

---

**Amber Ltd**

---

---

**Company Accounts**

---

---

**2007**

---

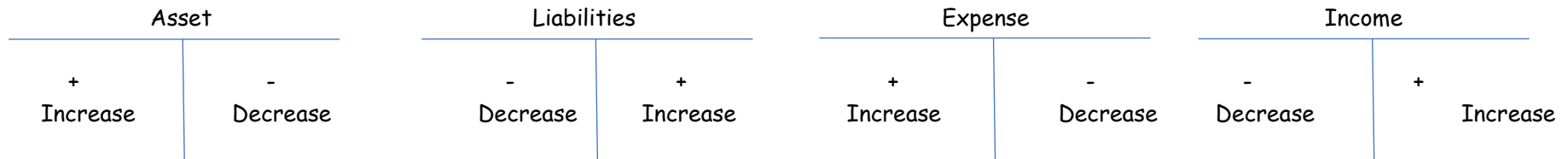
---

**Support Material**

---

**VERY IMPORTANT FOR DOUBLE ENTRY**

1. There are 4 different types of accounts - Assets, Liabilities, Expenses and Income
2. For double entry we do the following to increase and decrease each one of these 4 different accounts
  - a. Assets - to increase an asset we put the figure on the debit side and to decrease an asset put in on the credit side
  - b. Liabilities - to increase a liability we put the figure on the credit side and to decrease a liability we put the figure on the debit side
  - c. Expense- to increase an asset we put the figure on the debit side and to decrease an asset put in on the credit side
  - d. Income - to increase a liability we put the figure on the credit side and to decrease a liability we put the figure on the debit side



**TIP** - If you are finding it hard to remember if an item goes on the debit side or credit side have a look at the Trial balance in Question 1. The trial balance gives you a list of debits and credit balance

Expense		Income	
Due	Current Liability (has be to paid - we owe it)	Due	Current Asset (We are owed it)
Prepaid	Current Asset (We have it paid already)	Prepaid	Current Liability (We have received the money, now we owe it to the business)

### Adjustment (i) - Closing Stock

#### Steps to this adjustment

1. Reduce the closing stock figure by the damage stock figure.
2. Increase the Closing Stock figure with the Net Realisable Value.

#### Accounts to be adjusted

Closing Stock
---------------

W1 Closing Stock

Decrease by damage figure.

Increase by NRV figure

T &amp; BS CA

### Adjustment (ii) - Investment Income and Patents

#### Steps to this adjustment

1. Calculate how much the Investment income has been paid (Incorporate in patents)
2. Calculate investment income due.
3. Take investment income out of patents (Add on) to find the patents figure and find out how much is to be written off.
4. Recalculate the patents figure.

#### Accounts to be adjusted

Investment Income
Patents

W2 Investment Income

Add OI

W3 Investment Income Due

BS CA

W4 Patents Written Off

P &amp; L (a)

W5 Patents

(BS IA)

### Adjustment (iii) - Depreciation of Fixed Assets

#### Steps to this adjustment

1. Calculate the Value of the Fixed Assets (Vans)
2. Calculate the Accumulate Depreciation for the Fixed Asset (Vans)
3. Calculate the Depreciation for This year
4. Calculate is a profit or loss has been made,
5. Adjust the purchase with the net amount (Value of the asset - allowance)

Support Material		Amber Ltd
Question 1		2007
<b><u>Accounts to be adjusted</u></b>	W6 Value of Fixed Asset	BS FA
Depreciation of Fixed Assets	W6 Dep of Fixed Asset	BS FA
	W6 Dep This year	P & L (s & d)
	W6 Profit/Loss	Loss - P & L (s & d)
		Profit - Add OI
	W7 Purchases      Decrease by cheque	T

### Adjustment (iv) - Suspense

#### Step to this adjustment (Debenture Interest)

1. Calculate the Debenture interest (for the year)
2. Calculate how much should have been paid for Debenture interest for the first few months.
3. Calculate the Debenture interest due. (No 1 - No 2 above)
4. Adjust the expense that has the suspense included in it in the trial balance.

#### Tip

1. Find out how much the mortgage interest should have been, on the trial balance beside mortgage interest paid add or minus this figure.
2. This will increase the DR side (Remember the DR and CR must equal) so in the expense that has the suspense (on the Trial balance) you will do the opposite to balance the DR and Credit side

#### Step to this adjustment (Discount)

1. Adjust the Discount - because we have left it out of this account but have put it in the Creditors correctly. Reduce the discount by 700.
2. Adjust the expense that has the suspense included in it in the trial balance. (This will be Increase as the CR side is now higher and DR and Cr must equal)

#### Tip

1. On the trial balance beside Discount put -700 this means CR is now Higher (Remember the DR and CR must equal)
2. Now adjust the expense that has the suspense to balance the DR and CR side - +700 to balance the Dr and Cr sides

You now know if you have to add or takeaway the figures in the expense with suspense.

**Accounts to be adjusted**

Suspense
----------

W8 Debenture Interest	Less OI
W9 Debenture Interest Due	BS CL
W10 Expense with suspense	P & L (s & d)
W11 Discount	Add OI

<b>Adjustment (v) - Damage to Store and stock</b>
---

Steps to this adjustment

1. Reduce the Buildings figure by €40000 because this is how much is damaged.
2. Reduce the purchases by €12000 because this is how much in damage by the fire
3. Add €19000 (Labour) and €51000(Materials) onto buildings because buildings has increase by this amount
4. Reduce Salaries by €19000 because we used our own staff and will not pay them twice
5. Reduce Purchase by €51000 but this is how much of our own stock we used
6. Create a compensation account of €52000 for BS CA

**Accounts to be adjusted**

Damage to store and stock
---------------------------

W11 Building	Decrease by damage figure.	FA BS
W7 Purchases	Decrease by damage figure.	T
W11 Buildings	Increase by figures	FA BS
W12 Salaries	Decrease by figure in Q	Exp (a)
W7 Purchases	Decrease by figure in Q	T
W13 Compensation	Create a account	BS CA

<b>Adjustment (vi) - Bank Statement</b>
---

(i) Steps to this adjustment (Recording Wrong Cheque Figure)

Did Happen	
	760

Fix It	
90	

Should Happen	
	670

## Question 1

2007

1. Find out if the bank is an asset (Dr side) or a liability (Cr Side)
2. Reduce the bank account by 90 (if the bank is on the CR side it is a Bank overdraft (Liability) so this will reduce. If the Bank is on the Dr side, it will increase because it is an asset)
3. Increase the creditors by 90 because we did pay them the extra 90

(ii) Steps to this adjustment (Bankrupt)

1. Decrease the bank overdraft by 750 (the figure in the question)
2. Calculate how much the full debts was - take this away from Debtors
3. Calculate how much of the debt not paid and then create a bad debt and this is an Expense (s & d)

(iii) This has not yet been presented for payment so will not affect the bank.

<u>Accounts to be adjusted</u>		Increase/decrease	BS CL
Bank Statement	W 14 Bank	Increase/decrease	BS CL
	W 15 Debtors	Decrease	BS CA
	W 16 Bad Debts		Exp (s & d)

**Adjustment (vii) - Directors Recommendations**
a. Preference Dividend Due

1. Find out how much we have to paid preference dividends for the year.
2. Find out how much dividend we had paid already.
3. Take this away form part 1 to find the due figure

b. Ordinary Dividend due

1. Find out how much we paid already to ordinary shareholders
2. Divide this by the number of shares issued.
3. This will give you how much cent per share we have paid already.
4. Find the difference between the figure in the question and the figure in 3
5. This is how much extra we need to pay.
6. Multiply this figure by the number of ordinary shares issued

## Question 1

2007

c. Investment Income Due

See Adjustment (ii)

d. Debenture Interest due

See Adjustment (iv)

e. Steps to this adjustment (Provision for bad debts)

1. Take the debtors figure and multiply it by the present in the question (make sure to use the most up to date debtors' figure)
2. Then check to see if this provision is an increase or decrease - find the provision for bad debt figure in the question and take away the new provision (part 1)
3. If this figure is an increase - the increase figure goes in the Exp (s & d) if the figure is a decrease - the decrease figure goes in Add Income.

f. Steps to this adjustment (Dep Buildings)

1. Use the new building figure and multiply it by the rate of depreciation.
2. This figure is the P & L (a) and will increase the Acc dep for the BS FA

**Accounts to be adjusted**

Preference Share Due	W17 Preference Shares Due	Less App a/c
Ordinary Share Due	W 18 Ordinary Shares Due	BS CL
Provision for Bad Debts	W 19 Provision for Bad debts	Less App a/c
Dep Building	W 20 Dep Buildings	BS CL
		BS CA
		Exp (a)
		BS FA