

(a) Journalise the necessary corrections.

(40)

General Journal of B. Barr

	Dr €	Cr €
(i) Purchases a/c	18,000 (1)	
Equipment a/c	8,000 (2)	
Suspense a/c		6,200 (2)
Creditors a/c		19,800 (2)
** Being correction of incorrect recording of the purchase of a motor car on credit. (1)		
(ii) Sales Returns a/c	3,300 (2)	
Suspense a/c	29,200 (2)	
Debtors a/c		32,500 (1)
** Being recording of return of motor car and credit note incorporating a restocking charge. (1)		
(iii) Fixtures and Fittings a/c	70 (2)	
Suspense a/c	710 (2)	
Purchases a/c		780 (2)
Sales Returns / Sales a/c	870 (2)	
Debtors a/c		870 (1)
** Being car parts returned by a customer entered incorrectly in the books. (1)		
(iv) Creditors a/c	1,380 (2)	
Capital a/c		1,100 (1)
Discount a/c		280 (2)
** Being a private debt owed to Barr offset against a debt owed to a creditor of Barr's business. (1)		
(v) Purchases a/c	12,400 (2)	
Capital a/c		12,400 (1)
Drawings / Capital a/c	900 (1)	
Loss on transaction / Depreciation a/c / P & L a/c	300 (2)	
Suspense a/c	900 (2)	
Equipment a/c		2,100 (1)
** Being recording of a private motor car given to the business by Barr and freezer taken from the business as part payment. (1)		

** Accept student's own wording if equivalent meaning conveyed.

2. Correction of Errors and Suspense Account (cont'd.)

(b) Prepare a Statement showing the correct net profit.

(14)

Statement of Corrected Net Profit

		€	€
Original Net Profit as per books			38,000 (1)
<u>Add</u> Purchases	(iii)	•780 (2)	
Discount	(iv)	•280 (2)	1,060
			<u>39,060</u>
<u>Less</u> Purchases	(i)	18,000 (1)	
Sales Returns	(ii)	•3,300 (2)	
Sales Returns	(iii)	870 (1)	
Purchases	(v)	12,400 (1)	
Loss on Freezer transaction	(v)	•300 (2)	(34,870)
Corrected Net Profit			<u>••4,190 (2)</u>

- Allow 1 mark for each incorrect entry in part (b), if it has been transferred correctly from part (a).
- Accept correct figure only.

(c) (i) What is the purpose of preparing a Trial Balance? (3)

(6)

- to test the accuracy of double entry book-keeping before preparing final accounts (1)
- it should have the same total of debits and credits (1) because under double entry book-keeping, every debit entry should have a corresponding credit entry (1)

- ** Figures in brackets show the breakdown of marks if answer incomplete.
- ** Accept student's own wording if equivalent meaning conveyed.
- ** Accept other appropriate material.

(ii) Explain what is meant by an 'error of principle' and give an example.

❶ Explanation (2)

- an error of principle arises when an item is posted to the correct side (1) of the incorrect class of account (1)

❷ Example (1)

- a grocer purchased a vehicle and entered it in the purchases account instead of in the vehicles account

- ** Figures in brackets show the breakdown of marks if answer incomplete.
- ** Accept student's own wording if equivalent meaning conveyed.
- ** Accept other appropriate material.