflows and cash outflows over a period of time.

### Multiple Choice

1. A
2. D
3. A
4. A
5. D
6. B

# Principles of Accounts

## Chapter 3



1)

- (a) \$330 000
- (b) \$200 000
- (c) \$600 000
- (d) \$100 000
- (e) \$50 000

2) *Answers are to be guided by the teacher.*

3)

N. Philip  
Balance Sheet  
As at March 31, 20—

Fixed Assets	5 000	
Office machinery	10 000	
Motor vehicles	<u>3 000</u>	
Furniture and fittings		18 000
Current assets		
Stock	6 000	
Debtors	6 000	
Cash in hand	<u>800</u>	
Capital		<u>12 800</u>
		<u>30 800</u>
Current liabilities		23 800
Creditors	2 000	
Bank loan	<u>5 000</u>	
		<u>7 000</u>
		<u>30 800</u>

Note: To find the capital the accounting equation formula used is: ASSETS – LIABILITIES which is  $30\,800 - 7\,000 = 23\,800$ .

N. Philip  
Balance Sheet  
As at March 31, 20--

4)

Fixed assets		
Office Machinery	5 000	
Equipment	2 000	
Motor vehicles	10 000	
Furniture and fittings	<u>3 000</u>	
		20 000
Current assets		
Stock (6 000 + 800)	6 800	
Bank[ (1 000 +1 500 + 2 000) – 6 000]	<u>2 500</u>	
	<u>800</u>	
Cash	<u>10 100</u>	<u>30 100</u>
		23 800
Capital		
Current liabilities	1 300	
Creditors	<u>5 000</u>	
Bank loan		
		<u>6 300</u>
		<u>30 100</u>

5)

a) Errors

- Heading
- Incorrect labeling of liability heading classified incorrectly:
  - Capital
  - Loan
  - Fixtures and fittings
  - Stock
  - Motor vehicles
  - Cash in hand.

b)

Carl Stevens  
Balance Sheet  
As at June 30, 20xx

Fixed assets		
Land	300 000	
Premises	150 000	
Motor vehicles	40 000	
Office equipment	6 000	
Fixtures and fittings	<u>18 000</u>	
		514 000
Current assets		
Stock	5 000	
Cash in hand	<u>7 000</u>	
		<u>12 000</u>
		<u>526 000</u>
Capital		480 000
Current liabilities		
Loan	40 000	<u>46 000</u>
Creditors	<u>6 000</u>	<u>526 000</u>

**Multiple Choice**

1. C
2. B
3. C
4. A
5. A

# Principles of A/Ccounts

## Chapter 4



1)

	Name of account to be debited	Name of account to be credited
a) Paid cash to acquire new machinery	Machinery	Cash
b) The owner puts money into the business bank	Bank	Capital
c) Borrowed cash from R. Port	Cash	Loan from R. Port
d) Sold goods; all customers paying by cash	Cash	Sales
e) Paid electricity bill in cash	Electricity	Cash

2)

	Type of account involved in the transaction (asset, liability, capital, revenue, expense)	Impact of the transaction on the account (increase or decrease)
a) The owner puts cash into the business.	<b>Asset</b>	<b>Increase</b>
	<b>Capital</b>	<b>Increase</b>
b) Sold goods for cash.	Asset	Increase
	Revenue	Increase
c) Bought office furniture from Office and Tings Ltd.	Asset	Increase
	Liability	Increase
d) Paid rent expense by cheque.	Expense	Increase
	Asset	Decrease
e) Bought delivery van by cheque.	Asset	Increase
	Asset	Decrease

3)

Transaction Number	Ledger account titles	Effect of the transaction on the ledger account	Double entry rule applied
1	<b>Cash</b> <b>Capital</b>	<b>Increases cash by \$350,000</b> <b>Increases capital by \$350,000</b>	<b>Debit Cash a/c</b> <b>Credit Capital a/c</b>
2	<b>Furniture</b> <b>Cash</b>	<b>Increases furniture by \$45,000</b> <b>Decreases Cash by \$45,000</b>	<b>Debit Furniture a/c</b> <b>Credit Cash a/c</b>
3	<b>Van</b> <b>Creditor: Best Vans Ltd.</b>	<b>Increases van by \$250,000</b> <b>Increases Best Vans Ltd. by \$250,000</b>	<b>Debit Vans a/c</b> <b>Credit Creditor: Best Vans Ltd. a/c</b>
4	<b>Cash</b> <b>Sales</b>	<b>Increases cash by \$80,000</b> <b>Increases sales by \$80,000</b>	<b>Debit Cash a/c</b> <b>Credit Sales a/c</b>
5	<b>Telephone expense</b> <b>Cash</b>	<b>Increases telephone expense by \$168</b> <b>Decreases Cash by \$168</b>	<b>Debit Telephone expense a/c</b> <b>Credit Cash a/c</b>

4)

**Firm A**

Computers a/c					
Date	Details	\$	Date	Details	\$
2009					
18 Sept	Jonathan's Computers	25000			

Jonathan's Computers a/c					
Date	Details	\$	Date	Details	\$
			2009		
			18 Sept	Computers	25000



**Firm B**

Cash a/c					
Date	Details	\$	Date	Details	\$
2009					
12 April	Capital	38000			

Capital a/c					
Date	Details	\$	Date	Details	\$
			2009		
			12 April	Cash	38000

**Firm C**

Cash a/c					
Date	Details	\$	Date	Details	\$
2009					
11 Feb	Sales	2000			

Sales a/c					
Date	Details	\$	Date	Details	\$
			2009		
			11 Feb	Cash	2000

**Firm C**

Cash a/c					
Date	Details	\$	Date	Details	\$
			2009		
			22 May	Stationery	560

Stationery a/c					
Date	Details	\$	Date	Details	\$
2009					

**Firm D****Cash a/c**

Date	Details	\$	Date	Details	\$
			2009		
			22 May	Stationery	560

**Stationery a/c**

Date	Details	\$	Date	Details	\$
2009					
22 May	Cash	560			

**5)****Cash a/c**

Date	Details	\$	Date	Details	\$
2007			2007		
1 Sep	Capital	120000	2 Sep	Cash registers	10000
			7 Sep	Telephone	600
18 Sep	Capital	60000			
22 Sep	Sales	2500			
30 Sep	Loan from A. Charles	5000			

**Capital a/c**

Date	Details	\$	Date	Details	\$
			2007		
			1 Sep	Cash	120000
			18 Sep	Cash	60000

**Cash registers a/c**

Date	Details	\$	Date	Details	\$
2007					
2 Sep	Cash	10000			
			18Sep	Cash	60000

**Cash registers a/c**

Date	Details	\$	Date	Details	\$
2007					
2 Sep	Cash	10000			

Telephone Expense a/c

2007	
Sep 7	
cash    600	

Southern Vehicle Sales Ltd a/c

Date	Details	\$	Date	Details	\$
			2007		
			3 Sep	Van	95000

Van a/c

Date	Details	\$	Date	Details	\$
2007					
3 Sep	Southern Vehicle Sales Ltd	95000			

Sales a/c

Date	Details	\$	Date	Details	\$
			2007		
			22 Sep	Cash	2500

Loan from A. Charles

Date	Details	\$	Date	Details	\$
			2007		
			30 Sep	Cash	5000

Multiple Choice

1. A
2. C
3. D
4. A
5. A
6. B

# Principles of Accounts

## Chapter 5



1) a.

Office Stationery Ltd  
14 Main Street,Port of Lane  
Phone 019-3245

Invoice#R541

Date 1 May, 2007

Customer      B. Sharp  
25 Cloud Street  
Skyland  
Phone 073-4567

Quantity	Description of goods/services supplied	Price per unit	Total
		TT\$	TT\$
10000	Pencils	\$3.00	30,000.00
8500	Pens	\$7.00	59,500.00
Total amount due			<u>89,500.00</u>
Total amount received			TT\$0.00
Balance			89,500
Terms: 5% discount if paid within 30 days.Net due in 60 days.			

Office Stationery Ltd  
14 Main Street,Port of Lane  
Phone 019-3245

Invoice#R542

Date 3 May, 2007

Customer     A. Preston  
                  5 Clean Street  
                  Toyland  
                  Phone 073-6745

Quantity	Description of goods/services supplied	Price per unit	Total
320	Reams of paper	TT\$ \$10.00	TT\$ 3,200.00
Total amount due			<u>3,200.00</u>
Total amount received			TT\$0.00
Balance			3,200
<i>Terms: Net due in 30 days.</i>			

Office Stationery Ltd  
14 Main Street,Port of Lane  
Phone 019-3245

Invoice#R543

Date 10 May, 2007

Customer     J. Mosses  
                  2 Hill Street  
                  Skyland  
                  Phone 073-5467

Quantity	Description of goods/services supplied	Price per unit	Total
1150	Markers	TT\$ \$12.50	TT\$ 14,375.00
Total amount due			<u>14,375.00</u>
Total amount received			TT\$0.00
Balance			14,375
<i>Terms: Net due in 30 days.</i>			

b.

Sales Journal			
Date	Customer name	Invoice #	Amount
2007 May 1	B. Sharp	R541	89,500
3	A. Preston	R542	3,200
10	J. Mosses	R543	14,375
Total credit sales			<u>107,075</u>

C.

Office Stationery Ltd 14 Main Street,Port of Lane Phone 019-3245			
R5			
Date 21 May, 2007			
Customer      A. Preston 5 Clean Street Toyland Phone 073-6745			
Quantity	Description of goods/services supplied	Price per unit	Total
250	Reams paper	TT\$ \$25.00	TT\$ 6,250.00
Total amount due			<u>6,250.00</u>
Total amount received			TT\$6,250.00
Balance			0

Office Stationery Ltd 14 Main Street, Port of Lane Phone 019-3245  R6  Date 29 May, 2007  Customer      B. Sharp 25 Cloud Street Skyland Phone 073-4567			
Quantity	Description of goods/services supplied	Price per unit	Total
10000	Pencils	TT\$ 3.00	TT\$ 30,000.00
8500	Pens	TT\$ 7.00	TT\$ 59,500.00
Total amount due			89,500.00
Total amount received			TT\$89,500.00
Balance			0

d.

Cash Book									
Date	Details	Discounts Allowed \$	Cash \$	Bank \$	Date	Details	Discounts Received \$	Cash \$	Bank \$
2007 21- May 29- May	Sales  B. Sharp			6,250.00  89,500.00					



2)

**Purchases Journal**

Date	Supplier	Amount
2004		
May 1	S & G Ltd	10560
9	Sampson Cricket Centre	600

**Sales Journal**

Date	Name of Customer	Amount
2004		
May 6	Jones	4800
16	C.Clark	600

**Cash Book**

Date	Details	Discounts Allowed \$	Cash \$	Bank \$	Date	Details	Discounts Received \$	Cash \$	Bank \$
2004 May 25	Jones	240	4560						

**Return Outwards Journal**

Date	Supplier	Amount
2004 May 23	S & G Ltd	1000

3)

**Petty Cash Book**

Receipts	Date	Details	Total	Postage/Stationery	Travel expenses	Ledger accounts
\$	2008		\$	\$	\$	\$
10	01-Apr	Balance b/d				
140	02-Apr	Cash				
	04-Apr	Postage stamps	21.00	21.00		
	09-Apr	Chris Broach	14.10			14.10
	10-Apr	Bus fares	50.00		50.00	
	11-Apr	Envelopes	4.20	4.20		
	12-Apr	Gasoline	60.00		60.00	
			149.30	25.20	110.00	14.10
	30-Apr	Balance c/d	0.70			
150.00			150.00			
0.70	01-May	Balance b/d				
149.30	01-May	Cash				

4)

**Calculation of Cash Received from Credit Customer  
who pays within the discount period**

<i>Total value of sale</i>			<i>50000</i>
<i>Trade discount</i>	<i>10% x</i>	<i>50000</i>	<i>5000</i>
<i>Amount due</i>			<u><i>45000</i></u>
<i>Cash discount</i>	<i>10% x</i>	<i>45000</i>	<i>4500</i>
<i>Total amount received</i>			<u><u><i>40500</i></u></u>

5)

Journal			
Date	Details	Dr.	Cr.
2005		\$	\$
1-Aug	Trucks	250000	
	Fixtures	35000	
	Debtors	148000	
	Capital		383000
	Loan from bank		50000
	To record capital introduced.		
4-Aug	Computer	35000	
	Computers R Us Ltd		35000
	To record the purchase of computer on credit.		

**Multiple Choice**

1. D
2. A
3. A
4. D
5. B
6. C

# Principles of A/Ccounts

## Chapter 6



- 1) Ledger accounts which accounts for revenues and expenses for example : wages, and advertising expenses and sales and commission received and others.
- 2) Real accounts consist of assets, liabilities and capital. Some examples may include premises, cash, bank overdraft, creditors or owner's equity.
- 3) Real and personal accounts are carried forward to the next period.
- 4)
  - (a) Transfer all expenses to the Income Statement.
  - (b) Transfer all revenue/income accounts to the Income Statement.
  - (c )Transfer the Profit or Loss from the Income Statement to the Capital account.
  - (d)Transfer drawings to the Capital account.
- 5)

### General Journal

DATE	DETAILS	Debit	Credit
	Income statement	17 500	
	Purchases		17 500
	Income Statement	2 000	
	Insurance		2 000
	Income Statement	300	
	Discount allowed		300
	Discount received	100	
	Income Statement		100
	Rent received	1 000	
	Income Statement		1 000
	Income statement	850	
	Carriage inwards		850
	Income Statement	450	
	Carriage outwards		450
	Income statement	880	
	Return inwards		880

	Return outwards	1 150	
	Income statement		1 150
	Income statement	1 400	
	rent		1 400

### General ledger

#### Bank a/c

Date	Details	\$	Date	Details	\$
1 July	Capital	120,000			
2 July	Capital	80000			

#### Capital a/c

Date	Details	\$	Date	Details	\$
2 July	Loan from bank	5000	1 July	Bank	120,000
			2 July	Fixtures	3000
			2 July	Bank	80000
			2 July	Debtors	148

#### Computers a/c

Date	Details	\$	Date	Details	\$
1 July	Computers R Us	10,000			
3 July	Electronix Ltd.	20000			

#### Loan from bank a/c

Date	Details	\$	Date	Details	\$
			2 July	Capital	5,000

#### Fixtures a/c

Date	Details	\$	Date	Details	\$
2 July	Capital	3000			

#### Debtors a/c

Date	Details	\$	Date	Details	\$
2 July	Capital	148			

Music system a/c					
Date	Details	\$	Date	Details	\$
2 July	Electronix Ltd.	4000			

**Purchases ledger**

Computers R Us Ltd a/c					
Date	Details	\$	Date	Details	\$
			1 July	Computers	10,000

Electronix Ltd a/c					
Date	Details	\$	Date	Details	\$
			3 July	Computers	20,000
			3 July	Music system	4000

2)

Abigail's Interior Designs		
Trial balance as at 31 May 2009		
	Dr	Cr
Bank	480,000	
Capital		500,000
Purchases	25,000	
Sales		3,000
Delivery van	150,000	
Purchases ledger: P. Eagle		5,000
Purch. ledger: Super Motors Ltd.		150,000
Sales ledger: A. Ran	3,000	
	658,000	658,000

3) General Ledger

Postage/Stationery					
Date	Details	\$	Date	Details	\$
2008					
30-Apr	Petty cash	45.20			

Travel expenses					
Date	Details	\$	Date	Details	\$
2008					
30-Apr	Petty cash	85.00			

Purchases Ledger

Chris Broach					
Date	Details	\$	Date	Details	\$
2008					
30 Apr	Petty cash	25.10			

4.

Sales Journal

DATE	CUSTOMER	AMOUNT
2008 May 1	T. James	5 000
3	S. Games	2 000
10	K. Dart	<u>1 500</u>
	TOTAL CREDIT SALES	<u>\$8 500</u>

Sales Ledger

T. James a/c

2008		\$	
May 1	Sales	5 000	

S. Games a/c

2008		\$	
May 3	Sales	2 000	

K. Dart a/c

2008		\$	
May 10	Sales	1 500	



5) a.

Purchases Journal			
Date	Supplier name	Invoice #	Amount
2007 May 1	S&G Ltd.	X43	10,560
9	Sampson's	A980	600
Total credit purchases			11,160

Sales Journal			
Date	Customer name	Invoice #	Amount
2007 May 6	Marshall	T658	4,800
16	C. Clark	T659	600
Total credit sales			5,400

Returns outwards Journal			
Date	Supplier name	Credit note #	Amount
2007 May 23	S&G Ltd.	RO#2	800
Total returns			800

5) b.

**Purchases Ledger**

S&G Ltd.					
2007			2007		
May			May		
23	Returns	800	1	Purchases	10,560

Sampson's Cricket Centre					
			2007		
			May		
			9	Purchases	600

# Sales Ledger

Marshall			
2007		2007	
May		May	
6	Sales	25	Cash
	4,800	25	Discount
			240

C. Clark			
2007			
May			
16	Sales		
	600		

5) c.

## General ledger

Purchases a/c			
2007			
May			
31	Creditors	11,160	

Sales a/c			
		2007	
		May	
		31	Debtors
			5,400

Returns Outwards a/c			
		2007	
		May	
		31	Creditors
			800

6)

Capital a/c			
2003		2003	
Jan-31	Bal c/d	Jan-01	Bank
	90000	1	Cash
			50000
			40000
	<u>90000</u>		<u>90000</u>

**Bank a/c**

2003				2003			
Jan-01	Capital	50000		Jan-01	Furniture	15000	
21	L. Plonk	16000		22	Cash	500	
				31	Bal c/d	50500	
		<u>66000</u>				<u>66000</u>	

**Cash a/c**

2003				2003			
Jan01	Capital	40000		Jan-02	Purchases	2000	
19	Sales	35000		30	D. Parch	10000	
22	Bank	500		31	Bal c/d	63500	
		<u>75500</u>				<u>75500</u>	

**Furniture and fittings a/c**

2003				2003			
Jan-01	Bank	15000		Jan-31	Bal.c/d	15000	

**Purchases a/c**

2003				2003			
Jan-02	Cash	2000		Jan-31	Bal c/d	14000	
2	D. Parch	12000				<u>14000</u>	
		<u>14000</u>				<u>14000</u>	

**D. Parch a/c**

2003				2003			
Jan-05	Returns	1000		Jan-02	Purchases	12000	
30	Cash	10000					
30	Disc. Rec.	1000				<u>12000</u>	
		<u>12000</u>				<u>12000</u>	

**Returns Outwards a/c**

2003				2003			
Jan-31	Bal c/d	1000		Jan-05	D. Parch	1000	

Sales a/c			
2003		2003	
Jan-31	Bal c/d	Jan-19	Cash
	53000	19	L. Plonk
	<u>53000</u>		<u>35000</u>
			<u>18000</u>
			<u>53000</u>

L. Plonk a/c			
2003		2003	
Jan-19	Sales	Jan-21	Bank
	18000	Jan-21	Disc.Allwd.
	<u>18000</u>		<u>16000</u>
			<u>2000</u>
			<u>18000</u>

Discounts allowed a/c			
2003		2003	
Jan-21	L. Plonk	Jan-31	Bal c/d
	2000		
	<u>2000</u>		<u>2000</u>

Discounts Received a/c			
2003		2003	
Jan-31	Bal c/d	Jan-30	D. Parch
	1000		
	<u>1000</u>		<u>1000</u>

Sue Clear  
Trial balance  
as at 31 January 2003

Dr		Cr	
Capital		90000	
Bank	50500		
Cash	63500		
Furniture and fittings	15000		
Purchases	14000		
Returns outwards		1000	
Sales		53000	
Discounts allowed	2000		
Discounts received		1000	
	145000	145000	

**Multiple Choice**

1. B
2. C
3. A
4. A
5. B
6. A

# Principles of A/Ccounts

## Chapter 7



- 1) Reduces cost of sales.
- 2) Increases gross profit.
- 3) Reduces sales.
- 4) Recalculation of reported profits for the year ended 30<sup>th</sup> April, 2010

Incorrect profit	\$2 000
Less: Increase in purchases	<u>5 100</u>
Revised Loss	<u>\$3 100</u>
<u>Restatement of fixed assets as at 30<sup>th</sup> April, 2010</u>	
Incorrect fixed assets	\$6 300
Less: Office desk purchased	<u>\$5 100</u>
Revised fixed assets	<u>\$1 200</u>

5)

Francis Income statement for the year ended 31 December, 2006

	\$	\$
Sales		190576
<u>Cost of sales</u>		
Purchases	119832	
Closing stock	<u>(12,408)</u>	<u>107,424</u>
Gross profit		83,152
<u>Expenses</u>		
Salaries	56527	
Motor expenses	2416	
Rent	1894	
Insurance	372	
General expenses	<u>85</u>	<u>61294</u>
Net profit		<u><u>21,858</u></u>

Francis Balance sheet as at 31 December, 2006

	\$	\$
<u>Fixed assets</u>		
Premises		95420
Motor vehicles		<u>16594</u>
		112014
<u>Current assets</u>		
Inventory (aka Stock)	12,408	
Debtors	26740	
Bank	16519	
Cash	<u>342</u>	
	56009	
<u>Current liabilities</u>		
Creditors	<u>16524</u>	<u>39485</u>
		<u><u>151499</u></u>

Owner's equity ( Capital)

At start of the period	138066
Net income	21,858
Drawings	<u>(8425)</u>
At end of the period	<u>151499</u>

6)

M. Jackson  
Income Statement

Sales		35 000
Return Inwards		<u>(2 000)</u>
Net sales		33 000
Purchases	20 000	
Carriage inwards	600	
Returns outwards	<u>(1 000)</u>	<u>(19 600)</u>
Gross Profit		13 400
Discount received		<u>200</u>
		13 600
Insurance	3 000	
Motor expenses	<u>5 000</u>	
Net Profit		<u>8 000</u>
		<u>5 600</u>

M. Jackson  
Balance Sheet

Fixed Assets		12 000
Premises		<u>7 000</u>
Fixtures and Fittings		19 000
Current Assets		
Debtors	6 100	

Current Liabilities

Creditors (1 500)

Working capital 4 600

23 600

Capital 28 000

Net profit 5 600

Drawings (10 000)

23 600

**Multiple Choice**

1. A
2. D
3. B
4. A
5. B
6. D



# Principles of A/Ccounts

## Chapter 8



### Review Questions A

- 1) Depreciation is the means to calculate the loss in value of fixed assets.
- 2) Depreciation is calculated by using two methods :
  - (a) Straight line –
    - (i)  $\frac{\text{Cost of the fixed asset less estimated Scrap/residual value}}{\text{estimated useful Life of the fixed asset}}$
    - (ii) Cost of the fixed asset x rate of Depreciation.
  - (b) Reducing - Net book value of fixed asset x rate of depreciation.
- 3) The recording of Double entry bookkeeping is the same for the two methods – debit Depreciation expense and credit Provision for depreciation of the fixed asset.
- 4) No, in the Profit and Loss account.
- 5) Depreciation expense is debited in the depreciation account and then transferred to the Profit and Loss account. The provision for depreciation account balance is transferred to the Balance Sheet and deducted from the Fixed asset.
- 6)

		Depreciation expense A/c	
Year 1			
	Provision for depreciation	121500	Profit & Loss 121500
Year 2			
	Provision for depreciation	88695	Profit & Loss 88695
Year 3			
	Provision for depreciation	64747.35	Profit & Loss 64747.35
Year 4			
31-Dec	Provision for depreciation	47265.57	Profit & Loss 47265.57
Year 5			
	Provision for depreciation	34503.86	Profit & Loss 34503.86

Provision for depreciation A/c					
2000					
Dec 31	Bal c/d	121500	Jan 1	Depreciation Expense	121500
<hr/>					
2001					
Dec 31	Bal c/d	210195	Jan 1	Bal b/d	121500
			Dec 31	Depreciation expense	88695
		210195	<hr/>		
<hr/>					
2002					
Dec 31	Bal c/d	274942.35	Jan 1	Bal b/d	210195
			Dec 31	Depreciation expense	64747.35
		274942.35	<hr/>		
<hr/>					
2003					
Dec 31	Bal c/d	322207.92	Jan 1	Bal b/d	274942.35
			Dec 31	Depreciation expense	44 7265.57
		322207.92	<hr/>		
<hr/>					
2004					
Dec 31	Bal c/d	356711.78	Jan 1	Bal b/d	322207.92
			Dec 31	Depreciation expense	34503.86
			<hr/>		
<hr/>					
2005					
			Jan1	Bal b/d	
		356711.78	<hr/>		
<hr/>					
					356711.78

Depreciation expense:

Building (10% x 125 000)	12 500
Fixtures and fittings (10% x 42 500)	4 250
Machinery 25% x (62 750-15 800)	11 737.50

(ii)

Provision for Depreciation:

Buildings	99,000
Machinery	27,538
Fixture and Fittings	12,750

Depreciation expense:

Building	12500
Fixtures and fittings	4250
Machinery	11737.5

(iii)

Trial Balance (Extract)

Land	250,000
Building	125,000
Machinery	62,750
Fixtures and Fittings	42,500
Provision for Depreciation:	
Buildings	99,000
Machinery	27,538
Fixture and Fittings	12,750
Depreciation expense:	
Building	12500
Fixtures and fittings	4250
Machinery	11737.5

7)

**Multiple Choice**

1. A
2. C
3. C
4. C
5. B
6. C

# Principles of Accounts

## Chapter 9



1)

FIFO

	Receipts		Issues		Stock at end		Total Cost
	Quantity	Cost price per unit	Quantity	Cost price per unit	Quantity	Cost price per unit	
2008		\$		\$			
January	150	15			150	15	2250
Febuary	250	18			150	15	2250
					250	18	4500
							6750
April			300	30	100	18	1800
June					100	18	1800
	500	19			500	19	10450
							12250
October			300	30	350	19	6650
December			250	30	100	19	1900

LIFO

	Receipts		Issues		Stock at end		Total Cost \$
	Quantity	Cost price per unit \$	Quantity	Cost price per unit \$	Quantity	Cost price per unit \$	
2008							
January	150	15			150	15	2250
Febuary	250	18			150	15	2250
					250	18	4500
							6750
April			300	30	100	15	1500
June	500	19			100	15	1500
					550	19	10450
							11950
October			300	30	100	15	1500
					250	19	4750
							6250
December			250	30	100	15	1500

# AVCO METHOD

LIFO

	Receipts		Issues		Stock at end		Total Cost \$
	Quantity	Cost price per unit \$	Quantity	Cost price per unit \$	Quantity	Cost price per unit \$	
2008							
January	150	15			150	15	2250
							<u>4500</u>
February	250	18			<u>250</u>	18	
					400	16.875	6750
							1500
April			300	30	<u>(300)</u>		<u>(5062.50)</u>
June	500	19			100		1687.50
					<u>550</u>	19	<u>10450.00</u>
					650	18.673	12137.50
October			300	30	<u>(300)</u>		
					350	18.673	<u>(5601.92)</u>
							6535.58
December			250	30	<u>250</u>		
					100	18.673	<u>(4668.27)</u>
							1867.31

**2 (a) FIFO**

	Receipts		Issues		Stock at end		
	Quantity	Cost price	Quantity	Cost price	Quantity	Cost price	Total Cost
		per unit		per unit		per unit	
2008		\$		\$		\$	\$
January	6000	2			6000	2	12000
February	4000	2.10			6000	2.00	12000
					4000	2.10	<u>8400</u> 20400
March			7000	3.20	3000	2.10	6300
April	2000	2.15			3000	2.10	6300
					2000	2.15	<u>4300</u> 10600
May	3000	2.10	5000	3.15	3000	2.10	9 300
	Receipts		Issues		Stock at end		
	Quantity	Cost price	Quantity	Cost price	Quantity	Cost price	Total Cost
		per unit		per unit		per unit	
2008		\$		\$		\$	\$
January	6000	2			6000	2	12000
February	4000	2.10			6000	2.00	12000
					4000	2.10	<u>8400</u> 20400
March			7000	3.20	3000	2.10	6300
April	2000	2.15			3000	2.10	6300
					2000	2.15	<u>4300</u> 10600
May	3000	2.10	5000	3.15	3000	2.10	9 300

3 a)

FIFO method

	Stock at start	Receipts	Issues	Stock at end				
	Quantity	Cost price	Quantity	Cost price	Quantity	Cost price	Quantity	Cost price
		per unit		per unit		per unit		per unit
2006		\$		\$		\$		
January	0	0	20	30	0	0	20	30
May	20	30	0	0	0	0	20	30
	0	0	10	33	0	0	10	33
June	20	30	0	0	6	30	14	30
	10	33	0	0	0	33	10	33
	14	30	0	0	0	0	14	30
July	10	33	0	0	0	0	10	33
	0	0	16	38.5	0	0	16	38.5
August	14	30	0	0	14	30	0	30
	10	33	0	0	8	33	2	33
	16	38.5	0	0	0	38.5	16	38.5
October	2	33	0	0	0	33	2	33
	16	38.5	0	0	0	38.5	16	38.5
	0	0	12	39	0	39	12	39
December	2	33	0	0	2	33	0	33
	16	38.5	0	0	8	38.5	8	38.5
	12	39	0	0	0	0	12	39
	Total value of closing stock		8	units at \$	38.50	per unit.	= \$	308.00
			12	units at \$	39.00	per unit.	= \$	468.00



LIFO method

	Stock at start	Receipts	Issues
	Quantity	Cost price	Quantity
		per unit	
2006		\$	
January	0	0	20
May	20	30	0
	0	0	10
June	20	30	0
	10	33	0
	20	30	0
July	4	33	0
	0	0	16
August	20	30	0
	4	33	0
	16	38.5	0

October	18	30	0	0	0	30	18	30
	0	0	12	39	0	39	12	39
December	18	30	0	0	0	30	18	30
	12	39	0	0	10	39	2	39

Total value of closing stock		18	units at \$	30.00	per unit.	= \$	540.00
		2	units at \$	39.00	per unit.	= \$	78.00
							618.00

## AVCO method

	Stock ID	Stock at start		Receipts		Issues		Stock on hand		Stock at end	
2006		Quantity	Cost price per unit \$	Quantity	Cost price per unit \$	Quantity	Cost price per unit \$	Quantity	Cost price per unit \$	Quantity	Cost price per unit \$
January		0	0	20	30	0	0	600	30	20	30
May		20	30	10	33	0	0	930	31	30	31
June		30	31	0	0	6	31	744	31	24	31
July		24	31	16	38.5	0	0	1360	34	40	34
August		40	34	0	0	22	34	612	34	18	34
October		18	34	12	39	0	0	1080	36	30	36
December		30	36	0	0	10	36	720	36	20	36
<div> <div>Average cost per unit*=</div> <div>Total value of stocks held</div> <div>÷</div> <div>Quantity of stock in hand</div> </div> <div> <div>Total value of closing stock</div> <div>20 units at \$</div> <div>36.00</div> <div>per unit</div> <div>=</div> <div>\$720.00</div> </div>											

3 b)

Trading a/c

	FIFO	LIFO	AVCO		FIFO	LIFO	AVCO
Purchases	2014	2014	2014		1762	1762	1762
Closing stock	(776)	(618)	(720)				
	1238	1396	1294				
Gross Profit	524	366	468				

Calculation for the Trading Account:

Purchases	Sales
20 x 30 = 600	(6 x 45) 270
10 x 33 = 330	(22 x 460) 1012
16 x 38.5 = 616	(10 x 48) <u>480</u>
12 x 39 = <u>468</u>	
<u>2014</u>	<u>1762</u>

**Multiple Choice**

1. A
2. B
3. C
4. B
5. A
6. D

# Principles of Accounts

## Chapter 10



### Q1

	Type of ratio	Information provided by this ratio
Stockturn	Liquidity	Speed at which inventory is sold.
Gross margin as a percentage	Profitability	The amount of profit earned in each sales dollar.
Acid test ratio	Liquidity	Ability to pay debts.
Debtors' turnover	Liquidity	Speed at which debts are being collected.
ROCE	Profitability	The best test of management's ability to generate profit from its resources.
Current ratio	Liquidity	Ability to pay debts.
Gross mark-up as a percentage	Profitability	The amount of profit earned in each dollar spent in cost.
Net profit percentage	Profitability	Overall profit earned after expenses.
Creditors' turnover	Liquidity	Speed at which debts are being paid.

### Q2

Name/alternative name of ratio	Calculation				
Stock turnover (Turnover)	Cost of sales		\$	190,000	
	÷ Average stock				
	Opening stock	90,000			
	Closing stock	110,000	200,000		
			÷	2	100,000
					1.9 times/yr.
	Equivalent to once every		192	days (approx.)	
Current (Working capital)	Current assets	180,000			
	Current liabilities	90,000			
		2			
	Expressed as	2	:1		
Acid-test (Quick)	Current assets	180,000			
	Less closing stock	110,000	70,000		
	Current liabilities		90,000		
			0.77777778		
	Expressed as	0.8	:1		
Debtors' turnover	Debtors		62,500		
	Net sales		250,000		
	Debtors' turnover	0.25			

			Equivalent to	91	days per year	
Creditors' turnover			Creditors		90,000	
			Net purchases		210,000	
			Creditors' turnover	0.43		
			Equivalent to	156	days per year	
Gross margin			Gross profit		60,000	
			Sales		250,000	
			Margin		24%	
Gross mark-up			Gross profit		60,000	
			Cost of sales		190,000	
			Mark-up		31.58%	
Net profit			Net profit		25,000	
			Sales		250,000	
			Net profit percentage		10%	
Return on capital employed (ROCE)			Net profit		25,000	
			Capital employed		120,000	
				ROCE	21%	

3. Answers for this question should be guided by the teacher. Refer to pages 164 and 165 as well as Figure 10.1

#### Multiple Choice

1. B
2. B
3. A
4. B
5. A
6. C

# Principles of A/Ccounts

## Chapter 11



1.

	JOURNAL		
		Dr.	Cr.
		\$	\$
i	Bank	200	
	Cash		200
	To correct error of principle.		
ii	R. Anthony	535	
	M. Lancer		535
	To correct error of commission.		
iii	Cash	460	
	K. Borde		460
	To correct complete reversal of entries.		
iv	Purchases	5	
	S. Grice		5
	To correct error of original entry.		
v	Purchases	216	
	T. Riley		216

2. a)

	JOURNAL		
		Dr.	Cr.
		\$	\$
i	Creditor	450	
	Suspense		450
	To record returns previously omitted from creditors.		
ii	Suspense	640	
	Purchases		640
	To reduce overstated purchases.		
iii	Cash	389	
	Suspense		389
	To record cash received from a customer.		
iv	Stationery	91	
	Suspense		91

b)

Suspense account

Bal b/d	290	Creditor	450
Purchases	640	Cash	389
		Stationery	91
	<u>930</u>		<u>930</u>
	<u><u>930</u></u>		<u><u>930</u></u>

3.

	JOURNAL		
		Dr.	Cr.
		\$	\$
i	H.Tale	200	
	R.Tate		200
	To correct error of commission		
ii	Suspense	312	
	Discount Allowed		312
	To correct error of one sided entry		
iii	B.Ring	800	
	Sales		800
	.To correct error of omission		
iv	Creditor	360	
	Office Equipment		360
	To correct error of original entry		
v	Rent	2000	
	Bank		2000
	To correct error of complete reversal		
vi	E.Marie	146	
	Cash		146
	To correct error made in E.Marie's account		
vii	Suspense	600	
	Stationery		600
	Corrections made to correct the stationery account		
viii	Bank	500	
	Cash		500
	Correction made to correct the Bank account		



b)

Revised Profit and Loss a/c

	\$		\$
Rent	2000	Discount Allowed	312
		B. Ring	800
Bal c/d	1512	Stationery	600
	<u>3512</u>		<u>3512</u>
	<u><u>3512</u></u>		<u><u>3512</u></u>

c)

Suspense account

	\$		\$
Bal b/d	466	Bal c/d	1378
Discount Allowed	312		
Stationery	600		
	<u>1378</u>		<u>1378</u>
	<u><u>1378</u></u>		<u><u>1378</u></u>

Multiple Choice

1. C
2. D
3. D
4. D
5. A
6. D

# Principles of A/Ccounts

## Chapter 12

Q 1

Debtors' control account			
	\$		\$
Balance b/d	5000	Balance b/d	6000
Credit sales	170000	Cash received	156300
Cash refund	400	Purchases ledger: set-off	800
		Discounts allowed	910
		Bad debts	2700
		Balance c/d	8690
	<u>175400</u>		<u>175400</u>

Q 2

Creditors' control account			
	\$		\$
Balance b/d	4132	Balance b/d	38000
Sales ledger: set-off	672	Credit purchases	95000
Returns outwards	4500		
Discounts received	2300		
Cash paid	78000		
Balance c/d	<u>43396</u>		
	<u>133000</u>		<u>133000</u>

Q 3

Debtors' control account			
	\$		\$
Balance b/d	23000	Balance b/d	400
Credit sales	78000	Cash received	45000
Cash refund	100	Purchases ledger: set-off	700
		Discounts allowed	890
		Bad debts	3500
		Balance c/d	50610
	<u>101100</u>		<u>101100</u>

Q 4

Creditors' account			
	\$		\$
Balance b/d	4500	Balance b/d	178000
Purchases Returns	18000	Purchases	165000
Cash Discounts	2300		
Cash paid	95000		
Balance c/d	<u>223200</u>		
	<u>343000</u>		<u>343000</u>

Q 5

Creditors' control account					
Jan 31	Set off	\$	Jan 4	Purchases	\$
		2500			2500
		<u>2500</u>			<u>2500</u>

Debtors' control account					
Jan 3	Sales	\$	Jan 31 Set off		\$
		8000	Jan 31 Bank		2500
		<u>8000</u>			<u>5500</u>
					<u>8000</u>

Q 6

Debtors' account					
	\$			\$	
Balance b/d	150000	Balance b/d	400		
Credit sales	50000	Cash received	165000		
Cash refund	170	Purchases ledger: set-off	853		
		Discounts allowed	1800		
		Bad debts	400		
		Balance c/d	31717		
	<u>200170</u>		<u>200170</u>		

Creditors' account					
	\$			\$	
Balance b/d	4132	Balance b/d	38000		
Sales ledger: set-off	853	Credit purchases	95000		
Returns outwards	4500				
Discounts received	2300				
Cash paid	78000				
Balance c/d	43215				
	<u>133000</u>		<u>133000</u>		

**Multiple Choice**

1. D
2. B
3. C
4. A
5. D
6. B

# Principles of Accounts

## Chapter 13



1.

Coopers Cool Drinks  
Statement of Affairs  
as at August 31, 2009

### Assets

#### Non current assets

	\$	\$
Furniture and fittings (wk1)		4 864
Refrigerators (NBV)		14 350
Cash registers (wk1)		12 600
<b>Total non current assets</b>		<b>31 814</b>

#### Current assets

Inventory	9 350	
Trade receivables	13 375	
Other receivables	3 500	
Bank	12 400	
<b>Total current assets</b>	-	<b>38 625</b>
		<b>70 439</b>

#### Capital at start (wk 2)

	54 435
<i>Net profit (balancing figure)</i>	<i>14 829</i>
Drawings	(6 500)
<b>Capital at close (\$70 439 - 7 675)</b>	<b>62 764</b>

#### Current liabilities

Trade payables	7 350	
Utilities owing	325	
<b>Total current liabilities</b>	-	<b>7 675</b>
		<b>70 439</b>

Workings:

Wk1:

#### Net book value as at August 31 2009:

Cash registers  $14\,700 - (21\,000 \times 10\%) = 12\,600$

Furniture and fitting:  $9\,500 \times 20\% = 1\,900$

2007  $7\,600 \times 20\% = 1\,520$

2008  $6\,080 \times 20\% = 1\,216$

2009 4 864

**Wk 2: Capital at start (August 31 2008)****Assets less liabilities**

<b>Assets</b>	<b>\$</b>	<b>\$</b>
Furniture and fittings (NBV)	6 080	
Refrigerators (NBV)	16 750	
Cash registers (NBV)	14 700	
Inventory	8 750	
Trade receivables	14 950	
Insurance prepaid	125	
		61 355
<b>Liabilities</b>		
Trade payables	4 170	
Utilities owing	450	
Bank	2 300	
		(6 920)
<b>Capital at start</b>		<b>54 435</b>

2.

Coopers Cool Drinks  
Income Statement  
for the year ended August 31, 2009

	<b>\$</b>	<b>\$</b>
Sales		101 876
Inventory at start	8 750	
Purchases	48 980	
	57 730	
Inventory at close	(9 350)	
Cost of goods sold		(48 380)
Gross profit		53 496
Wages & salaries	23 875	
Insurance (4 150 + 125)	4 275	
Utilities (3 396 - 450 + 325)	3 271	
Depreciation expense:		
Cash registers	2 100	
Furniture & fittings	1 216	
Refrigerators (16 750 - 14 350)	2 400	
Bad debts	880	
Discounts allowed	650	
	-	(38 667)
Net profit		14 829

**Workings:**

**Trade receivables control A/c**

Balance b/d	14 950	Bank (cash from debtors)	26 571
<b>Credit sales</b>	<b>26 526</b>	Bad debts	880
		Discounts allowed	650
		Balance c/d	13 375
	41 476		41 476

**Total sales = 26 526 + 75 350 = \$101 876**

**Trade payable control A/c**

Bank (payment)	45 800	Balance b/d	4 170
Balance c/d	7 350	<b>Purchases (credit)</b>	<b>48 980</b>
	53 150		53 150

**Multiple Choice**

1. D
2. A
3. B
4. B
5. C
6. A
7. D
8. B
9. A
10. D

# Principles of A/Ccounts

## Chapter 14



### Q1

- Direct debits -This is where you give the creditor the right to obtain the money straight from your bank account. This form of withdrawal is mainly used when there are different amounts to be paid each period (weekly, monthly, quarterly etc.)
- Standing orders -Here, you instruct the bank to deduct a fixed amount every period. Useful for insurance and mortgage payments.
- Overdraft interest -This will be deducted by the bank as a form of penalty for withdrawing more than you have in your account.
- Dishonoured cheque – This is a cheque which had been received from a customer and deposited but has been discovered to be invalid. A cheque becomes invalid for several reasons including insufficient funds, improper information placed on the cheque (e.g. wrong date, improper signature, words and figures for the amount)

### Q2

- Making deposits -This is shown by the word "deposit" in the statement.
- Direct credits - The opposite of a direct debit. Here you give the debtor the right to put money straight into your account. For example salaries deposits, or dividends from investments
- Interest earned - This is money that you have gained by holding cash in the bank.

### Q3

Big Doors Enterprises

(i) Bank reconciliation statement for the month ended 31 March, 2009

Bank statement balance	\$4500
Bank statement balance	\$2200
Less: Unpresented cheques	<u>\$1500</u>
Adjusted cash book balance	<u>\$5200</u>

(ii) \$5200



**Q4**Adjustment to cash book as at 31 January, 2007

Unadjusted balance per cash	26840
Direct credit	700
Bank charges	(500)
Dishonoured cheques	(590)
Adjusted cash book bank balance	<u>26450</u>

**Q5**Amanda's bank reconciliation statement as at 31 May, 2009

Adjusted cash book balance	2125
Add unpresented cheques	5000
Less deposits	<u>(1000)</u>
Bank statement balance	<u>6125</u>

**Q6**

(a)

Adjusted Cash Book balance	1050
Add direct credit	700
Less bank charges	<u>(500)</u>
Adjusted cash book balance	<u>1250</u>

(b)

Bank Reconciliation Statement	
Adjusted cash book balance	1250
Add unpresented cheques – R. Joseph	<u>1750</u>
Bank statement balance	<u>3000</u>

**Multiple Choice**

1. D
2. C
3. D
4. A
5. B
6. B

# Principles of A/Ccounts

## Chapter 15



1. (a)

Simone and Catherine Partnership Company  
Profit and Loss Appropriation account  
For the year ended June 30

Net Profit			46 000
Less:			10 000
Salary – Simone			
Interest on Capital:			
Simone		1 000	
Catherine		<u>2 500</u>	
		<u>3 500</u>	
			<u>13 500</u>
			32 500
Share of profit:	Simone	9 286	
	Catherine	<u>23 214</u>	<u>32 500</u>

(b)

Simone and Catherine Current accounts

	SIMONE	CATHERINE		SIMONE	CATHERINE
Balance b/d	2 000	1 400	Salary	10 000	
Drawings	7 500	12 750	Interest on capital	1 000	2 500
Balance c/d	10 786	11 564	Share of profit	9 286	23 214
	<u>20 286</u>	<u>25 714</u>		<u>20 286</u>	<u>25 714</u>

(c)

Simone and Catherine Partnership Company  
Balance Sheet  
As at June 30

Fixed assets			112 550
Current assets:			
Stock		3 000	
Debtors	<u>14 000</u>		
		17 000	
Less current liabilities			
Creditors	12 000		
Bank loan	<u>25 200</u>	<u>(37 200)</u>	
			<u>(20 200)</u>
			<u>92 350</u>
Financed by			
	SIMONE	CATHERINE	
Capital accounts	20 000	50 000	70 000
Current accounts	<u>10 786</u>	<u>11 564</u>	<u>22 350</u>
			<u>92 350</u>

2. (a)

Caleb and Garnet  
General Journal  
For July 1, 2012

DATE	DETAILS	DEBIT	CREDIT
2012			
July 1	cash	12 000	
	stock	24 000	
	debtors	2 250	
	furniture	6 000	
	premises	20 000	
	Motor vehicle	9 000	
	Bank overdraft		2 000
	creditors		4 750
	Capital: Caleb		32 500
	Garnet		34 000

(b)

Caleb and Garnet  
Profit and Loss Appropriation account  
For the period ending December 31, 2012

Net Profit			48 000
Less: Salary: Caleb	18 000		
Garnet	<u>13 200</u>		
Interest on capital: Caleb	813	31 200	
Garnet	<u>850</u>		
		<u>1 663</u>	
			<u>(32 863)</u>
			15 137
Share of profit:			
Caleb	7 398		
Garnet	<u>7 739</u>		
			<u>15 137</u>

(c)

Caleb and Garnet  
Balance Sheet (extract)  
As at December 31 2012

	Caleb	Garnet	
Capital	32 500	34 000	66 500
Current	<u>18 289</u>	<u>24 211</u>	<u>42 500</u>
	<u>50 789</u>	<u>58 211</u>	<u>109 000</u>

3. (a)

Brendan, Kyle and Kwesi Partnership Company  
Profit and Loss Appropriation Account  
For the year ending September 30, 2011

Net profit			120 000
Interest on drawings:	Brendan	500	
	Kyle	100	
	Kwesi	<u>200</u>	<u>800</u>
Less:			120 800
Salary:	Brendan	25 000	
	Kwesi	<u>28 000</u>	
		53 000	
Interest on Capital:			
	Brendan	2 500	
	Kyle	2 000	
	Kwesi	<u>3 000</u>	<u>(60 500)</u>
			60 300
		<u>7 500</u>	
Share of profit:			
	Brendan	20 100	
	Kyle	16 080	
	Kwesi	<u>24 120</u>	<u>60 300</u>

(b)

Brendan, Kyle and Kwesi  
Current Accounts

	BRENDAN	KYLE	KWESI		BRENDAN	KYLE	KWESI
Balance b/d			1 000	Balance b/d	5 000	6 000	
Drawings	5 000	1 000	2 000	Salary	25 000	28 000	
Interest on drawings	500	100	200	Interest on capital	2 500	2 000	3 000
Balance c/d	47 100	50 980	23 920	Share of profit	20 100	16080	24120
	52 600	52 080	27 120		52 600	52 080	27 120

4.

(a)

- (i) 5%
- (ii) \$54 500

(b)

Justine, Keshawn and Kwame  
Capital accounts  
For the year ended December 31, 2012

	JUSTINE	KESHAUN	KWAME		JUSTINE	KESHAUN	KWAME
				Balance b/d	40 000	50 000	80 000

(c)

Justine, Keshawn and Kwame  
Current accounts

	JUSTINE	KESHAUN	KWAME		JUSTINE	KESHAUN	KWAME
Balance b/d		1 200	2 00	Balance b/d	1 600		
Drawings	2000	3500	2500	Salary	12 000	9 000	6 000
Interest on drawings	200	350	250	Interest on capital	2 000	2 500	4 000
Balance c/d	20000	13050	11850	Share of profit	6 600	6 600	6 600
	22 200	18 180	16 600		22 200	18 100	16 600

**Multiple Choice**

- 1. A
- 2. B
- 3. C
- 4. D
- 5. C
- 6. C

# Principles of Accounts

## Chapter 16



1. Preference shares tend to have a fixed dividend percentage rate. Holders of these shares are paid before any other shareholders. The owners of these shareholders have no voting rights.  
Ordinary share holders are paid after the preference share holders.  
These owners have voting rights.
2. The holders of Ordinary shares are owners of a company whereas persons/companies who give debenture loans are creditors of a company.
3. Par value is the face value of a share whereas issue value is the price used when shares are first sold to the public.
4. (i) T  
(ii) T  
(iii) F  
(iv) F  
(v) F  
(vi) T  
(vii) F
- 5.

Date	Details	folio	Dr	Cr
2009				
Jan-25	Cash		250000	
	Preference shares			250000
	To record the issue of preference shares			
Jan-25	Cash		375000	
	Ordinary shares			375000
	To record the issue of ordinary shares			
Jan-25	Cash		250000	
	Debentures			250000
	To record the issue of debentures			



Farrel Ltd  
Appropriation a/c  
for year ended December 31 2009

Profit before interest	225000
Interest expense (250000 x .15)	<u>(-37500)</u>
	187500
Dividends:	
Preference (250000x 10%)	25000
Ordinary (375000 x 20%)	<u>75000</u>
	<u>-(100000)</u>
Retained profit at close	<u><u>87500</u></u>

Farrel Ltd  
Balance Sheet extract  
as at December 31 2009

Authorised share capital	
100,000 ordinary shares @ \$5 each	500000
25000 10% preference shares @ \$10 each	<u>250000</u>
	<u><u>750000</u></u>
<b><i>Issued share capital</i></b>	
75000 ordinary shares @ \$5 each	375000
25000 preference shares @ \$10 each	250000
Reserves	
Retained earnings	<u>87500</u>
	712500
<b><i>Long-term liabilities</i></b>	
Debentures	250000
<b><i>Current liabilities</i></b>	
Interest owing	37500
Dividends owing	<u>100000</u>
	137500

**Multiple Choice**

1. C
2. A
3. D
4. A
5. B
6. C

# Principles of A/Ccounts

## Chapter 17

Q1 III

Q2

- a) Patronage refund
- b) One vote per member
- c) Compulsory capital retention
- d) Common characteristics

Q3

(a)

Grenada Plantain Co-operative Society Ltd  
General Journal

DATE	DETAILS	F	DR	CR
2005 Jan 1	Cash (500 x 100 x 5)		250 000	
	Share capital			250 000
	To record the issue of shares			

(b)

Grenada Plantain Co-operative Society Ltd  
General Journal

DATE	DETAILS	F	DR	CR
2007 Jan 1	Cash (500 x 200 x 5)		500 000	
	Share capital			500 000
	To record the issue of additional shares			

(c)

Share Capital a/c

2005				2005			
Dec 31	balance c/d	250 000		Jan 1	cash	250 000	
2006				2006			
Dec 31	balance c/d	250 000		Jan 1	balance c/d	250 000	
2007				2007			
Dec 31	balance c/d	750 000		Jan 1	balance b/d	250 000	
				Jan 1	cash	500 000	
				2008			
				Jan 1	balance b/d	750 000	

Q4

St. Barnabas Coconut Co-operative Society Limited Company  
Trading and Profit and Loss a/c  
For the year ended March 31, 2008

Sales		500 000
Purchases		(300 000)
Gross profit		200 000
Telephone	1 000	
Electricity	1 500	
Rental of storehouses	6 000	
Salaries and wages	10 000	
Depreciation of fixed assets	4 000	
Honorarium	6 000	
		(28 500)
Net profit		171 500

**Q5**

T & T Utilities Credit Union  
Appropriation a/c  
For the period ending December 31, 2006

Surplus		80 000
Unappropriated surplus		<u>7 000</u>
		87 000
Less transfers to		
Members Education Fund (20% x 87 000)	17 400	
Statutory Reserve Fund (30% x 87 000)	26 100	
Dividends (20% x 87 000)	<u>17 400</u>	
		( 60 900)
Unappropriated surplus		<u>26 100</u>

**Q6**

(a)

Trinidad Citrus Growers Co-operative Society Limited  
Trading and Income and Expenditure a/c  
For the period ending December 31, 2007

Sales		2 000 000
Stock	10 000	
Purchases	<u>1 700 000</u>	
	1 710 000	
Stock	<u>( 20 000)</u>	
Cost of goods sold		(1 690 000)
Gross profit		310 000
Less:		
Rent	5 000	
Wages and salaries	20 000	
Utilities	10 000	
General expenses	<u>30 000</u>	
		(65 000)
		<u>245 000</u>

(b)

Trinidad Citrus Growers Co-operative Society Limited  
Appropriation a/c  
For the period ending December 31, 2007

Surplus b/d		245 000
Undistributed surplus		<u>50 000</u>
		295 000
Less transfers		
Patronage Fund (10% x 295 000)	29 500	
Pension Scheme	30 000	
Statutory Reserve (20% x 295 000)	59 000	
Dividends (15% x 295 000)	<u>44 250</u>	
		(162 750)
Undistributed surplus		<u>132 250</u>

(c)

Trinidad Citrus Growers Co-operative Society Limited  
Balance Sheet  
As at December 31, 2007

ASSETS		
Current Assets		
Stock		20 000
Debtors	70 000	
Bank	730 000	
Cash		<u>70 000</u>
		890 000
Less: Current liabilities		
Creditors	25 000	
Proposed dividends	<u>44 250</u>	
		<u>69 250</u>
		<u>820 750</u>
SHARE CAPITAL AND RESERVES		
Share capital		500 000
Patronage fund (20 000 + 29 500)		49 500
Pension scheme (30 000 + 30 000)		60 000
Statutory reserve (20 000 + 59 000)		79 000
Undistributed surplus		<u>132 250</u>
		<u>820 750</u>

**Multiple Choice**

1. A
2. C
3. A
4. A
5. B
6. C

# Principles of Accounts

## Chapter 18



**Q1**

- a) Capital
- b) Revenue
- c) Surplus
- d) Sports
- e) Benefits

**Q2**

Bung Jet Swimming Club  
Receipts and Payment a/c  
For the month January 2006

Balance b/d	10 000	Purchase of swimming gears	1 500
Subscriptions	9 000	Deposit on swimming pool	15 000
Sale of swimming gears	6 000	Curry-que expenses	8 000
Sponsored swimming	10 000	Salaries	4 000
Curry-que	<u>15 000</u>	Refurbishment of swimming	10 000
	<u>50 000</u>	Balance c/d	<u>11 500</u>
Balance b/d	11 500		<u>50 000</u>

**Q3**

Subscription a/c

Bal b/d	300	Receipts and Payments	<u>12 000</u>
Income and Expenditure	9 000		<u>12 000</u>
Bal c/d	<u>2 700</u>	Balance b/d	2 700
	<u>12 000</u>		

South East University Education Church Group  
Receipts and Payments a/c  
For the year ended March 31<sup>st</sup>, 2007

Bal b/d	8 000	Bar purchases	4 000
Subscriptions	12 000	Water rates	1 000
Bar sales	8 000	Computer	5 000
Donations	3 000	Utilities	800
Lunch sales	<u>2 000</u>	Lunch expenses	800
	<u>33 000</u>	Bal c/d	<u>21 400</u>
Balance b/d	21 400		<u>33 000</u>

South East University Education Church Group  
Bar Trading a/c  
For the year ended March 31<sup>st</sup>, 2007

Bar sales		8 000
Stock	2 000	
Purchases	<u>4 000</u>	
Goods available for sale	6 000	
Stock	<u>(2000)</u>	
Cost of goods sold		<u>(4000)</u>
Gross Profit		<u>4000</u>

Q4 (a)

Receipts and Payments a/c

Subscriptions	1 300	Club equipment	2 000
Sale of refreshments	1 000	Rent	500
Donations	1 000	Caterer for friendly match	1 500
Receipts from the friendly match	3 000	Electricity	600
Receipts from the curry-que	<u>2 000</u>	Balance c/d	<u>3 700</u>
	<u>8 300</u>		<u>8 300</u>
Balance b/d	3 700		

(b)

Subscriptions a/c

Income and expenditure	<u>1 500</u>	Cash	1 300
	<u>1 500</u>	Balance c/d	<u>200</u>
Balance b/d	200		<u>1 500</u>

(c)

Giants Cycling Club  
Income and Expenditure a/c  
For the month of November 30, 2007

Subscriptions		1 500
Sales of refreshments		1 000
Donations		1 000
Profit from the friendly match (3 000 – 1 500)		1 500
Receipts from the curry-que		<u>2 000</u>
		7 000
Less:		
Rent	500	
Electricity	<u>600</u>	
		<u>(1 100)</u>
Surplus		<u>5 900</u>

**Q5**

(a)

Sales		6 000
Stock	1 000	
Purchases	<u>2 500</u>	
Goods available for sale	3 500	
Stock	<u>1 000</u>	
Cost of goods sold		<u>(2 500)</u>
Gross profit		<u>3 500</u>

(b)

## Subscriptions a/c

Balance b/d	100	Balance b/d	300
Income and expenditure	<u>5 500</u>	Receipts and payments	5 000
	<u>5 600</u>	Balance c/d	<u>300</u>
Balance b/d	300		<u>5 600</u>

(c)

Southern Chess Club  
Income and expenditure account  
For the year ending December 31, 2008

Gross profit b/d		3 500
Subscriptions		5 500
Proceeds from raffle		6 000
Entrance fees for class competition		<u>4 000</u>
		19 000
Less:		
Tournament expenses	2 000	
Electricity (500 + 300)	800	
Miscellaneous expenses	300	
Donation to charity	1 000	
Repairs to clubhouse	<u>1 000</u>	
		<u>(5 100)</u>
Surplus		<u>13 900</u>

- (d) Accumulated Fund (calculation)=  
TOTAL ASSETS - TOTAL LIABILITIES  
(Cash + stock + subscriptions in arrears + clubhouse + games) – Subscriptions in advance  
24 100 – 300 = 23 800

Southern Chess Club  
Balance sheet  
As at December 31, 2008

FIXED ASSETS		10 000
Clubhouse		<u>7 000</u>
Games (5 000 + 2 000)		17 000
CURRENT ASSETS		
Stock	1 000	
Cash	19 700	
Subscriptions in arrears	<u>300</u>	
	21 000	
Less current liabilities		
Electricity	<u>(300)</u>	
		<u>20 700</u>
		<u>37 700</u>
ACCUMULATED FUND		
At start		23 800
Surplus		<u>13 900</u>
		<u>37 700</u>

**Multiple Choice**

1. A
2. D
3. B
4. B
5. D
6. D



# Principles of A/Ccounts

## Chapter 19



Q1

- a) Indirect
- b) work in progress, finished
- c) Direct
- d) Value

Q2

(a)	NET PURCHASES		
	Purchases of raw materials		400 000
	Transportation inwards		1 000
	Purchases returns		<u>(6 000)</u>
	NET PURCHASES		<u>395 000</u>
(b)	RAW MATERIALS CONSUMED		
	Opening stock of raw materials		50 000
	Net purchases		<u>395 000</u>
	Raw materials available for use		445 000
	Less closing stock		<u>( 30 000)</u>
	Raw materials consumed		<u>415 000</u>
(c)	PRIME COST		
	Cost of raw materials consumed		415 000
	Direct wages	100 000	
	Add wages owing	<u>2 000</u>	
			<u>102 000</u>
	PRIME COST		<u>517 000</u>
(d)	COST OF GOODS MANUFACTURED		
	Prime cost		517 000
	Factory over head:		
	Factory power	35 000	
	Factory insurance (3 000 – 1 000)	2 000	
	Other factory expenses	18 000	
	Factory machinery depreciation	<u>15 000</u>	
	Total factory overhead		<u>70 000</u>
	Total manufacturing costs		587 000
	Add opening work in progress		<u>40 000</u>
			627 000
	Less closing work in progress		<u>(20 000)</u>
	Cost of goods manufactured		<u>607 000</u>

Q3

Prem Singh  
Manufacturing a/c  
For the period ended December 31, 2007

Opening stock raw material		700
Purchases of raw materials		<u>5 000</u>
Available for use		5 700
Less raw materials closing stock		<u>(800)</u>
Cost of raw materials used		4 900
Production wages		<u>5 000</u>
Prime cost		9 900
Overheads:		
Factory machine maintenance	600	
Factory power	300	
Factory wages (4000 + 300)	4 300	
Factory Rent	500	
Factory insurance	400	
Factory electricity	600	
Depreciation on plant and machinery	1 000	
Factory salaries	<u>2 000</u>	
Total overheads		<u>9 700</u>
Total manufacturing costs		19 600
Add work in progress		<u>900</u>
		20 500
Less work in progress		<u>1 000</u>
Cost of goods manufactured		<u>19 500</u>

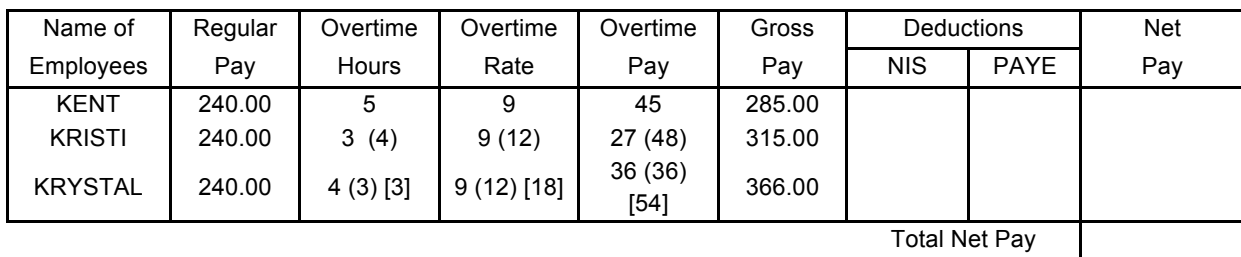
Unit cost of chocolate

$$\frac{\text{Cost of goods manufactured}}{\text{Number of units produced}} = \frac{19\,500}{2\,000} = \$9.75$$

**Multiple Choice**

1. A
2. A
3. A
4. B
5. D
6. C

## Chapter 20



**Q4**

(a)

Hours Worked:	H. Payne	J. Parker	K. Winters
Monday	8	6	8
Tuesday	6	8	6
Wednesday	8	8	7
Thursday	7	7	7
Friday	6	6	-
Saturday	-	5	4
Sunday	-	-	3
GROSS PAY	735.00	870.00	792.00
Deductions: NIS	36.75	43.50	39.60
Pension	18.38	21.75	19.80
Savings	36.75	43.50	39.60
PAYE	67.99	80.48	73.53
TOTAL DEDUCTIONS	91.88	108.75	172.53
NET PAY	643.12	761.25	619.47

(b)

**PAYSLIP**

NAME OF EMPLOYEE : J. Parker

Department: Production

\$870.00

Earnings:

Deductions:

N.I.S.

\$43.50

Pension

21.75

Savings

43.50

P.A.Y.E.

80.48

Total Deductions

108.75

Net Pay

\$761.25

**Q5**

**(a)**

Payroll Register

Name of Employees	Regular Pay	Overtime Hours	Overtime Rate	Overtime Pay	Gross Pay	Deductions				Net Pay
						NIS	EDUCATION Tax	Union dues	PAYE	
Cheryl Prior	400	5	15	75	475	23.75	23.75	20.00	42.75	364.75
Clunis Duke	400	10	15	150	550	27.50	27.50	20.00	49.75	425.25
Gary Banks	400	8	15	120	520	26.00	26.00	20.00	46.80	401.20
Total Net Pay										1191.20

(b)  $\$77.25 + \$77.25 = \$154.50$

(c) Wages and salaries and bank/cash accounts or payable accounts (N.I.S., P.A.Y.E., Union dues)

**Multiple Choice**

1. A
2. B
3. A
4. C
5. B
6. D