

Question 7

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(a)

	Dr.		Cr.
	€		€
(i) Debtors a/c	830 [2]		
Bank a/c			780 [2]
Discount allowed a/c - disallowed			50 [2]
Bank a/c	83 [2]		
Bad debts a/c	747 [2]		
Debtors a/c			830 [2]
Being recording of dishonoured cheque received by Cagney and the payment 10 cent in the €1 as a first and final payment of debt [1]			
(ii) Purchases returns a/c	3,500 [2]		
Creditors a/c	11,500 [2]		
Suspense a/c			15,000 [3]
Being recording of return of goods and credit note incorporating a restocking charge. [1]			
(iii) Rent a/c - (P&L)	3,408 [2]		
Debtors for Rent a/c (Balance Sheet)	852 [2]		
Capital a/c			4,260 [2]
Being recording of private funds used to pay twelve months rent for the current year and three months rent prepaid. [1]			
(iv) Sales commission a/c	3,000 [2]		
Creditors (advertising) a/c	3,250 [2]		
Capital a/c			6,000 [2]
Discount received a/c			250 [2]
Being recording of capital introduced used for the purpose of clearing a debt and payment of commission [1]			
(v) Vehicles a/c	8,800 [2]		
Capital a/c			8,800 [2]
Drawings a/c	800 [3]		
Loss on transaction(disposal) – P & L a/c	500 [3]		
Suspense a/c	800 [3]		
Equipment a/c			2,100 [3]
Being recording of a private motor car given to the business by Cagney and freezer taken as part payment [1]			

(b)

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Suspense Account			
Original difference	14,200 [2]	Creditors/ purchases returns(ii)	15,000 [2]
Equipment (v)	<u>800 [2]</u>		
	<u>15,000</u>		<u>15,000</u>

(c)

Statement of Corrected Net Profit

	€	€
Original Net Profit as per books		87,200
Add Discount disallowed (i)	50 [1]	
Discount received (iv)	<u>250 [1]</u>	<u>300</u>
		87,500
Less Bad debts (i)	747 [2]	
Purchases Returns (ii)	3,500 [1]	
Loss on Freezer transaction (v)	500 [2]	
Rent a/c (iii)	3,408 [1]	
Sales commission (iv)	<u>3,000 [1]</u>	<u>(11,155)</u>
Correct Net Profit		<u>76,345 [5]</u>

(d)

Balance Sheet as at 31/12/2013

	€	€	€
Fixed Assets			
Premises		650,000 [1]	
Motor vehicles (72,000 + 8,800)		80,800 [2]	
Equipment (35,000 – 2,100)		<u>32,900 [2]</u>	763,700
Current Assets			
Stock (185,400 – 14,200)	171,200 [1]		
Debtors (36,300 + 830 – 830)	36,300 [1]		
Cash	1,500 [1]		
Rent prepaid	<u>852 [1]</u>	209,852	
Less Creditors: amounts falling due within 1 year			
Creditors (58,500 – 11,500 – 3,250)	43,750 [2]		
Bank (32,000 + 780 – 83)	<u>32,697 [2]</u>	<u>(76,447)</u>	<u>133,405</u>
			<u>897,105</u>
Financed by			
Capital (810,000 + 4,260 + 8,800 + 6,000)	829,060 [3]		
Corrected Net Profit	<u>76,345 [1]</u>		
		905,405	
Less Drawings (7,500 + 800)	<u>(8,300) [1]</u>		
		<u>897,105</u>	<u>897,105</u>

(e)

Errors in figures and addition

Posting only one side of the double entry

Entering one amount on the debit side of one ledger account and entering a different amount on the credit side of another ledger account.