Limerick BATAI

Accounting
Revision Seminar

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Company

Question 1

Presented by

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PAST TOPIC - QUESTION 1

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Sole trader	Yes (a)		Yes (a)	Yes			Yes			Yes				Yes		Yes
Company	Yes (b)	Yes (b)			Yes				Yes			Yes				
Company & Manufacturing		Yes (a)	Yes (b)			Yes		Yes			Yes		Yes		Yes	

COMPANY – PAST ADJUSTMENTS

	2023	2022	2019	2015	2012	2007
Sale or return		(i)	(iv)			
Depreciation Delivery Vans	(v)	(ii)	(iii)	(v)	(v)	(iii)
Warehouse / Stock destroyed by fire		(iii)	(ii)		(iv)	(v)
Buildings Depreciation		(iv)		(viii)	(viii)	(vii)
Bank Statement		(v)	(viii)	(vii)	(vi)	(vi)
1. Incorrect figure		(v)			(vi)	(vi)
2. Credit Transfer (Bad debt)	(viii)	(v)			(vi)	
3. Credit Transfer (Recovered Bad debt)		(v)				(vi)
4. Dishonoured Cheque			(viii)			
5. Direct Debit			(viii)			
6. Investment Income				(vii)		
7. Bad Debt				(vii)		
Patents (Investment Income)	(ii)	(vi)	(v)	(ii)	(ii)	(ii)
Investment Income Due	(ix)	(vii)	(ix)	(viii)	(viii)	(vii)
Mortgage / debenture Interest Due	(ix)	(vii)	(ix)	(viii)	(viii)	(vii)
Provision for bad debts	(ix)	(vii)		(viii)		
Transfer Capital		(vii)	(ix)			
Corporation Tax	(ix)	(vii)				
Damage Stock	(i)		(i)	(i)	(i)	(i)

Suspense	(iv)		(vi)	(iii)	(iii)	(iv)
Pay Commission			(ix)	(viii)		
VAT				(iv)		
Advertising Campaign					(vii)	
Adjust Bad debts		(vii)	(ix)	(viii)	(viii)	(vii)
Preference Dividends						(vii)
Final Dividends						(vii)
Goods in Transit	(iii)					
Restocking charge	(iv)					
Revaluation Reserve	(viii)					
Depreciation equipment	(ix)					

PAST COMPNAY ADJUSTMENT

Sale or Return.

1. Stock at cost on 31/12/2021 was €82,800. It was discovered that goods had been received from a creditor on 31/12/2021 on a 'sale or return' basis. These goods had been entered in the books as a credit purchase. The retail value of the goods was €9,250 which included a mark-up on cost of 25%. 2022 - McCormack

2. It was discovered that goods had been sent to a customer on 31/12/2018 on a 'sale or return' basis. These goods had been entered in the books as a credit sale of €7,500 which is a mark-up on cost of 20%. 2019 – Linken Ltd

Back to Table Working

Depreciation Delivery Vans

1. Provide for depreciation on office equipment. A full year's depreciation is charged in the year of acquisition and none in the year of disposal. It is estimated that office equipment has a useful economic life of six years with a residual scrap value of 4% of original cost. Note: On 30/04/2021 equipment which cost €65,000 on 01/10/2017 was traded in against new equipment costing €45,000. An allowance of €23,000 was made on the old equipment. The bank transfer for the net amount of this transaction was entered correctly in the bank account but was incorrectly treated as a purchase of trading stock. This was the only entry made in the books in respect of this transaction. 2022 – McCormack

2. The cost of delivery vans is to be written off on a straight line basis over 5 years. A full year's depreciation is to be charged in the year of acquisition and none in the year of disposal. Delivery vans have a 5% scrap value of the original cost. NOTE: During the year a delivery van which had cost €25,000 in 2016 was traded in for €14,000 against a new delivery van costing €40,000. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock but was entered correctly in the bank account. This was the only entry made in respect of this transaction. 2019 – Linken Ltd

3. Provide for depreciation on delivery vans at the annual rate of 15% of cost from the date of purchase to the date of sale. NOTE: On 31/03/2014 a delivery van which had cost €30,000 on 31/03/2011 was traded in against a new van which cost €56,000. An allowance of €8,000 was given on the old van. The cheque for the net amount of this transaction was entered in the bank account but was incorrectly treated as a purchase of trading stock. These were the only entries made in the books in respect of this transaction

   2015 – Melba Ltd

4. Provide for depreciation on delivery vans at the annual rate of 10% of cost from the date of purchase to the date of sale. NOTE: On 31/3/2011 a delivery van which had cost €28,000 on 30/6/2005 was traded in against a new van which cost €54,000. An allowance of €6,000 was given on the old van. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock. This was the only entry made in the books in respect of this transaction. 2012 – West

5. Provide for depreciation on delivery vans at the annual rate of 12 ½ % of cost from the date of purchase to the date of sale. NOTE: On 31/3/06 a delivery van which had cost €24,000 on 30/6/00 was traded in against a new van which cost €56,000. An allowance of €10,000 was given on the old van. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock. This was the only entry made in the books in respect of this transaction 2007 - Amber

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Warehouse // stock destroyed by fire.

1. During the year a warehouse which cost €120,000 was destroyed by fire. The insurance company has agreed to contribute €115,000 in compensation. 2022 – McCormack

2. During the year, stock which had cost €7,000 was destroyed by fire. The insurance company agreed to pay compensation of €5,100. 2019 – Linken Ltd

3. During the year, stock which had cost €5,000 was destroyed by fire. The Insurance Company agreed to pay compensation of €4,000. The loss is to be treated as a separate item in the profit and loss account. 2012 – West

4. During 2006 a storeroom which cost €40,000 and stock which cost €12,000 were destroyed by fire. A new store was built by the firms own workers. The cost of their labour €19,000 had been treated as a business expense and the materials costing €51,000 were taken from the firms stocks. The insurance company has agreed to contribute €52,000 in compensation for the fire damage. No adjustment had been made in the books in respect of the old or new store. 2007 – Amber

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Working

Buildings Depreciation

1. Buildings are to be depreciated by 2% of cost per annum. 2022 – McCormack

2. Buildings to be depreciated by 2% of cost. 2015 – Melba Ltd

3. Buildings to be depreciated by 2% of cost. 2012 – West

4. Buildings to be depreciated by 2% of cost. 2007 – Amber

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Working

Bank Statement

1. The figure for bank in the trial balance has been taken from the firm's own records. However, a bank statement dated 31/12/2021 has arrived showing an overdraft of €48,950. A comparison of the bank account and the bank statement has revealed the following discrepancies:
    1. A cheque for fees of €4,950 issued to a director had not been presented for payment by 31/12/2021.

2. A cheque for €26,700 issued to a supplier had been entered in the books (cash book and ledger) as €27,600.
3. A credit transfer for €4,500 had been received on 31/12/2021 in respect of a debtor who has recently been declared bankrupt. This represents a first and final payment of 30c for every €1 owed.
4. A credit transfer for €9,000 had been received on 31/12/2021 from a debtor in respect of a debt previously written off as bad. This represents 75% of the original debt. The debtor has agreed to pay the remainder within two months. No entry was made in the books to record this transaction. 2022 – McCormack

2. The figure for bank in the trial balance has been taken from the company's own records. However, a bank statement dated 31/12/2018 has arrived showing an overdraft of €62,280. A comparison of the bank account and the bank statement has revealed the following discrepancies:
   1. A cheque received from a debtor for €5,600 had been dishonoured by the bank. This debtor had been declared bankrupt and had made a credit transfer for a first and final payment of 30c for every €1 euro owed.
   2. A direct debit to a local refuse company for €860 had not been recorded in the company's books.
   3. A cheque for fees of €2,500 issued to a director had not been presented for payment by 31/12/2018. 2019 – Linken Ltd

3. The figure for bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/2014 has arrived showing an overdraft of €46,690. A comparison of the bank account and the bank statement has revealed the following discrepancies:
   1. Two months investment income had been paid directly into the bank.
   2. A payment from a liquidator was received directly into the bank. This represented a first and final payment of 25c in the euro in respect of a debt of €4,000.
   3. A cheque issued to an advertising firm for €560 had not been presented for payment by 31/12/2014. 2015 – Melba Ltd

4. The figure for bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/2011 has arrived showing an overdraft of €31,280. A comparison of the bank account and the bank statement has revealed the following discrepancies:
    1. A cheque for €640 issued to a supplier had been entered in the books (cash book and ledger) as €460.
    2. A credit transfer of €900 had been paid direct to the firm's bank account on behalf of a debtor who has recently been declared bankrupt. This represents a first and final payment of 30c in the €1.
    3. A cheque for fees €1,000 issued to a director had not yet been presented for payment. 2012 – West

5. The figure for bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/06 has arrived showing an overdraft of €43,560. A comparison of the bank account and the bank statement has revealed the following discrepancies:
    1. A cheque for €670 issued to a supplier had been entered in the books (cash book and ledger) as €760.
    2. A credit transfer of €750 had been paid direct to the firm's bank account on behalf of a debtor who has recently been declared bankrupt. This represents a first and final payment of 30c in the €1.
    3. A cheque for fees €400 issued to a director had not yet been presented for payment. 2007 – Amber

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Patents

1. Patents, which incorporate 4 months investment income, are being written off over a five-year period which commenced in 2020. 2022 – McCormack

2. Patents are to be written off over a 5-year period commencing in 2018. 2019 – Linken Ltd

3. Patents, incorporating 4 months investment income, are to be written off over a 5-year period commencing in 2014.
   2015 – Melba Ltd

4. Patents, which incorporated 3 months investment income, are to be written off over a 4 year period commencing in 2011.
   2012 – West

5. Patents, which incorporated 3 months investment income, are to be written off over a 5-year period commencing in 2006.
   2007 – Amber

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Working

Investment Income and Debenture Due.

1. Provision should be made for both investment income due and debenture interest due.
   2022 – McCormack

2. Provision should be made for both investment income due and debenture interest due.
   2019 – Linken Ltd

3. Provision be made for both Investment Income and Debenture Interest due.
   2015 – Melba Ltd

4. Provision be made for both Investment Income and Debenture Interest due.
   2012 – West

5. Provision be made for both Investment income and Debenture Interest due.
   2007 – Amber

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Working

Provision for Bad Debts

1. Provision for bad debts to be adjusted to 3% of debtors. 2022 – McCormack

2. Provision for bad debts to be adjusted to 4% of debtors. 2015 – Melba Ltd

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Transfer Capital

1. A transfer of €250,000 should be made from profit to the capital reserve. 2022 – McCormack

2. A transfer of €10,000 should be made from profit to the capital reserve. 2019 – Linken Ltd

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Corporation Tax

1. Provision for corporation tax of €60,000 is to be recorded. 2022 – McCormack

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Damage Stock

1. Stock at cost on 31/12/2018 was €75,400 – this figure includes damaged stock which cost €6,000 but which now has a net realisable value of 75% of cost. 2019 – Linken Ltd

2. Stocks at 31/12/2014 at cost were €80,400 – this figure includes damaged stock which cost €6,600 but which now has a net realisable value of €3,200. 2015 – Melba Ltd

3. Stocks at 31/12/2011 at cost were €81,200 – this figure includes damaged stock which cost €5,400 but which now has a net realisable value of €2,300. 2012 – West

4. Stocks at 31/12/2006 at cost was € 85,200 – this figure includes damaged stock which cost 6,600 but which now has a net realisable value of €2,600. 2007 – Amber

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Working

Suspense

1. The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct figure had been entered in the bank account) and discount received €460 entered only in the creditors account. 2019 – Linken Ltd

2. The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct entry had been made in the bank account) and discount allowed €400 entered only in the discount account. 2015 – Melba Ltd

3. The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct entry had been made in the bank account) and discount allowed €450 entered only in the discount account. 2012 – West

4. The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct entry had been made in the bank account) and discount received €700 entered only in the creditors account. 2007 – Amber

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Working

Pay Commission

1. The managing director should be paid a bonus commission of 5% on all sales in excess of €1,200,000 2019 – Linken Ltd

2. The managing director should be paid a bonus commission of 3% on all sales in excess of €900,000 and a further 5% in excess of all sales above €1,200,000. 2015 – Melba Ltd

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Working

VAT

1. A new warehouse was purchased during the year for €100,000 plus VAT 13%. The amount paid to the vendor was entered in the buildings account. No entry was made in the VAT account. 2015 – Melba Ltd

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Advertising Campaign

1. The advertising payment is for an 18-month campaign which began on 01/10/2011 2012 – West

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Working

Adjust bad debts.

1. Provision for bad debts to be adjusted to 3% of debtors. 2022 – McCormack
2. Provision for bad debts to be adjusted to 4% of debtors. 2019 – Linken Ltd
3. Provision for bad debts to be adjusted to 4% of debtors. 2015 – Melba Ltd
4. Provision for bad debts to be adjusted to 4% of debtors. 2012 – West
5. Provision for bad debts be adjusted to 4% of debtors. 2007 – Amber

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Working

Preference and Final Dividends

1. The Preference dividend due be paid. 2007 – Amber
2. A final dividend on ordinary shares be provided bringing the total dividend up to 11 cent per share. 2007 – Amber

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Working

Company Accounts Workings

Sale or Return.

Question

Stock at cost on 31/12/2021 was €82,800. It was discovered that goods had been received from a creditor on 31/12/2021 on a 'sale or return' basis. These goods had been entered in the books as a credit purchase. The retail value of the goods was €9,250 which included a mark-up on cost of 25%. 2022 - McCormack

) *Steps to adjustment*

This will affect the following accounts -

Purchases	Decrease	Purchases will decrease as we have not purchased the goods as we can be returned if not sold by use. Decrease by the total cost of the purchases	(P & L T)
Creditors	Decrease	Creditors will decrease as we don't owe use the money as we have not purchased goods on credit from them. Decrease by the total cost of the purchases	(BS CA)
Closing stock	Decrease	Closing Stock will decrease as the goods can be returned and have not been purchased. Need to calculate the cost of the stock (100%)	(P & L / BS CA

NOTE

This can also be asked where you will have to adjust the sales and debtors figures.

125%	=	€9,250	Taken form the Question
1%	=	€9,250 / 125	
	=	€74	
100%	=	€74 * 100	
	=	€7,400	

Working 1 – Closing Stock

Amount	€82,800	As per the question.
SoR	(€7,400)	See working above.
	€75,400	P & L (T) / BS CA

Working 2 – Purchases

Amount	€905,000	As per the Trial Balance
SoR	€7,400	See working above.
	€897,600	P & L (T)

Working 3 – Creditors

Amount	€81,500	As per Trial Balance
SoR	€7,400	See working above.
	€74,100	BS CL

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Question

It was discovered that goods had been sent to a customer on 31/12/2018 on a ‘sale or return’ basis. These goods had been entered in the books as a credit sale of €7,500 which is a mark-up on cost of 20%.

2019 – Linken Ltd

Note – Closing stock is €73,900.

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Depreciation Delivery Vans

Question

Provide for depreciation on office equipment. A full year's depreciation is charged in the year of acquisition and none in the year of disposal. It is estimated that office equipment has a useful economic life of six years with a residual scrap value of 4% of original cost. Note: On 30/04/2021 equipment which cost €65,000 on 01/10/2017 was traded in against new equipment costing €45,000. An allowance of €23,000 was made on the old equipment. The bank transfer for the net amount of this transaction was entered correctly in the bank account but was incorrectly treated as a purchase of trading stock. This was the only entry made in the books in respect of this transaction. 2022 - McCormack

Steps to this adjustment

This will affect the following accounts -

Fixed Assets	Increase	Calculate the Value of the Fixed Assets (office) by taken away the value of the van sold (disposal) and adding the value of the van bought (BS TA)
Accumulated Dep	Increase / Decrease	Calculate the depreciation on the van that we just sold and reduce the Accumulated Dep account (Disposal). Then calculate the Depreciation for This year and increase the accumulated dep account (P & L) Then balance the account to find the accumulated dep figure for the year (BS TA)
Disposal		Calculate if a profit or loss has been made. If the balance is on the debit side, it is a profit and if the balance is on the credit side it is a loss (P & L Profit add OI) (P & L Loss Exp)

Purchases	Decrease	Adjust the purchase with the cheques amount / the net amount (Value of the asset – allowance) (P & L T)

Explanation

Fixed Assets	Increase	The van account will decrease (Credit) with the value of the van we sold as we don't have that van anymore. (The corresponding debit will be in the disposal account). We also need to increase (debit) the van account with the van we bought as the value of our vans have increased. Remember the opening balance will be taken form the trial balance.
Accumulated Dep	Increase / Decrease	1. The accumulated dep account is an asset with a credit balance. We will need to reduce this account with the depreciation for the van we just sold (we will need to calculate this figure) (debit). The corresponding credit will go in the disposal account. 2. We also need to calculate the depreciation on the value of the vans for this year. This will be the expense for the profit and loss (credit) 3. Then we need to balance the account to calculate the accumulate depreciation figure for the balance sheet 4. Remember the opening balance will be taken form the trial balance
Disposal		Calculate if a profit or loss has been made. These will be the double entry form the other accounts. If the balance is on the debit side, it is a profit and if the balance is on the credit side it is a loss.
Purchases	Decrease	Adjust the purchase with the cheques amount / the net. amount (Value of the asset – allowance)

Working 4 – Depreciation Equipment

Equipment

Bal – taken form the Trail Balance

Disposal – Value of equipment sold in the question.

Bank – Value of the car bought in the question.

Bal - €440,000 is the balance figure in the account.

This is the figure that will go in the BS for Cost of Motor Vehicles

Bal	€460,000	Disposal	€65,000
Bank	€45,000	Bal c/d	**€440,000**
	€505,000		€505,000
Bal b/d	**€440,000**		

Acc Dep Equipment

Disposal	€41,600	Bal b/d	€103,000
Bal c/d	€131,800	P & L	**€70,400**
	€173,400		€173,400
		Bal b/d	€131,800

Disposal

Equipment	€65,000	Disposal	€41,600
		Trade in	€23,000
		P & L	**€400**
	€65,000		€65,000

Bal – taken form the Trail Balance (Might need to be calculates cost – figure in the trial balance)
Disposal – The dep on the vehicle sold (see calculation)
P & L – The dep on all the vehicles the business has this year (see calculation). (S & D)
Bal - €131,800 is the balance figure in the account. This will go in the BS for Cost of Office Equipment

Vehicle - Double entry from the Vehicle Account
Acc Dep – Double entry from the Acc Dep Account
Allowance – Taken from the question.
P & L (Bal) – The dep on all the vehicles the business has this year (see calculation). (S & D)
NOTE – if the balance is on the dr side it is an income and if the balance figure is on the cr side it is a loss.

NOTE – The depreciation in the question was Scrap Value. This means that the equipment will have a value when it is sold. This value is 4% of cost of the equipment.

This year Dep

€440,000 * 4%
= €17,600

€440,000 - €17,600
= €422,400

€422,400 / 6 years
= €70,400

Depreciation on equipment sold

€65,000 *4%
= €2,600

€65,000 - €2,600
= €62,400

= €62,400 / 6 years
= €10,400

= €10,400 * 4 years
= €41,600

<u>Working 5 – Purchases</u>

Purchase is €897,600 from a previous adjustment (SoR)

Amount	€897,600	
Cheque	(€22,000)	(45,000 - €23,000)
	€875,600	**T**

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Question

The cost of delivery vans is to be written off on a straight-line basis over 5 years. A full year's depreciation is to be charged in the year of acquisition and none in the year of disposal. Delivery vans have a 5% scrap value of the original cost. NOTE: During the year a delivery van which had cost €25,000 in 2016 was traded in for €14,000 against a new delivery van costing €40,000. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock but was entered correctly in the bank account. This was the only entry made in respect of this transaction. 2019 – Linken Ltd

Calculate the Delivery Van, Accumulate Dep on Delivery Vans, this year P & L for Delivery Vans and if a profit or loss was made. Identify where each of these go.

Purchases are €1,0380,000

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Warehouse // stock destroyed by fire.

Question

During the year a warehouse which cost €120,000 was destroyed by fire. The insurance company has agreed to contribute €115,000 in compensation. 2022 - McCormack

Steps to adjustment

This will affect the following accounts –

Buildings	Decrease	Decrease building because they were destroyed by fire and not worth €120,000 any more
P & L		Calculate if a profit or loss way made on the insurance claim. Take the compensation figure away form the amount that was destroyed (€120,000 - €115,000). If it is a profit if goes in the add income section of the profit and loss account but if it is a loss it goes in the expense section of the Profit and loss under administration.
Compensation		Create a compensation account with the amount of compensation the insurance company will pay (€115,000)

Working 5 – Warehouse destroyed

Amount	€1,760,000	as per Trial Balance
Fire	€120,000	as per the question
	€1,640,000	**BS TA**

Working 6 – Profit & Loss

Amount	€120,000	as per the question.
Compo	€115,000	as per the question
Loss	**€5,000**	**loss on fire**

Working 7 - Compensation

Amount	**€115,000**	**BS CA**

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Question

During the year, stock which had cost €7,000 was destroyed by fire. The insurance company agreed to pay compensation of €5,100.

2019 – Linken Ltd

Using the above information calculate the value of

1. **Purchase if they are worth €1,019,000.**
2. **If a profit or loss was made**
3. **The compensation**

Also identify where they go.

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Buildings Depreciation

Question

Buildings are to be depreciated by 2% of cost per annum. 2022 - McCormack

Working 8 – Depreciation on Buildings

Amount	€640,000	as per the TB.
Rate	2%	as per the Question

€640,000 * 2%

= **€12,800** **P & L (A) / BS TA**

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Question

Buildings to be depreciated by 2% of cost. 2015 – Melba Ltd

Calculate the building depreciation (NOTE – the buildings figure is €700,000 after the error with VAT)

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Bank Statement

Question

The figure for bank in the trial balance has been taken from the firm's own records. However, a bank statement dated 31/12/2021 has arrived showing an overdraft of €48,950. A comparison of the bank account and the bank statement has revealed the following discrepancies:

1. A cheque for fees of €4,950 issued to a director had not been presented for payment by 31/12/2021.
2. A cheque for €26,700 issued to a supplier had been entered in the books (cash book and ledger) as €27,600.
3. A credit transfer for €4,500 had been received on 31/12/2021 in respect of a debtor who has recently been declared bankrupt. This represents a first and final payment of 30c for every €1 owed.
4. A credit transfer for €9,000 had been received on 31/12/2021 from a debtor in respect of a debt previously written off as bad. This represents 75% of the original debt. The debtor has agreed to pay the remainder within two months. No entry was made in the books to record this transaction. 2022 - McCormack

1. *Cheque not presented for payment.*

For this adjustment we don't do anything because the cheque has not been presented for payment. This means no money has left our bank account. We don't do anything with this error until the cheque had been presented for payment.

2. *Recording the incorrect figure in the bank account*

For this adjustment we do the following

1. Find out what the difference is between what should have been recorded and what was recorded (€27,600 - €26,700 = €900)
2. We need to increase the creditors figure by €900 as we have recorded that we have paid them an extra €900 but have not.
3. We need in decrease the bank overdraft as we have paid and extra €900.

Working 9 – Bank

Amount	€68,300	Bank overdraft as per TB
Cheque	(€900)	€27,600 - €26,700 (we recorded we paid and extra €900)
	€67,400	

Working 3– Creditors

Creditors are €74,100 due to SoR (€74,100)

Amount	€74,100	As per Working 3 (Previous working)
Cheque	€900	As per Working 9 (we have recorded we paid an extra €900)
	€75,000	

3. *Bad Debt (Final Payment)*

For this adjustment we do the following

1. Decrease the bank overdraft by the amount of money that the business receives.
2. Decrease the debtors with the fill amount of the debt (100%)
3. Create a bad debt with the amount of money that the business will not receive (the 100% figure less the amount the business has received)

NOTE – you must find the 100% of the debt.

30%	=	€4,500
1%	=	€4,500 / 30
	=	€150
100%	=	€150 * 100

	=	€15,000

Working 9 – Bank

Amount	€68,300	As per working 9 (Part 2)
Bad Debt	(€4,500)	As per the question.
	€62,900	

Working 10 – Debtors

Amount	€249,800	As per the Trial Balance
Bad Debt	(€15,000)	As per the question.
	€234,800	BS CA

Working 11 – Bad debt

Debt	€15,000	See calculation above.
Received	(€4,500)	as per the question.
	€10,500	**P & L (S & D)**

4. *Bad Debt Recovered*

For this adjustment we do the following

1. Decrease the bank overdraft as this money has been received.
2. Increase the debtors figure with the figure that is left to me repaid
3. Created a bad debt recovered with the 100% of the debt.

NOTE – you must find the 100% of the debt recovered.

75%	=	€9,000
1%	=	€9,000 / 75
	=	€120
100%	=	€120 * 100
	=	€12,000

Working 9 – Bank

Amount	€62,900	As per working 9 (Part 3)
Bad Debt	(€9,000)	As per the question.
	€53,900	BS CL

Working 10 – Debtors

Amount	€234,800	As previous adjustment w10.
Bad Debt	€3,000	(€12,000 - €9,000)
	€237,800	**BS CA**

Working 12 – Bad Debt Recovered

Bad debt Recovered	**€12,000**	**P & L (Add OI)**

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Question

The figure for bank in the trial balance has been taken from the company's own records. However, a bank statement dated 31/12/2018 has arrived showing an overdraft of €62,280. A comparison of the bank account and the bank statement has revealed the following discrepancies:

1. A cheque received from a debtor for €5,600 had been dishonoured by the bank. This debtor had been declared bankrupt and had made a credit transfer for a first and final payment of 30c for every €1 euro owed.
2. A direct debit to a local refuse company for €860 had not been recorded in the company's books.
3. A cheque for fees of €2,500 issued to a director had not been presented for payment by 31/12/2018.

2019 – Linken Ltd

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Patents

Question

Patents, which incorporate 4 months investment income, are being written off over a five-year period which commenced in 2020. 2022 - McCormack

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.

Explanation

Someone has recorded investment income (which is an income) with the patents (which is an asset)

1. Calculate how much the Investment income has been paid (Incorporate in patents) - Find the investment figure * rate * how long we had it - This is the yearly amount that goes is added onto the Operating income (OI)

2. Calculate investment income due. - Find out how many months have been incorporated - Figure from step 1 * how many months incorporated - This will give you the figure for how much we have received for investment income - Take the figure form part 2 away from the figure calculated in part 1
3. Take investment income out of patents (Add on) to find the patents figure and find out how much is to be written off. - Take the figure for investment that was incorporated in patents and add this to the patens figure to take it out of it (Remember the investment income is an income and will go on the cr side and the double entry will be to dr the patents account which is and asset account – this is why you add it on and NOT take it away
4. Recalculate the patents figure by taken the written off figures away from the parents figure

Working – Investment Income

Investment	€75,000 (Taken from the trial balance)
Invested	01/04/2012 (only received 9 months investment this year) (Taken from the trial balance)
Rate	4% (Taken from the trial balance)

€75,000 * 4% * 9/12

= **€2,250** **Add Operating Profit / Income**

Working – Investment Income Due

Of this €2,250 - 4 months have been incorporated in the patents figure (see Trial balance). We need to find out how much this is as we have received it

€2,250 * 4/9	Yearly	€2,250	See working above
= €1,000	Paid	€1,000	See this working
		€1,250	**Due BS CA**

Note - 4 months is how much is incorporated, 9 month is how long we have invested the money for so far, this year.

Working – Patents

Remember Patents is an asset (Dr), Investment Income is an Income (Cr). To take the income out we need to add it onto the Patents (Dr Patents Cr Income)

Amount	€64,000	Taken form the trial balance.
Income	€1,000	See working above.
	€65,000	
Written off	€16,250	See next working.
	€48,750	**BS IA**

Working – Patents Written Off

€65,000 / 4 years

= €16,250 P & L Exp (A)

€65,000	Patents working
4 years	Taken form the question.

NOTE – The written off period started in 2020 this was last year so we divide by 4 years instead of 5 years.

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Question

Patents are to be written off over a 5-year period commencing in 2018. 2019 – Linken Ltd

Using the information above, calculate the following and say where they go -

1. **Investment Income**
2. **Investment Income Due**
3. **Parents**
4. **Patents Written off**

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Investment Income Due and Debenture Interest Due

Question

Provision should be made for both investment income due and debenture interest due.

2022 - McCormack

Investment Income Due

NOTE – This adjustment can be completed as part of the patents working (if there is one in the question)

Steps to this adjustment

1. Calculate how much the Investment income has been paid for the year. This will be added to your operating income.
2. Check to see if we received any investment income. This will be in the trial balance

3. Take the investment income for the year (step 1) and the income we have receive (Step 2) and taken them away from each other (step 1 – step 2). This will give you the investment income due figure that goes in the BS CA

Working – Investment Income

Investment	€75,000 (Taken from the trial balance)
Invested	01/04/2012 (only received 9 months investment this year) (Taken from the trial balance)
Rate	4% (Taken from the trial balance)

€75,000 * 4% * 9/12

= **€2,250** **Add Operating Profit / Income**

Working – Investment Income Due

Of this €2,250 - 4 months have been incorporated in the patents figure (see Trial balance). We need to find out how much this is as we have received it

€2,250 * 4/9	Yearly	€2,250	See working above
= €1,000	Paid	€1,000	See this working
		€1,250	**Due BS CA**

Note - 4 months is how much is incorporated, 9 month is how long we have invested the money for so far, this year.

Debenture Interest due

NOTE – The steps involved in this adjustment is the very same as the mortgage interest due working and this working can be done as part of the suspense working

Steps to this adjustment

1. Find out the debenture interest for the year (take the figure in the Trial Balance away from the extra debenture bought during the year)
2. Find the debenture interest for the new debenture bought during the year.
3. Add these two figures together. This figure will go in the Profit and loss account taken away at the end of the profit and loss account.
4. Then have a look at the trail balance to see if were paid and debenture interest.

<u>Working – Debenture Interest</u>

Note – Watch out for the debenture use the figure in the trial balance and take away the figure for the mortgage that was bought during the year.

Amount	€3000,000	Taken from the trial balance. (€360,000 - €60,000)	
Additional	<u>€60,000</u>	Taken from the trial balance.	
	€360,000		
€300,000 * 6%		€18,000	
€50,000 * 6% * 7/12		<u>€2,100</u>	
		€20,100	**Less OI**

<u>Working 13 – Mortgage Interest Due</u>

Amount	€20,100	See working above.
Paid	<u>(€7,500)</u>	Taken form the Trial balance.
	€12,600	**BS CL**

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Question

Provision should be made for both investment income due and debenture interest due.

2019 – Linken Ltd

Investment Income Due

Using the above information calculate

1. **the investment income and**
2. **debenture interest due figures and**

say where they go.

Debenture Interest due

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Investment Income Due

Debenture Interest Due

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Provision for Bad Debts

Question

Provision for bad debts to be adjusted to 3% of debtors. 2022 - McCormack

Steps to this adjustment

1. Use the Debtors figure (remember to use the up-to-date figure. The debtors might have been adjusted in another adjustment)
2. Multiply the debtor's figure by the rate in the question. This will give you the new provision for Bad debts that goes in the BS as a CA
3. You then need to find out if this provision is an increase or a decrease -
   a. Increase – this is an extra expense for the company, so it goes in the P & L as a S & D Expense). It is money we are not going to get from debtors so the business will have to pay the expense.

b. Decrease – This is extra income we didn't think we were going to get. More debtors are going to pay so it will be added to the operating income.

<u>Working – Provision for Bad debts</u>

Debtors	**€237,800**	**BS CA** Working 10 (Part of the bank adjustment)
Rate of Provision	3%	

€237,800 * 3%

= **€7,134** New Provision **Taken away from Debtors in the BS**

Old Provision	€7,000	Taken from Trial Balance
New Provision	<u>€7,134</u>	see working above.
	€134	Increase in the provision

As this is an increase in the provision the increase (€134) will go in as a Selling and Distribution expense)

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Question

Provision for bad debts to be adjusted to 4% of debtors. 2015 – Melba Ltd

Using the information above and calculate

1. **the provision for bad debts**
2. **If this is an increase or decrease**

3. Where do the figures go

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Transfer Capital

Question

A transfer of €250,000 should be made from profit to the capital reserve. 2022 - McCormack

Steps to this adjustment

1. At the end of the profit and loss account after retained profit (Profit after tax). We take the amount that has to be transferred to the capital reserve aways form this figure. (€250,000)
2. In the balance sheet in the Finance By section create a capital reserve account and add the €250,000 to the issued share capital figure

Working – Capital Reserve

€250,000 P & L (Less Retained Profit) / BS FB

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Question

A transfer of €10,000 should be made from profit to the capital reserve. 2019 – Linken Ltd

Calculate the Capital reserve to go in the profit and loss and balance sheet

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Corporation Tax

Question

Provision for corporation tax of €60,000 is to be recorded. 2022 - McCormack

Steps to this adjustment

1. At the end of the profit and loss account after profit before tax. We take the tax amount figure in the question (€60,000) and take it away from the figure you get when to take debenture interest away.
2. As this is taxation due, we also include the figure (€10,000) in the balance sheet in the creditors die within one year.

Working – Taxation Due

€10,000 P & L (Less Retained Profit) / BS CL

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Damage Stock

Question

Stock at cost on 31/12/2018 was €75,400 – this figure includes damaged stock which cost €6,000 but which now has a net realisable value of 75% of cost. 2019 – Linken Ltd

Steps to this adjustment

1. Reduce the Stock by the damaged stock figure in the question.
2. Then add on the NRV value of the stock. Sometimes this figure will have to be calculated.

Working – Closing Stock

Amount	€75,400	As per the question.
Damaged stock	(€6,000)	As per the question.

	€69,400		
NRV	€4,500	€6,000 * 75%	As per the question.
	€73,900	**P & L T**	

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Question

Stocks at 31/12/2014 at cost were €80,400 – this figure includes damaged stock which cost €6,600 but which now has a net realisable value of €3,200. 2015 – Melba Ltd

Working – Closing Stock

Using the information above calculate the Closing stock figure

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Suspense

Question

The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct figure had been entered in the bank account) and discount received €460 entered only in the creditors account.

2019 – Linken Ltd

Step to this adjustment (Debenture Interest)

1. Calculate the mortgage 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 debenture interest should have been, on the trial balance beside debenture 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 as the creditors have been adjusted correctly. If the figure is on the debit side it a discount allowed and an expense but if the discount is on the credit side it is a discount received and an income
2. Adjust the expense that has the suspense included in it in the trial balance. (This will be increased as the CR side in now higher and DR and Cr must equal)

Tip

1. On the trial balance beside discount put +460 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 - +460 to balance the Dr and Cr sides

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

Working – Debenture Interest

Note – Watch out for the mortgage use the figure in the trial balance and take away the figure for the mortgage that was bought during the year.

Amount	€240,000	Taken from the trial balance (€300,000 - €60,000)	
Additional	€60,000	Taken from the trial balance	
	€300,000		
€230,000 * 7%		€16,800	
€50,000 * 57% * 9/12		€3,150	
		€19,950	Less OI
Paid	€6,400	Taken from the Trial Balance	
Should paid	€4,200	€19,500 * 3/12	€4,200
Overpayment	€2,200	Reduce suspense by €2,200.	

Decrease Debenture interest paid by €2,200 to €4,200.

Increase Salary and Expenses Suspense by €2,200

Working – Mortgage Interest Due

Amount	€19,950	See working above.
Paid	(€4,200)	See working above.
	€15,750	BS CL Due

Working – Discount

Discount will increase by €460 (as it is on the credit side)

Amount	€15,500	Taken from the Trial Balance
Paid	€460	Taken from adjustment (vi)
	€15,960	P & L add operating income.

Remember to take reduce the expense that has the suspense included.

Working – Salaries and general expenses (Suspense)

Amount	€243,100	Taken form the Trial Balance
Debenture	€2,200	Taken from adjustment (vi)
Discount	€460	Taken from adjustment (vi)
	€245,760	BS P & L exp (a)

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Question

The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct entry had been made in the bank account) and discount allowed €400 entered only in the discount account.

2015 – Melba Ltd

Working – Debenture Interest

Note – Watch out for the mortgage use the figure in the trial balance and take away the figure for the mortgage that was bought during the year.

Amount	€400,000	Taken from the trial balance		
€400,000 * 8%		€32,000	Less OI	
Paid	€16,200		Taken from the Trial Balance	
Should paid	€16,000		€32,000 * 6/12	€16,000
Overpayment	€200	`	Reduce suspense by €200.	

Decrease Debenture interest paid by €200 to €16,000

Increase Salary and Expenses Suspense by €200

Working – Mortgage Interest Due

Amount	€32,000	See working above.
Paid	(€16,000)	See working above.
	€16,000	BS CL Due

Working – Debtors

Debtors will decrease as we have given a discount to debtors but not recorded it

Amount	€99,200	Taken from the Trial Balance
Paid	(€400)	Taken from adjustment (vi)
	€98,800	P & L add operating income.

Remember to take reduce the expense that has the suspense included.

Working – Salaries and general expenses (Suspense)

Amount	€231,100	Taken form the Trial Balance
Debenture	€200	Taken from adjustment (vi)
Debtors	€400	Taken from adjustment (vi)
	€231,700	BS P & L exp (a)

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Pay Commission

Question

The managing director should be paid a bonus commission of 5% on all sales in excess of €1,200,000

2019 – Linken Ltd

Steps to this adjustment

1. Using the sales figure (make sure to use the UpToDate sales figure)
2. Find the excess of on the sales (€1,582,500 - €1,200,000)
3. Use this figure to calculate the excess on commission. This figure will go the in the profit and loss and he balance sheet.

Working – Sales Commission

Amount	€1,582,500	From working 5
Excess	€1,200,000	From the Question
	€382,500	

€382,500 * 5%

= €19,125 P & L (a) / BS CL

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Question

The managing director should be paid a bonus commission of 3% on all sales in excess of €900,000 and a further 5% in excess of all sales above €1,200,000. 2015 – Melba Ltd

Using the information about calculate the sales commission.

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Advertising Campaign

Question

The advertising payment is for an 18-month campaign which began on 01/10/2011

2012 – West

Steps to this adjustment

1. Need to find out how much of the advertising campaign is the expense for this year (P & L S & D)
2. Need to find out how much of the advertising campaign is the prepaid amount for next year (BS CA

Explanation

The business has and advertising campaign running for 18 months but it starts on the 01/10/2011.

1. To calculate the expense for this year we need to find out how many months are for this year – (Oct, Nov and Dec – 3 months). So, we need to multiple €4,800 (taken from the trial balance) by 3/18
2. To calculate the prepaid amount, we taken the figure calculated in the step above away from €4,800.

<u>Working – Advertising</u>

Advertising amount	€4,800	Taken from the trial balance.
Length of campaign	18 months	Taken from the adjustment

€4,800 * 3 / 18

<u>€800</u>	P & L S & D
€4,000	BS CA

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Adjust bad debts.

Question

Provision for bad debts to be adjusted to 3% of debtors. 2022 - McCormack

Steps to this adjustment

1. Use the Debtors figure (remember to use the up-to-date figure. The debtors might have been adjusted in another adjustment)
2. Multiply the debtor's figure by the rate in the question. This will give you the new provision for Bad debts that goes in the BS as a CA
3. You then need to find out if this provision is an increase or a decrease

a. Increase – this is an extra expense for the company, so it goes in the P & L as a S & D Expense). It is money we are not going to get from debtors so the business will have to pay the expense
b. Decrease – This is extra income we didn't think we were going to get. More debtors are going to pay so it will be added to the operating income

<u>Working – Provision for Bad debts</u>

Debtors	€237,800	BS CA Working 10 (Part of the bank adjustment)
Rate of Provision	3%	

€237,800 * 3%

= €7,134 New Provision Taken away from Debtors in the BS

Old Provision	€7,000	Taken from trial balance.
New Provision	<u>€7,134</u>	see working above
	€134	Increase in the provision

As this is an increase in the provision, the increase (€134) will go in as a Selling and Distribution expense)

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Question

Provision for bad debts to be adjusted to 4% of debtors. 2019 – Linken Ltd

Calculate the new provision if the debtor's figure is €90,700

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Preference and Final Dividends

Question

The Preference dividend due be paid. 2007 – Amber

Steps to this adjustment

1. Calculate the preference dividend to be paid. Take the preference shares and multiple it by the rate.
2. Check to see if any of the preference dividend have been paid (Trial Balance)
3. Take these away from each other to find out what the preference dividend due is.

Working – Preference Dividends

Amount	€400,000	€40,000	see below.	
Rate	10%	€20,000	see below.	P & L App
		€20,000	Due	BS CL

€400,000 * 10%

= €40,000

As preference dividends have to be paid. In the trail balance it says 6 months paid so we have paid €20,000 in preference dividends (€40,000 / 2 = €20,000)

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Question

A final dividend on ordinary shares be provided bringing the total dividend up to 11 cent per share.

2007 – Amber

Steps to this adjustment

1. Find out if an ordinary dividend has been paid (Preference dividend -Dividends paid)
2. Use this figure and dividend it by how many shares have been issued to get the dividend per share.
3. Now find the difference between the dividend per share and the new dividend per share and multiple if by the number of shares

Working – Final Dividend

Interim Dividend Paid	€48,000	As per Question
Preference Dividend	€20,000	€400,000 * 10% = €40,000 / 2 = €20,000
Ordinary Dividend	€28,000	

Issued shares	800,000	As per the Question
Ordinary Dividends paid	€28,000	See working above.

800,000 / 20,000 = 3.5 cent per share

What to increase it to 11cent per share. This means the increase is –

11 cent	as per the question.
(3.5) cent	see working above.
7.5 cent	increase per share.

7.5 * 800,000 shares

= **€60,000** **P & L App / BS CL**

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