

Tutorial 1 Solution

Section A

1	D	6	A	11	A	16	B
2	D	7	D	12	C	17	C
3	A	8	B	13	D	18	B
4	A	9	D	14	B	19	C
5	D	10	C	15	D	20	C

Section B

Question 1

(a).

(i). **Sales**

Sales Ledger Control Account

Balance b/d	3750	Receipts from trade receivables	96300
Credit sales	95000	Bad debts	200
		Balance c/d	2250
	98750		98750
Balance b/d	2250		

Sales = \$95 000

(ii). **Purchases**

Purchases Ledger Control Account

Payment to trade payables	73540	Balance b/d	3460
Returns outwards	2480	Credit Purchases	74350
Balance c/d	1790		
	77810		77810
		Balance b/d	1790

Purchases = \$74 350

(iii). **Income Statement for the year ended 30 April 2015**

Revenue			95000
Less cost of sales			
Opening inventory		15000	
Add Ordinary goods purchased	74350		
Add carriage inwards	630		
Less returns outwards	(2480)	72500	
		87500	
Less closing inventory		(11500)	(76000)
Gross Profit			19000
Less Expenses			
Rent (W1)		5600	
Electricity (W2)		350	
Carriage outwards		950	
Other operating expenses		95	
Bad debts		200	
Depreciation on equipment (W3)		243	(7438)
Profit for the year			11562

Working 1 (W1): Rent

Rent Account

Balance b/d	500	Income Statement	5600
Bank	5500	Balance c/d	400
	6000		6000
Balance b/d	400		

Working 2 (W2): Electricity

Electricity Account

Bank	345	Balance b/d	35
Balance c/d	40	Income Statement	350
	385		385
		Balance b/d	40

Working 3 (W3): Depreciation

Depreciation 1 May 2013 – 30 April 2014 = 10 % X 2 700 = \$270

Accumulated depreciation = \$270

NBV = 2 700 – 270 = \$2 430

Depreciation 1 May 2014 – 30 April 2014 = 10 % X 2 430 = \$243

(b). Journal Entry

Details	Debit	Credit
Cleaning expenses (3/5 X 60)	36	
Capital		36

(c). Purchasing non-current assets on credit, disposal of non-current assets, writing off bad debt, providing for depreciation, providing for bad and doubtful debt and to calculate opening capital

Question 2**(a). Updated sales ledger control account**

Updated Sales Ledger control Account

Balance b/d	20 470	Bad debts	250
Dishonoured cheques	200	Discount allowed	830
		Contra	1 370
		Balance c/d	18 220
	20 670		20 670
Balance b/d	18 220		

(b). Statement reconciling sales ledger balance to updated sales ledger control account balance

Balance as per sales ledger	18 740
Add credit sales	960
Less bad debts	(250)
Less receipts from trade receivables debited (760 + 670)	(1 430)
Add dishonoured cheques	200
Balance as per updated sales ledger control account	18 220

(c). Reasons for maintaining a sales ledger control account

- To check the arithmetical accuracy of the sales ledger
- To detect errors
- To prevent frauds
- To obtain the balance of trade receivables quickly for preparation of financial statements

Question 3

(a).

- (i). A suspense account is an account opened temporary to make the trial balance agree such that financial statements can be prepared. It is used when correcting errors.
- (ii). To detect errors, to prevent frauds, to provide total of trade receivables quickly when preparing financial statements and to check the arithmetical accuracy of the sales ledger

(b). Journal Entries

Date	Details	Debit	Credit
1	Revenue Suspense	26 350	26 350
2	Motor Expenses Motor Vehicles Provision for depreciation (20 % X 5 270) Income Statement	5 270 1 054	5 270 1 054
3	Suspense (8 945 X 2) Interest received	17 890	17 890

- (c). Revenue overcasted, Profit overcasted by \$26 350. To correct the error profit must be reduced by \$26 350
Motor Expenses undercasted. Profit overcasted by \$5 270. To correct the error profit must be reduced by \$5 270
Depreciation overcasted by \$1 054. Profit undercasted by \$1 054. To correct the error profit must be increased by \$1 054.
Interest received undercasted by \$17 890. Profit undercasted by \$17 890. To correct the error profit must be increased by \$17 890.