Question 6

(a)

`54`

		Dr	**Cr**
		€	**€**
(i)	Equipment a/c	1,800 [2]	
	Creditors a/c		5,600 [2]
	Purchases a/c	2,800 [3]	
	Suspense a/c	1,000 [3]	
	Correction of an incorrect treatment of a credit purchase [1]		
(ii)	Debtors a/c	1,530 [3]	
	Sales a/c		1,530 [3]
	Motor vehicles a/c		2,400 [3]
	Provision for depreciation on motor vehicles a/c	900 [3]	
	Cash a/c	1,350 [3]	
	Loss on sale – profit and loss a/c	150 [3]	
	Correction of an incorrect treatment of a delivery van sale [1]		
(iii)	Profit and loss a/c	800 [2]	
	Insurance company a/c (balance sheet)		340 [3]
	Tenant rent a/c (balance sheet)		460 [3]
	Being recording of insurance due and rent receivable prepaid omitted from books [1]		
(iv)	Sales returns a/c	880 [2]	
	Debtors a/c		880 [2]
	Being correction of incorrect recording of credit note to debtor [1]		
(v)	Purchases/purchases returns a/c	10,500 [3]	
	Creditors a/c	16,000 [3]	
	Suspense a/c		26,500 [3]
	Being correction of the incorrect treatment of purchases returns [1]		

(b)

`6`

Suspense Account

Original difference	25,500 [2]	Creditors/purchases	(v)	26,500 [2]
Equipment/creditors (i)	1,000 [2]			
	26,500			26,500

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(c)

Statement of Corrected Net Profit

			€	€
Original net profit as per books				88,000
Add Sales/motor vehicles	(ii)			1,530 **[2]**
				89,530
Less Purchases	(i)		2,800 **[2]**	
Loss on sale	(ii)		150 **[2]**	
Rent/insurance	(iii)		800 **[1]**	
Sales returns	(iv)		880 **[1]**	
Purchases returns	(v)		10,500 **[1]**	(15,130)
Correct net profit				74,400 **[5]**

(d)

Balance Sheet as at 31/12/2015

Fixed Assets		€	€	€
Premises		630,000	---	630,000 **[1]**
Equipment	[56,000 + 1,800]	57,800 **[1]**	12,000 **[1]**	45,800
Motor vehicles	[92,000 – 2,400] [26,000 – 900]	89,600 **[1]**	25,100 **[1]**	64,500
		777,400	37,100	740,300
Current Assets				
Stock (including suspense)	[98,000 – 25,500]		72,500 **[1]**	
Debtors	[41,600 + 1,530 - 880]		42,250 **[3]**	
Cash	[2,400 + 1,350]		3,750 **[2]**	
			118,500	
Less: **Creditors**: **amounts falling due within 1 year**				
Creditors	[72,000 + 5,600 - 16,000]	61,600 **[3]**		
Insurance company		340 **[1]**		
Creditor - tenant		460 **[1]**		
Bank		22,000 **[1]**	(84,400)	34,100
				774,400
Financed by:				
Capital			700,000 **[2]**	
Profit and loss account			74,400 **[1]**	774,400
				774,400

(e)

Compensating errors: This is where an error on the debit side of one account is compensated by another error of an equal amount on the credit side of another account. For example, a cash payment of €550 for repairs entered as €55 on the debit of the repairs account and on the credit side of the cash account.

Errors of original entry: These are errors made in the books of first entry which are then, subsequently, posted to the appropriate ledger accounts. For example, credit purchases from T. Long €223 entered as €322 in the purchases book and posted accordingly to both the purchases account and to Long's account.