

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

- (b) Prepare a Statement showing the correct net profit. (14)

<b>Statement of Corrected Net Profit</b>			€	€
Original Net Profit as per books				38,000 (1)
<u>Add</u>	Purchases	(iii)	•780 (2)	
	Discount	(iv)	•280 (2)	1,060
				39,060
<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				••4,190 (2)

- 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

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- \*\* Accept student's own wording if equivalent meaning conveyed.
- \*\* Accept other appropriate material.