
Limerick BATAI

Accounting Revision Seminar

**Saturday
11.05.2024**

Sole trader

Question 1

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STRUCTURE OF THE DAY

Session 1

Question 1 Sole-trader
 120 marks
 30% of the total paper

Session 2

Question 5 Interpretation of Accounts
 100 marks
 25% of the total paper

Session 3

Question 9 Flexible Budgets
 80 marks
 20% Of the paper

Questions and Answers

EXAM PAPER

1. The Higher-level paper is marked out of 400
2. 3 Hour paper
3. There are 3 sections

Section 1	Section 2	Section 3
120 Mark Questions	100 Mark Question	80 Mark Questions
Sole-trader	Interpretation of accounts	Costing
Company account	Club Accounts	Product Costing
Manufacturing account	Service Firms	Job Costing
60 Mark Questions	Cashflow Statement	Stock Valuation
Depreciation of Fixed Asset	Tabular Statements	Overhead Apportionment
Revaluation of Fixed Assets	Published Accounts	Under / over absorption
Creditors Control Accounts	Suspense Accounts	Marginal Costing
Debtors Control Accounts	Incomplete Records (A)	Budgeting
Farm Accounts	Incomplete Records (B)	Cash Budgets
Club Accounts		Production Budgets
Service Firms		Flexible Budgets
Cashflow Statement		
Tabular Statements		
Published Accounts		
Suspense Accounts		
Incomplete Records (A)		
Incomplete Records (B)		

4. Make your answers clear for the examiner – exam scripts will be scanned online; this will make the correction process easier for them.
5. Clearly identify your workings – marks will be awarded for workings (in certain questions) if the figure is wrong in your answer

TIMING

Section 1

Question 1	120 marks	52 minutes
Question 2	60 marks	26 minutes
Question 3	60 marks	26 minutes
Question 4	60 marks	26 minutes

Answer 1 one 120-
mark question **or** any
2 60-mark question

Section 2

Question 5	100 marks	44 minutes
Question 6	100 marks	44 minutes
Question 7	100 marks	44 minutes

Answer any 2
100-mark question

Section 3

Question 8	80 marks	35 minutes
Question 9	80 marks	35 minutes

Answer either
Question 8 or 9

5 Minutes to read the paper

Additional Supports

Click the link to get access to additional resources

[Profit and Loss Layout](#)

[Balance Sheet Layout](#)

[Past Exam papers, marking scheme, workings, step by step booklet and video](#)

If there is something missing or you would like added please e-mail at
jason.ryan@holyfaithclontarf.com

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	

SOLETRADER – PAST ADJUSTMENTS

Adjustments	2023	2021	2020	2017	2014	2010	2008	2006
<u>Closing Stock</u>	(i)	(i)	(i)	(i)		(i)		
<u>Sale or Return</u>		(ii)						
<u>Depreciation Delivery Vans</u>	(iii)	(iii)	(iii)	(ii)	(ii)	(iii)	(ii)	(ii)
<u>Stored Destroyed</u>		(iv)						
<u>Build a New Store</u>		(iv)						
<u>Depreciation of buildings</u>		(v)	(v)	(vii)			(vii)	
<u>Revaluation Reserve</u>	(vii)	(v)	(v)	(vii)			(vii)	
<u>Suspense</u>	(iv)	(vi)	(vi)	(iii)	(iii)	(iv)	(iii)	(iii)
<u>Bank</u>	(viii)	(vii)	(vii)	(vii)				
<u>Investment Income Due</u>	(ix)	(viii)	(viii)	(v)				
<u>Mortgage Interest Due</u>	(ix)	(viii)	(viii)	(v)	(v)	(vi)		(v)
<u>Provision for bad debts</u>	(ix)	(viii)	(ix)					(viii)
<u>Goods in Transit</u>	(ii)		(ii)	(ix)	(i)		(i)	(i)
<u>VAT Warehouse</u>			(iv)					(vi)
<u>Patents Incorporated</u>	(v)			(iv)	(vii)	(ii)	(vi)	(iv)
<u>Creditors Paid with equipment</u>				(vi)				
<u>Bad Debt Recovered</u>				(vii)	(ix)	(ix)	(ix)	

Goods for Private Use	(vi)			(x)	(viii)		(viii)	
Restocking charge					(iv)	(v)	(iv)	
Advertising Campaign						(viii)		
Depreciation of equipment	(ix)							

PAST SOLE TRADER ADJUSTMENT

Closing Stock

1. Stock at cost on 31/12/2022 was €82,600. This figure includes damaged stock which cost €5,800 but which now has a net realisable value of 75% of cost. [2023 – V. Leahy](#)
2. Stock at cost on 31/12/2020 was €72,100. This figure includes damaged stock which cost €12,400 but which now has a net realisable value of 25% of cost. [2021 – A. Kenny](#)
3. Stock at cost on 31/12/2019 was €69,800. This figure includes water damaged stock which cost €10,600 but which now has a net realisable value of 15% of cost. [2020 – S. Heighway](#)
4. Stock on 31/12/2016 at cost €76,500. This figure includes damaged stock which cost €4,500 and now has a net realisable value of €3,000. [2017 – M. Mullen](#)
5. Stock at 31/12/2009 at cost was €75,400. This figure includes damaged stock which cost €8,200 but which now has a net realisable value of €3,400. [2010 – Nora O'Connell](#)

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[Workings](#)

Sale or Return

1. Goods were sent to a customer on a 'Sale or Return' basis on 31/12/2020. These goods were recorded in the books as a credit sale of €28,000 which is a mark-up on cost of 25%.

[2021 – A. Kenny](#)

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[Workings](#)

Depreciation of Delivery Vans

1. Provide for depreciation on delivery vans at the annual rate of 20% of cost from the date of purchase to the date of sale. Note: On 30/09/2022 a delivery van which had cost €35,000 on 30/06/2018 was traded in against a new van which cost €80,000. An allowance of €3,000 was given on the old delivery van. 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. These were the only entries made in the books in respect of these transactions. [2023 – V. Leahy](#)
2. Provide for depreciation on delivery vans at the annual rate of 20% of cost from the date of purchase to the date of sale. Note: On 31/03/2020 a delivery van which had cost €42,000 30/09/2016 was traded in against a new van which cost €67,000. An allowance of €11,000 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. [2021 – A. Kenny](#)
3. Provide for depreciation on delivery vans at the annual rate of 20% per annum on cost From the date of purchase to the date of sale. NOTE: on 31/03/2019 a delivery van which had cost €48,000 on 31/10/2016 was traded in against a new van which cost €64,000. An allowance of €26,000 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. [2020 – S. Heighway](#)
4. Provide for depreciation on delivery vans at the annual rate of 15% of cost from date of purchase to date of sale. NOTE: On 31/3/2016 a delivery van which cost €40,000 on 30/09/2012 was traded in against a new van that cost €48,000. An allowance of €18,000 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. [2017 – M. Mullen](#)

5. Provide for depreciation on vans at the annual rate of 10% of cost from date of purchase to the date of sale. NOTE: On 31/3/2013 a delivery van which cost €40,000 on 30/9/2010 was traded in against a new van which cost €46,000. An allowance of €16,000 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 [2014 – Mike McMahon](#)

6. Provide for depreciation on vans at the annual rate of 12½% of cost from the date of purchase to the date of sale. NOTE: On 31/03/2009 a van, which cost €24,000 on 30/09/2006, was traded in against a new van which cost €48,000. An allowance of €12,000 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. [2010 – Nora O’Connell](#)

7. Provide for depreciation on vans at the annual rate of 15% of cost from date of purchase to date of sale. NOTE: On 31/3/2007 a delivery van which cost €30,000 on 30/9/2004 was traded against a new van which cost €36,000. An allowance of €10,000 was made 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 [2008 – Orla Doran](#)

8. Provide for depreciation on vans at the annual rate of 15% of cost from the date of purchase to the date of sale. NOTE: On 30/4/2005 a delivery van which cost €35,000 on 31/10/2002 was traded against a new van which cost €41,000. An allowance of €15,000 was made 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. [2006 – K. Kelly](#)

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[Working](#)

Storeroom destroyed and new storeroom built

1. During 2020 a storeroom which cost €75,000 and stock which cost €24,000 were Destroyed by fire. The insurance company has agreed to contribute €90,000 in compensation for the fire damage. No entry had been made in the books in respect of the fire. A new storeroom was built by the business's own employees. The cost of their labour €44,000 had been treated as a business expense and the materials costing €38,000 were taken from existing stock. No entry had been made in the books in respect of the new storeroom.

[2021 – A. Kenny](#)

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[Working](#)

Depreciation on Buildings and Revaluation reserve

1. The company revalued the land and buildings at €950,000 on 01/01/2022. The land element of this new value is €200,000. The revaluation has yet to be reflected in the accounts. Buildings are to be depreciated at the rate of 2% of cost per annum.
[2023 – V. Leahy](#)
2. Buildings are to be depreciated at the rate of 2% of cost per annum (land at cost was €400,000) It was decided to revalue the land and buildings at €1,100,000 on 31/12/2020.
[2021 – A. Kenny](#)
3. Buildings are to be depreciated at the rate of 2% per annum on cost (land at cost was €500,000). It was decided to revalue the land and buildings at €900,000 on 31/12/2019.
[2020 – S. Heighway](#)
4. Provide for depreciation on buildings at the rate of 2% of cost per annum. It was decided to revalue the buildings at €800,000 on 31/12/2016.
[2017 – M. Mullen](#)
5. Provide for depreciation on buildings at the rate of 2% of cost per annum. It was decided to revalue the buildings at €720,000 on 31/12/2013
[2014 – Mike McMahon](#)

6. Provide for depreciation on buildings at a rate of 3% of cost per annum. It was decided to revalue the buildings at €850,000 on 31/12/2009. [2010 – Nora O’Connell](#)
7. Provide for depreciation on buildings at the rate of 2% of cost per annum. It was decided to revalue the buildings at €800,000 on 31/12/2007 [2008 – Orla Doran](#)
8. Provide for depreciation on buildings at the rate of 2% of cost per annum. It was decided to revalue the buildings at €1,200,000 on 31/12/2005. [2006 – K. Kelly](#)

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[Working](#)

Suspense

1. The suspense figure arises as a result of the incorrect figure for mortgage interest (although the correct entry had been made in the bank account) and discount received of €600 entered only in the discount account. [2023 – V. Leahy](#)
2. The suspense figure arises as a result of the incorrect figure for mortgage interest (Although the correct entry had been made in the bank account) and a payment of €2,900 to creditors entered only in the bank account. [2021 – A. Kenny](#)
3. The suspense figure arises as a result of the incorrect figure for mortgage interest (Although the correct entry had been entered in the bank account) and a VAT payment of €3,700 entered only in the bank account. [2020 – S. Heighway](#)
4. The suspense figure arises as a result of the incorrect figure for mortgage interest (although the correct figure had been entered in the bank account) and a VAT refund of €2,000 entered only in the bank account. [2017 – M. Mullen](#)
5. The suspense arises as a result of the incorrect figure for mortgage interest (although the correct entry had been made in the bank account) and €2,000 paid towards PAYE, PRSI and USC entered only in the bank account. [2014 – Mike McMahon](#)

7. The suspense arises as a result of the incorrect figure for mortgage interest (although the correct entry had been made in the bank account) and from €1,000 paid towards PAYE and PRSI entered only in the bank account. [2010 – Nora O’Connell](#)

6. The suspense figure arises as a result of the posting of an incorrect figure for Mortgage Interest in the mortgage interest account and discount received €200 entered only in the creditors account. The correct interest was entered in the bank account [2008 – Orla Doran](#)

7. The suspense figure arises as a result of the posting of an incorrect figure for mortgage interest to the mortgage interest account and discount received €700 entered only in the creditors account. The correct interest was entered in the bank account [2006 – K. Kelly](#)

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[Working](#)

Bank

1. The figure for the bank account in the trial balance had been taken from the firm’s own records. However, a bank statement dated 31/12/2022 has arrived showing a bank overdraft of €50,300. A comparison of the bank account and the bank statement has revealed the following discrepancies:
 1. A credit transfer for €1,500 had been received on 31/12/2022 in respect of a debt of €1,700 previously written off as bad. The debtor has agreed to pay the remainder within 2 months. No entry was made in the books to record this transaction.
 2. A cheque for €1,800 issued to a director had not yet been presented for payment. [2023 – V. Leahy](#)

2. The figure for bank in the trial balance has been taken from the business bank account. However, a bank statement dated 31/12/2020 has arrived showing an overdraft of €29,200 .A comparison of the bank account and the bank statement revealed the following discrepancies:
 1. A credit transfer for €1,800 had been received on 31/12/2020 in respect of a debt of €2,500 previously written off as bad. The debtor has agreed to pay the remainder within two months. No entry was made in the books to record this transaction.

2. A cheque for €18,700 issued to a supplier had been entered in the books (cash book and ledger) as €17,800.
3. A cheque for €4,800 issued to a supplier had been returned. This had not been entered in the books.
4. A cheque for advertising €17,200 has not been presented for payment.

[2021 – A. Kenny](#)

3. The figure for bank in the trial balance has been taken from the business bank account. However, a bank statement dated 31/12/2019 has arrived showing an overdraft of €32,000. A comparison of the bank account and the bank statement has revealed the following discrepancies:

1. A credit transfer for €1,000 had been received on 31/12/2019 in respect of a debt of €1,500 previously written off as bad. The debtor has agreed to pay the remainder within two months. No entry was made in the books to record this transaction.
2. A cheque for €16,500 issued to a supplier had been entered in the books (cash book and ledger) as €15,600.
3. A cheque for €2,500 issued to a supplier had been returned. This had not been entered in the books.
4. A cheque for advertising €14,200 has not been presented for payment

[2020 – S. Heighway](#)

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[Working](#)

Investment Income Due

1. Provide for Investment income due [2023 – V. Leahy](#)
2. Provide for Investment income due [2021 – A. Kenny](#)
3. Provide for Investment income due [2020 – S. Heighway](#)
4. Provision to be made for investment income due [2017 – M. Mullen](#)

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[Working](#)

Mortgage Interest Due

1. Provision to be made for Mortgage Interest due
(Note: 20% of mortgage interest for the year refers to the private section of the building.)
[2023 – V. Leahy](#)
2. Provide for mortgage interest due. (Note: 20% of mortgage interest for the year refers to the private section of the building.)
[2021 – A. Kenny](#)
3. Provide for mortgage interest due. (Note: 20% of mortgage interest for the year refers to the private section of the building.)
[2020 – S. Heighway](#)
4. Provision to be made for Mortgage Interest due
[2017 – M. Mullen](#)
5. Provision to be made for mortgage interest due. 25% of the mortgage interest refers to the private dwelling.
[2014 – Mike McMahon](#)
6. Provision to be made for mortgage interest due. 10% of the mortgage interest for the year refers to the private section of the building.
[2010 – Nora O’Connell](#)
7. Provision to be made for mortgage interest due. 20% of the mortgage interest for the year refers to the private section of the building.
[2008 – Orla Doran](#)
8. Provision to be made for mortgage interest due.
[2006 – K. Kelly](#)

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[Working](#)

Provision for bad debt

1. Provision for bad debts is to be adjusted to 6% of debtors
[2023 – V. Leahy](#)
2. Provision for bad debts is to be adjusted to 6% of debtors
[2021 – A. Kenny](#)

3. Provision for bad debts is to be adjusted to 4% of debtors.

[2020 – S. Heighway](#)

4. Provision for bad debts to be adjusted to 3% of debtors.

[2006 – K. Kelly](#)

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[Working](#)

Goods in Transit

1. Goods purchased on credit from a supplier were in transit on 31/12/2022. The invoice for these goods had been received for €15,375 which included VAT at 23%. No record was made in the books in respect of this transaction.

[2023 – V. Leahy](#)

2. No record has been made in the books for ‘goods in transit’ on 31/12/2019. The invoice for these goods was received showing the recommended retail selling price of €24,500, which is cost plus 25%.

[2020 – S. Heighway](#)

3. No record has been made in the books for ‘goods in transit’ on 31/12/2016. The invoice for these goods has been received showing the recommended retail selling price of €16,000 which is cost plus 25%.

[2017 – M. Mullen](#)

4. Stock at 31/12/2013 at cost was €80,000. No record has been made for ‘goods in transit’ on 31/12/2013. The invoice for these goods had been received showing the recommended retail selling price of €4,800 which is cost plus 20%

[2014 – Mike McMahon](#)

5. Stock at 31/12/2007 at cost was €75,000. No record has been made in the books for goods in transit on 31/12/2007. The invoice for these goods had been received showing the recommended retail selling price of €6,000 which is cost plus 25%.

[2008 – Orla Doran](#)

6. Stock at 31/12/2005 at cost was €72,500. No record had been made in the books for ‘goods in transit’ on 31/12/2005. The invoice for these goods had been received showing the recommended retail selling price of €7,000 which is cost plus 25%.

[2006 – K. Kelly](#)

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[Working](#)

VAT (on a warehouse)

1. A new warehouse was purchased during the year for €90,000 plus VAT @ 13.5%. The amount paid to the vendor was entered in the land and buildings account. No entry was made in the VAT account. [2020 – S. Heighway](#)
2. A new warehouse was purchased during the year for €200,000 plus VAT 12.5%. The amount paid to the vendor was entered in the buildings account. No entry was made in the VAT account [2006 – K. Kelly](#)

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[Working](#)

Patents (Incorporate Investment Income)

1. Patents (incorporating 2 months investment income) are being written off over 10 years which commenced in 2020. [2023 – V. Leahy](#)
2. Patent, which incorporates 4 months investment income, is to be written off over a five-year period commencing in 2016. [2017 – M. Mullen](#)
3. Patents, which incorporate 3 months investment income, are to be written off over a five-year period, commencing in 2013. [2014 – Mike McMahon](#)
4. Patents, which incorporate three months investment income received, are to be written off over a five-year period commencing in 2009. [2010 – Nora O'Connell](#)
5. Patents, which incorporate 3 months investment income received, are to be written off over a five-year period, commencing in 2007. [2008 – Orla Doran](#)
6. Patents, which incorporate 3 months investment income, are to be written off over a 5 year period, commencing in 2005. [2006 – K. Kelly](#)

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[Working](#)

Creditor paid with Equipment

1. A creditor who was owed €7,600 accepted office equipment with a book value of €6,500 in full settlement of the debt. The office equipment had cost €11,000. No entry was made in the books in respect of this transaction. Provide for depreciation on office equipment held on 31/12/2016 at the rate of 20% of cost. [2017 – M. Mullen](#)

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[Working](#)

Bad Debt Recovered

1. A cheque for €700 had been received on 31/12/2016 in respect of a debt of €1,200 previously written off as bad. The debtor wishes to continue trading with Mullen and has undertaken to pay the remainder within 1 month. No entry was made in the books in respect of this transaction. [2017 – M. Mullen](#)
2. A cheque for €800 had been received on 31/12/2013 in respect of a debt of €800 previously written off as bad. No entry was made in the books to record this transaction. [2014 – Mike McMahon](#)
3. A cheque for €400 had been received on 31/12/2009 in respect of a debt of €900 previously written off as bad. The debtor has agreed to pay the remainder within one month. No entry was made in the books to record this transaction. [2010 – Nora O'Connell](#)
4. A cheque for €600 had been received on 31/12/2007 in respect of a debt of €1,000 previously written off as bad. The debtor has agreed to pay the remainder within 1 month. No entry was made in the books to record this transaction. [2008 – Orla Doran](#)

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[Working](#)

Goods taken for Private use

1. Goods taken by Leahy for his own personal use during the year were not recorded. The goods had a retail value of €3,600 which is cost plus 20%. [2023 – V. Leahy](#)
2. Goods taken by Mullen for own use during the year were not recorded. These goods had a retail value of €4,800 which is cost plus 20%. [2017 – M. Mullen](#)
3. Goods withdrawn by the owner for private use during the year, with a retail value of €3,000, which is cost plus 25%, were omitted from the books. [2014 – Mike McMahon](#)
4. Goods withdrawn by the owner for private use during the year with a retail value of €2,000 which is cost plus 25% were omitted from the books. [2008 – Orla Doran](#)

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[Working](#)

Restocking Charge

1. Goods with a retail selling price of €15,000 were returned to a supplier. The selling price was cost plus 20%. The supplier issued a credit note showing a restocking charge of 10% of cost price. No entry has been made in respect of the restocking charge. [2014 – Mike McMahon](#)
2. Goods with a retail selling price of €8,400 were returned to a supplier. The selling price was cost plus 20%. The supplier issued a credit note showing a restocking charge of 10% of the cost price. No entry has been made in respect of this restocking charge. [2010 – Nora O'Connell](#)
3. Goods with a retail selling price of €10,000 were returned to a supplier. The selling price was cost plus 25%. The supplier issued a credit note showing a restocking charge of 10% of cost price. No entry has been made in respect of the restocking charge. [2008 – Orla Doran](#)

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[Working](#)

Advertising Campaign

1. The advertising payment is towards a 24 month campaign which began on 01/10/2009

[2010 – Nora O’Connell](#)

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[Working](#)

Depreciation of Equipment

1. Equipment to be depreciated at 10% of cost per annum.

[2023 – V. Leahy](#)

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[Working](#)

SOLETRADER WORKINGS

Closing Stock

Stock at cost on 31/12/2022 was €82,600. This figure includes damaged stock which cost €5,800 but which now has a net realisable value of 75% of cost. [2023 – V. Leahy](#)

Steps to adjustment

Closing Stock	Decrease	Closing Stock will decrease by the damaged amount figure given in the question
	Increase	Closing stock figure will increase by the NRV figure given in the question (This figure might have to be calculated) (P & L T / BS CA)

Explanation

1. The Closing Stock was valued at €82,600 in the question of this, €5,800 was damaged so it is taken away from €82,600 ($€82,600 - €5,800 = €76,800$)
2. It was then realised that of this damaged stock 75% had a value and could be sold ($€5,800 * 75\% = €4,350$) so we add €4,350 onto the figure calculated in 1 above ($€76,800 + €4,350 = €81,150$)

Working 1 – Closing Stock

Cost	€82,600	From the Trial Balance
Damaged Stock	<u>(-) €5,800</u>	Taken form the Question
	€76,800	
NRV	<u>(+) €4,350</u>	Taken form the Question
	€81,150	P & L / BS CA

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Question

Stock at cost on 31/12/2020 was €72,100. This figure includes damaged stock which cost €12,400 but which now has a net realisable value of 25% of cost.

[2021 – A. Kenny](#)

Working 1 – Closing Stock

Cost	From the Trial Balance
Damaged Stock	Taken form the Question
NRV	Taken form the Question
	P & L / BS CA

TUTORIAL VIDEO



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Sale or Return

Goods were sent to a customer on a 'Sale or Return' basis on 31/12/2020. These goods were recorded in the books as a credit sale of €28,000 which is a mark-up on cost of 25%.

[2021 – A. Kenny](#)

Steps to adjustment

This will affect the following accounts

Sales	Decrease	Sales will decrease as we have not sold the goods as they can be returned if not sold by the company who bought them. Decrease by the total cost of the sale (P & L T)
Debtors	Decrease	Debtors will decrease as they don't owe use the money as we have not sold goods on credit to them. Decrease by the total cost of the sale (BS CA)
Closing stock	Increase	Closing Stock will increase as the goods can be returned and have not been sold. Need to calculate the cost of the stock (100%) (P & L / BS CA)

Explanation

Sales	Decrease	We sold goods on a sale or return basis. That if the customer didn't sell the goods, they could return them. This means that the sales didn't take place so are reduced
Debtors	Decrease	If the sales didn't take place, then no goods were sold on credit. This means the debtors figure needs to be reduced
Closing Stock	Increase	As the goods were not sold our closing stock figure will increase

NOTE

Remember to calculate the cost of the goods that were sold (100%). Remember that the business will sell that as cost plus a profit

125%	=	€28,000	Taken form the Question
1%	=	€28,000 / 125	
	=	224	
100%	=	224 * 100	
	=	€22,400	

Working 2 – Sales

Amount	€1,797,300	Taken form Question
S o R	<u>(-) €28,000</u>	Taken form adjustment (ii)
	€1,769,300	(P & L T)

Working 3 – Debtors

Amount	€97,300	Taken from Trial Balance
S o R	<u>(-) €28,000</u>	Taken form Adjustment (ii)
	€69,300	(BS CA)

Working 1 – Closing Stock

Amount	€62,800	Taken from Working 1
S o R	<u>(+) €22,400</u>	Taken form Adjustment (ii)
	€85,200	(P & L T / BS CA)

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Depreciation of Delivery Vans

Provide for depreciation on delivery vans at the annual rate of 20% of cost from the date of purchase to the date of sale. Note: On 30/09/2022 a delivery van which had cost €35,000 on 30/06/2018 was traded in against a new van which cost €80,000. An allowance of €3,000 was given on the old delivery van. 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. These were the only entries made in the books in respect of these transactions.

[2023 – V. Leahy](#)

Steps to this adjustment

Fixed Assets	Increase	Calculate the Value of the Fixed Assets (Vans) 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
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have increased. Remember the opening balance will be taken from 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 accumulated depreciation figure for the balance sheet

4. Remember the opening balance will be taken from the trial balance

Disposal

Calculate if a profit or loss has been made. These will be the double entry from 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

Delivery Vans			
Bal	480,000	Disposal	35,000
Bank	80,000	Bal	525,000
	560,000		560,000

Bal – taken from the Trail Balance
Disposal – Value of van sold in the question
Bank – Value of the van bought in the question
Bal - €525,000 is the balance figure in the account
 This is the figure that will go in the BS for Cost of delivery vans figure

Accumulated Depreciation			
Disposal	29,750	Bal	70,000
Bal	138,500	P & L	98,250
	168,250		168,250

Bal – taken from the Trail 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 - €138,500 is the balance figure in the account.
 This will go in the BS for Cost of delivery vans

Depreciation on delivery van sold

30.06.18 – 31.12.18	6	Value x Rate x time	
01.01.19 – 31.12.19	12	Value	€35,000
01.01.20 – 31.12.20	12	Rate	20%
01.01.21 – 31.12.21	12	Time	51/12
01.01.22 – 30.09.22	9		€35,000 * 20% * 51/12
	51		€29,750

This year Depreciation

€445,000 * 20%	€89,000	(€480,000 - €35,000)
€35,000 * 20% * 9/12	(+) €5,250	
€80,000 * 20% * 3/12	(+) €4,000	
	€98,250	

Disposal			
Vehicles	35,000	Acc Dep	29,750
		Allowance	3,000
		P & L	2,250
	35,000		35,000

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 a profit and if the balance figure is on the cr side it is a loss

Working 5 – Purchases

Amount	€1,193,500	Taken from the Trial Balance
Cheque	(-) €77,000	Taken form the question (€80,000 - €3,000)
	€1,116,500	

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Question

Provide for depreciation on delivery vans at the annual rate of 20% of cost from the date of purchase to the date of sale. Note: On 31/03/2020 a delivery van which had cost €42,000 30/09/2016 was traded in against a new van which cost €67,000. An allowance of €11,000 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. [2021 – A. Kenny](#)

Working 4 – Depreciation

Vehicles			
Bal		Disposal	
Bank		Bal	

Accumulated Depreciation			
Disposal		Bal	
Bal		P & L	

Disposal			
Vehicles		Acc Dep	
		Allowance	
		P & L	

Depreciation on Vehicle sold

31.09.16 – 31.12.16	3	Value x Rate x time	
01.01.17 – 31.12.17	12	Value	€42,000
01.01.18 – 31.12.18	12	Rate	20%
01.01.19 – 31.12.19	12	Time	42/12
01.01.20 – 31.03.20	<u>3</u>		€42,000 * 20% * 42/12
	42		€29,400

This year Depreciation

€338,000 * 20%	€67,600	(€380,000 - €42,000)
€42,000 * 20% * 3/12	(+) €2,100	
€67,000 * 20% * 9/12	<u>(+) €10,050</u>	
	€79,750	

Working 5 – Purchases

Amount	€1,105,000	Taken from the Trial Balance
Cheque	<u>(-) €56,000</u>	Taken form the question (€67,000 - €11,000)
	€1,049,000	

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Depreciation t -



Adjust Purchases



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Storeroom destroyed and new storeroom built

During 2020 a storeroom which cost €75,000 and stock which cost €24,000 were Destroyed by fire. The insurance company has agreed to contribute €90,000 in compensation for the fire damage. No entry had been made in the books in respect of the fire. A new storeroom was built by the business's own employees. The cost of their labour €44,000 had been treated as a business expense and the materials costing €38,000 were taken from existing stock. No entry had been made in the books in respect of the new storeroom.

[2021 – A. Kenny](#)

This adjustment is divided into two parts

1. The storeroom and stock that were destroyed by fire
2. The new storeroom built

Steps to Adjustment

PART 1

Buildings	Decrease	Buildings will decrease by the value destroyed in the Question (BS TA)
Purchases	Decrease	Purchases will decrease by the value destroyed as we can't sell these items (P & L T)
Insurance (Compo)	Increase	Create a compensation account for the money to be Received (BSCA)
Profit or Loss	Calculate	Add the buildings and purchase together and takeaway the insurance (Profit - Add OI) (Loss - P & L exp (a))

Explanation

Buildings	Decrease	As the buildings have been destroyed, they will decrease by the figure in the question
Purchases	Decrease	As stock has been destroyed, we will not be able to sell these so we need to decrease purchases and not Closing stock
Insurance (Compo)	Increase	We need to create a compensation account for the compensation we will received
Profit or Loss	Calculate	WE need to find out if we made a profit or loss on this

transaction. The majority of the time the business will break even or make a loss (as you can make a profit form insurance) (Profit - Add OI)
(Loss - P & L exp (a))

PART 2

Steps to Adjustment

Buildings	Increase	The value of the buildings will increase by adding the wages and materials (BS TA)
Wages	Decrease	The value will decrease as we will not pay our employees Twice (P & L Exp (a))
Purchases	Decrease	Purchase will decrease with the materials used as we can't sell these (P & L T)

Explanation

Buildings	Increase	as the company has built a new building using their own materials and employees the buildings will increase by adding wages and materials
Wages	Decrease	We used our own employees to build the new buildings – as they are our employee, we don't pay them twice so we need to decrease wages by the figure given in the question
Purchases	Decrease	WE also need to reduce purchases as we use the companies' materials to build the buildings so we can't sell these materials in the future

Working 6 – Damaged Storeroom

Amount	€900,000	Taken from the Trial Balance
Damaged	<u>(-) €75,000</u>	Taken form adjustment (iv)
	€825,000	
New room	<u>(+) €82,000</u>	Taken form adjustment (iv) (Part 2)
	€907,000	

Working 5 – Purchases

Amount	€1,049,000	Taken from working 5
Damage	(-) €24,000	Taken form adjustment (iv)
New Room	<u>(-) €38,000</u>	Taken form adjustment (iv)
	€987,000	P & L (T)

Working 7 – Insurance compensation

€90,000	BS CA	Taken from adjustment (iv)
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Working 8 – Profit or Loss

Insurance	€90,000	Taken from adjustment (iv)
Damaged Room	(-) €75,000	Taken from adjustment (iv)
Damaged Stock	<u>(-) €24,000</u>	Taken from adjustment (iv)
	(€9,000)	P & L Exp (a) Loss

NOTE Enter the €9,000 in the expense as a plus and not a minus

Working 9 – Wages

Amount	€135,800	Taken form the Trial Balance
Expense	<u>(-) €44,000</u>	Taken from adjustment (iv)
	€179,800	P & L Exp (a)

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Depreciation on Buildings and Revaluation reserve

The company revalued the land and buildings at €950,000 on 01/01/2022. The land element of this new value is €200,000. The revaluation has yet to be reflected in the accounts. Buildings are to be depreciated at the rate of 2% of cost per annum.

[2023 – V. Leahy](#)

Step to adjustment

Buildings	Increase	Increase buildings to the new revalued figure from the Adjustment (BS TA)
Dep Buildings	Increase	Calculate the depreciation for buildings for this year (P & L exp (a))
Acc Dep	Decrease	The acc for buildings will need to be decreased and put into the revaluation reserve account
Revaluation reserve	Increase	Calculate the figure that goes into the revaluation Reserve (BS FB)

Explanation

Buildings	Increase	The buildings are to be valued at €950,000 on the 01/01/22 This will be the new figure in the balance sheet for buildings
Dep Buildings	Increase	Calculate the depreciation for buildings for this year (Before the revaluation). This is the depreciation expense for this year and goes in the P & L exp
Acc Dep	Decrease	The depreciation for the buildings so far goes into the revaluation reserve account
Revaluation reserve	Increase	The revaluation reserve is made up of 3 figures <ol style="list-style-type: none"> 1. The increase in the value of the buildings, 2. The acc dep so far and 3. The dep for this year. (Not needed as revalued on the 01.01.22)

Working – Building Depreciation

NOTE – as the buildings are revalued at the end of the year, you must calculate the depreciation for this year. Also remember you don't calculate depreciation on land

Amount	€950,000	From Adjustment (vii)
Land Value	<u>€200,000</u>	From Adjustment (vii)
	€750,000	

€750,000 * 2%

€15,000 P & L Exp (a)

This figure will be also used to calculate the Revaluation Reserve if buildings were revalued at the end of the year

Working 11 – Revaluation Reserve

Amount	€950,000	BS TA	Taken form Adjustment (vii)
Value	<u>€850,000</u>		as per the Trial Balance
Increase	€100,000		This figure will be used to calculate the Revaluation Reserve

The Revaluation reserve is made up of 3 figures

Increase in the Value	x	Need to calculate this (see above)
Dep 01.01.xx	x	Taken form the Trial Balance
Dep 31.12.xx	<u>x</u>	working 10 (Only if revalued at the end of the year)
	x	BS FB

Increase in the Value	€100,000	Need to calculate this (see above)
Dep 01.01.xx	€105,000	Taken form the Trial Balance
Dep 31.12.xx	<u>€0</u>	as revalued at the start of the year
	€205,000	BS FB

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Question

Buildings are to be depreciated at the rate of 2% of cost per annum (land at cost was €400,000) It was decided to revalue the land and buildings at €1,100,000 on 31/12/2020.

[2021 – A. Kenny](#)

Working – Building Depreciation

NOTE – as the buildings are revalued at the end of the year, you must calculate the depreciation for this year. Also remember you don't calculate depreciation on land

Amount	From Working 6 (Previous working in the question)
Land Value	From Adjustment (v)
€507,000	

Depreciation this year

P & L Exp (a)

This figure will be also used to calculate the Revaluation Reserve

Working 11 – Revaluation Reserve

Amount	BS TA	Taken form Adjustment (v)
Value		Taken form working 6
Increase		This figure will be used to calculate the Revaluation Reserve

Increase in the Value Need to calculate this (see above)

Dep 01.01.xx Taken form the Trial Balance

Dep 31.12.xx Working 10

BS FB

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Suspense

The suspense figure arises as a result of the incorrect figure for mortgage interest (although the correct entry had been made in the bank account) and discount received of €600 entered only in the discount account.

[2023 – V. Leahy](#)

Step to this adjustment (Mortgage Interest)

1. Calculate the mortgage interest (for the year)
2. Calculate how much should have been paid for mortgage interest for the first few months.
3. Calculate the Mortgage 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 (Creditors)

1. Adjust the Creditors – Creditors is a liability so this will decrease as we paid more but it wasn't recorded.
2. Adjust the expense that has the suspense included in it in the trial balance. (This will be decreased as the CR side in now less and DR and Cr must equal)

Tip

1. On the trial balance beside Creditors put -600 this means CR is now less (Remember the DR and CR must equal)
2. Now adjust the expense that has the suspense to balance the DR and CR side - -600 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 – Mortgage 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	€270,000	Taken from the trial balance
Additional	<u>€50,000</u>	Taken from the trial balance
	€320,000	

€270,000 * 3%	€8,100	
€50,000 * 3% * 7/12	<u>€875</u>	
	€8,975 * 20%	
	<u>€1,795</u>	Drawings
	€7,180	Less OI

Note – as per the last adjustment 20% of mortgage interest is for drawings

Paid	€2,300	Taken from the Trial Balance
Should paid	<u>€2,700</u>	€8,100 * 4/12
Underpayment	€400	

Increase Mortgage interest paid by €400 too €2,700, Decrease Advertising Suspense by €400

Working Mortgage Interest Due

Amount	€8,975	See working above
Paid	<u>(€2,700)</u>	See working above
	€6,275	BS CL

Working – Drawings

Amount	€45,000
Interest	<u>€1,795</u>
	€46,795

Working – Creditors

Creditors will decrease by €600 as per the question

Amount	€98,600	Taken from the Trial Balance
Paid	<u>(€600)</u>	Taken from adjustment (iv)
	€98,000	BS CL

Remember to take reduce advertising as well (Cr side is lower than dr side)

Working – Salaries and General expenses (Suspense)

Amount	€136,400	Taken form the Trial Balance
Mortgage	(€400)	Taken from adjustment (iv)
Creditors	<u>(€600)</u>	Taken from adjustment (iv)
	€135,400	BS P & L exp (a)

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Question

The suspense figure arises as a result of the incorrect figure for mortgage interest (Although the correct entry had been made in the bank account) and a payment of €2,900 to creditors entered only in the bank account.

[2021 – A. Kenny](#)

Working – Mortgage Interest

Amount Taken from the trial balance

Additional Taken from the trial balance

Less OI

Paid Taken from the Trial Balance

Should paid

Underpayment

Increase Mortgage interest paid by €500 too €2,875, Decrease Advertising Suspense) by €500

Working – Mortgage Interest Due

Amount See working above

Paid See working above

BS CL

Working – Creditors

Amount Taken from the Trial Balance

Paid Taken from adjustment (vi)

BS CL

Remember to take reduce advertising as well (Cr side is lower than dr side)

Working – Advertising (Suspense)

Amount	Taken form the Trial Balance
Mortgage	Taken from adjustment (vi)
Creditors	Taken from adjustment (vi)
	BS P & L exp (a)

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Bank

The figure for the bank account in the trial balance had been taken from the firm's own records. However, a bank statement dated 31/12/2022 has arrived showing a bank overdraft of €50,300. A comparison of the bank account and the bank statement has revealed the following discrepancies:

1. A credit transfer for €1,500 had been received on 31/12/2022 in respect of a debt of €1,700 previously written off as bad. The debtor has agreed to pay the remainder within 2 months. No entry was made in the books to record this transaction.
2. A cheque for €1,800 issued to a director had not yet been presented for payment.

[2023 – V. Leahy](#)

1. Bad Debt Recovered

For this adjustment you will complete the following

1. Create a bad debt recovered account with the total amount of money received – this will be added to the add income section
2. Decrease the bank with the amount of money received (Remember to take into consideration if the bank it a bank overdraft (Liability) or an Asset
3. Increase the debtors with the amount that is left to pay Step 1 – Step 2)

Working – Bad debt recovered

€1,500 P & L Add Operating Income Taken Form Adjustment (viii)

Working – Bank Overdraft

Part 1

Bank	€53,600	Taken from Trial Balance
Bad Debts	(€1,500)	Taken Form Adjustment (viii)
	€52,100	

Working – Debtors

Amount	€67,700	Taken from Trial Balance
Bad debt Recovered	€200	1,700 – 1,500
	€67,900	BS CA

NOTE

If a cheque has not yet been present for payment, we don't do anything with it. This is because no money has left our account. We wrote the cheque, gave it to someone but they still have the cheque and not cashed it yet. This means no money has left our account, so we don't have to do any adjustment.

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Question

The figure for bank in the trial balance has been taken from the business bank account. However, a bank statement dated 31/12/2020 has arrived showing an overdraft of €29,200.

A comparison of the bank account and the bank statement revealed the following discrepancies:

1. A credit transfer for €1,800 had been received on 31/12/2020 in respect of a debt of €2,500 previously written off as bad. The debtor has agreed to pay the remainder within two months. No entry was made in the books to record this transaction.
2. A cheque for €18,700 issued to a supplier had been entered in the books (cash book and ledger) as €17,800.
3. A cheque for €4,800 issued to a supplier had been returned. This had not been entered in the books.
4. A cheque for advertising €17,200 has not been presented for payment.

[2021 – A. Kenny](#)

Working – Bad debt recovered

P & L Add Operating Income Taken Form Adjustment (viii)

Working – Bank Overdraft

Part 1

Bank Taken form Trial Balance
Bad Debts Taken Form Adjustment (viii)

Working – Debtors

Amount Taken form Adjustment (ii)
Debt Taken form Adjustment (ii)

Part 2

Cheque	From adjustment (viii)
Recorded	From adjustment (viii)
Error	Under recorded by

Working – Bank Overdraft

Bank	Taken form part 1
Cheque	See above

Working - Creditors

Amount	Taken from a previous working
Paid	Taken from adjustment (viii) See above

Part 3

Working – Bank Overdraft

Bank	Taken form Working above
Cheque	Taken Form Adjustment (viii)
	BS CL

Working - Creditors

Amount	Taken from working above
Unpaid Creditor	Taken from adjustment (viii)
	BS CL

NOTE

If a cheque has not yet been present for payment, we don't do anything with it. This is because no money has left our account. We wrote the cheque, gave it to someone but they still have the cheque and not cashed it yet. This means no money has left our account, so we don't have to do any adjustment.

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Investment Income Due

Provide for Investment income due

[2023 – V. Leahy](#)

Investment Income Due

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 €180,000 taken from the trial balance

Rate 4% taken from the trial balance

Invested The €180,000 was invested on the 01/07/2022 (so we will not receive a full year return but 6/12) taken from the trial balance

€180,000 x 4% x 6/12

= €3,600 Yearly figure – add to operating profit / income

Working – Investment Income Due

Now check the trial balance to see how much investment income we have received and take it away from the yearly amount calculated in the working above

Yearly investment income	€3,600	See working above
Patents	€1,200	See patents working
Received	<u>€2,200</u>	Taken from the Trial Balance
	€400	BS CA

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Question

Provide for Investment income due

[2021 – A. Kenny](#)

Working – Investment Income

Investment €210,000 taken from the trial balance

Rate 3% taken from the trial balance

Invested The €210,000 was invested on the 01/08/2020 (so we will not receive a full year return but 5/12) taken from the trial balance

= Yearly figure – add to operating profit / income

Working – Investment Income Due

Yearly investment income See working above

Received Taken

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Mortgage Interest Due

Provision to be made for Mortgage Interest due

(Note: 20% of mortgage interest for the year refers to the private section of the building.)

[2023 – V. Leahy](#)

NOTE – Mortgage interest has been already calculated as part of the suspense working
([Suspense](#))

Steps to this adjustment

1. Using the mortgage interest figure for the year (OI figure) find the percentage that is for drawings.
2. Adjust the Mortgage interest figure (decrease) by the interest in drawings
3. Adjust the drawing figure (increase)

Working – Mortgage 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	€270,000	Taken from the trial balance
Additional	<u>€50,000</u>	Taken from the trial balance
	€320,000	

€270,000 * 3%	€8,100	
€50,000 * 3% * 7/12	<u>€875</u>	
	€8,975 * 20%	
	<u>€1,795</u>	Drawings
	€7,180	Less OI

Note – as per the last adjustment 20% of mortgage interest is for drawings

Paid	€2,300	Taken from the Trial Balance
Should paid	<u>€2,700</u>	€8,100 * 4/12
Underpayment	€400	

Increase Mortgage interest paid by €400 too €2,700, Decrease Advertising Suspense by €400

Working Mortgage Interest Due

Amount	€8,975	See working above
Paid	<u>(€2,700)</u>	See working above
	€6,275	BS CL

Working – Drawings

Amount	€45,000
Interest	<u>€1,795</u>
	€46,795

For the Drawing figure 20% of the total mortgage interest (€8,975) is for drawings so we need to

1. calculate the drawing figure ($€8,975 * 20\%$)
2. then we need to decrease the mortgage interest by the figure calculated in step 1
3. then increase the drawing figure by the figure calculated in step 1

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Question

Provide for mortgage interest due. (Note: 20% of mortgage interest for the year refers to the private section of the building.)

[2021 – A. Kenny](#)

Working – Mortgage 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	€230,000	Taken from the trial balance	
Additional	<u>€50,000</u>	Taken from the trial balance	
	€280,000		
€230,000 * 5%		€11,500	
€50,000 * 5% * 9/12		<u>€1,875</u>	
		€13,375	Less OI
€11,500 * 3/12	€2,875		

Working – Mortgage Interest Due

Amount	€13,375	See working above
Paid	<u>(€2,875)</u>	See working above
	€10,500	BS CL

For the Drawing figure 20% of the total mortgage interest (€13,375) is for drawings so we need to

$$\begin{aligned} &€13,375 \times 20\% \\ &= €2,675 \quad \text{Drawings amount for mortgage interest} \end{aligned}$$

Working – Mortgage Interest

€230,000 * 5%	€11,500	
€50,000 * 5% * 9/12	<u>€1,875</u>	
	€13,375	
Drawings	<u>(-) €2,675</u>	
	€10,700	Less operating Profit / Income

Working – Drawings

Amount	€60,000	Taken from the trial balance
Mortgage interest	<u>(+) €2,675</u>	See working 12
	€62,675	BS FB

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Provision for bad debt

Provision for bad debts is to be adjusted to 6% of debtors

[2023 – V. Leahy](#)

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

Working 18 – Provision for Bad debts

Debtors €67,900 BS CA Working 3 (Part of the bank adjustment)

Rate of Provision 6%

€67,900 * 6%

= €4,074 New Provision Taken away from Debtors in the BS

Old Provision €2,100 Taken from trial balance

New Provision €4,074 see working 18

€1,974 Increase in the provision

As this is an increase in the provision the increase (€1,974) will go in as a Selling and Distribution expense)

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Question

Provision for bad debts is to be adjusted to 6% of debtors

[2021 – A. Kenny](#)

Working 18 – Provision for Bad debts

Debtors	€70,000	BS CA Working 3 (Part of the bank adjustment)
Rate of Provision		
=	New Provision	Taken away from Debtors in the BS
Old Provision		Taken from trial balance
New Provision		see working above

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Goods in Transit

Goods purchased on credit from a supplier were in transit on 31/12/2022. The invoice for these goods had been received for €15,375 which included VAT at 23%. No record was made in the books in respect of this transaction.

[2023 – V. Leahy](#)

NOTE – VAT was included in the purchase figure so VAT will have to be calculated and Purchases will be the cost figure

Step to this adjustment

1. You need to find the costs price - €15,375 is 123% need to find cost price (100%)
2. Then you need to increase the closing Stock (with the figure calculated in step 1)
3. Then you need to increase the purchase (with the figure calculated in step 1)
4. Then you need to Increase creditors (with the full figure)
5. You will need to calculate the VAT figure with the difference between the Invoice figure and the cost figure

$$\begin{aligned} 123\% &= \text{€}15,375 \\ 1\% &= \text{€}15,375 / 123 \\ &= \text{€}125 \\ 100\% &= \text{€}125 * 100 \\ &= \text{€}12,500 \end{aligned}$$

Working 1 – Closing Stock

Amount	€81,150	See working 1 (From working (i))
GIT	<u>€12,500</u>	See Working above
	€93,650	P & L T

Closing stock will increase as there are more goods being transported to the business

Working 2 – Purchases

Amount	€1,193,500	Taken from the trial balance
GIT	<u>€12,500</u>	See Working above
	€1,206,000	P & L T

Purchases will increase as we have purchased more goods, and they are being delivered to the business. Remember to Adjust VAT

Working 3 – VAT

Remember VAT on purchases is a Debit as you can claim back VAT on Purchases

Amount	11,900	Taken form the Trial balance (Cr Side)
Purchases	<u>2,875</u>	(15,375 – 12,500)
	9,025	BS CL

VAT			
Purchases	2,875	Bal	11,900
Bal	9,025		
	<u>11,900</u>		<u>11,900</u>
		Bal	9,025

Working 3 – Creditors

Amount	€98,600	Taken from the trial balance
GIT	<u>€15,375</u>	See Working above
	€113,975	BS CL

Creditors will increase as we have purchased more goods on credit. So, we owe them

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Question

No record has been made in the books for 'goods in transit' on 31/12/2019. The invoice for these goods was received showing the recommended retail selling price of €24,500, which is cost plus 25%.

[2020 – S. Heighway](#)

Step to this adjustment

1. You need to find the costs price - €24,500 is 125% need to find cost price (100%)
2. Then you need to adjust the closing Stock (with the figure calculated in step 1)
3. Then you need to adjust the purchase (with the figure calculated in step 1)
4. Then you need to adjust creditors (with the figure calculated in step 1)

125% =

1% =

=

100% =

=

Working 1 – Closing Stock

Amount	See working 1
GIT	See Working above
	P & L T

Working 2 – Purchases

Amount	Taken from the trial balance
GIT	See Working above
	P & L T

Working 3 – Creditors

Amount	Taken from the trial balance
GIT	See Working above
	BS CL

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VAT (on a warehouse)

A new warehouse was purchased during the year for €90,000 plus VAT @ 13.5%. The amount paid to the vendor was entered in the land and buildings account. No entry was made in the VAT account.

[2020 – S. Heighway](#)

Steps to this adjustment

1. Calculate the amount of VAT that was paid on the asset
2. Because this is a purchase the company can claim back this VAT so we reduce the VAT liability that is in the Trial Balance
3. We also need to reduce the Land and Buildings account by the same amount as it should not be in this account

€90,000 * 13.5%
= €12,150

Taken from the question

Reduce the VAT Liability and the buildings with this figure

Working 6 – VAT Liability

Amount	€3,100	Taken from the trial balance (Cr Side so we owe this amount)
VAT	<u>€12,150</u>	See working above – we can claim this amount back
	€9,050	We are owed this amount BS CA

Working 7 – Buildings

Amount	€795,000	As per the Trial balance
VAT	<u>€12,150</u>	See Working above
	€782,850	

We reduce the buildings because the VAT should not be in this account

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Question

A new warehouse was purchased during the year for €200,000 plus VAT 12.5%. The amount paid to the vendor was entered in the buildings account. No entry was made in the VAT account

[2006 – K. Kelly](#)

Calculate the VAT figure to be used to adjust the VAT liability and the buildings account

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Patents (Incorporate Investment Income)

Patents (incorporating 2 months investment income) are being written off over 10 years which commenced in 2020.

[2023 – V. Leahy](#)

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 from 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 patents 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 an 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 patents figure

Working – Investment Income

Investment	€180,000 (Taken from the trial balance)
Invested	01/07/2022 (only received 6 months investment this year) (Taken from the trial balance)
Rate	4% (Taken from the trial balance)

$$\begin{aligned} & \text{€180,000} * 4\% * 6/12 \\ & = \text{€3,600} \quad \text{Add Operating Profit / Income} \end{aligned}$$

Working – Investment Income Due

Of this €3,600 - 2 months have been incorporated in the patents figure (see Trial balance).

We need to find out how much of this we have received

€3,600 * 2/6	Yearly	€3,600	See working above
= €1,200	Incorporated	<u>€1,200</u>	See this working
		€2,400	

Note – Watch out in this question in the trial balance it says that we have received a further €2,200. So we need to take this away as well

Yearly	€3,600	See working above
Incorporated	<u>€1,200</u>	See this working
	€2,400	
Received	<u>€2,200</u>	Trial Balance
Due	€200	BS CA

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	€48,800	Taken form the trial balance
Incorporated	<u>€1,200</u>	See working above
	€50,000	
Written off	<u>€6,250</u>	See next working
	€43,750	BS IA

Working – Patents Written Off

€50,000 / 8 years

= €6,250 P & L Exp (A)

€50,000 Patents working

8 years Taken form the question

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Question

Patent, which incorporates 4 months investment income, is to be written off over a five-year period commencing in 2016.

[2017 – M. Mullen](#)

Working – Investment Income

Investment	€200,000 (Taken from the trial balance)
Invested	01/05/2016 (only received 8 months investment this year) (Taken from the trial balance)
Rate	3% (Taken from the trial balance)
=	Add Operating Profit / Income

Working – Investment Income Due

€4,000 * 4/8	Yearly	See working above
=	Paid	See this working Due BS CA

Working – Patents

Amount	Taken form the trial balance
Income	See working above
Written off	See next working BS IA

Working – Patents Written Off

€70,000 / 5 years
= P & L Exp (A)

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Creditor paid with Equipment

A creditor who was owed €7,600 accepted office equipment with a book value of €6,500 in full settlement of the debt. The office equipment had cost €11,000. No entry was made in the books in respect of this transaction. Provide for depreciation on office equipment held on 31/12/2016 at the rate of 20% of cost.

[2017 – M. Mullen](#)

Steps to this adjustment

1. Calculate how much the creditors will decrease by
2. Calculate how much to reduce the equipment by
3. Calculate the new accumulated depreciation figure for the BS
4. Calculate in the disposal account if there was a profit or loss on the equipment

Explanation

1. Creditors – reduce by the amount they are owed (Dr the Creditors Account)
2. Equipment – Reduce by the cost of the equipment (Cr the Equipment Account and Dr the Disposal Account) (remember the opening balance of the equipment on the Dr side)
3. Accumulated Depreciation – Reduce the Accumulated Depreciation account by the dep for the Equipment that was just sold (Dr Accumulated Depreciation and Cr Disposal Account) use the cost figure for equipment and take away the value of it now – this will give you the depreciation paid figure (Remember to include the opening balance for Accumulated Depreciation on the Cr Side)
4. Disposal - Dr with the cost of equipment figure - Cr with the Accumulated Depreciation Figure - Cr With the payment to creditors - Then balance the account (if the balance is a Cr it is a loss – Admin Expense if the balance is a Dr it is a profit – Add to Operating Income)

Working 4 – Depreciation

Equipment			
Bal	25,000	Disposal	11,000
		Bal	14,000
	25,000		25,000

Bal – taken from the Trail Balance

Disposal – Equipment sold in the question

Bal - €14,000 is the balance figure in the account
This is the figure that will go in the BS for Cost of Equipment

Accumulated Equipment			
Disposal	4,500	Bal	10,000
Bal	8,300	P & L	2,800
	12,800		12,800

Bal – taken from trial balance (25,000 – 15,00)

Disposal – taken from the question (11,000 – 6,500)

P & L – This year's dep (4,000 * 20%) (P & L)

Bal - €120,350 is the balance figure in the account.
This will go in the BS for Cost of Motor Vehicles

Disposal			
Equipment	11,000	Acc Dep	4,500
Profit	1,100	Creditor	7,600
	12,100		12,100

Equipment - Double entry from the Equipment Account

Acc Dep – Double entry from the Acc Dep Account

Creditor – This is the amount of money we paid the creditor

P & L – This is the balance on the transaction. if the balance is on the dr side it is a profit and if it is on the cr side it is a loss

Working – Creditors

Amount	€78,000	Taken from the trial balance
Equipment	<u>€7,600</u>	Taken from the question
	€70,400	

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Bad Debt Recovered

A cheque for €700 had been received on 31/12/2016 in respect of a debt of €1,200 previously written off as bad. The debtor wishes to continue trading with Mullen and has undertaken to pay the remainder within 1 month. No entry was made in the books in respect of this transaction.

[2017 – M. Mullen](#)

Steps to this adjustment

1. Calculate the total amount of the bad debt. this will be and Expense in the P & L
2. Recalculate the bank figure this is the figure that will go in the BS
3. Recalculate the debtor's figure this figure will go in the BS

Explanation

1. Calculate the total amount of the bad debt. this will be and Expense in the P & L - This figure will usually be given in the question
2. Recalculate the bank figure this is the figure that will go in the BS - Take the cheque figure in the question and either reduce or increase the bank - If the bank is on the cr side it is an overdraft as it is a liability (Reduce the bank) - If the bank is on the dr side it is an asset (Increase the bank)
3. Recalculate the debtor's figure this figure will go in the BS

Working – Bank

Amount	€70,300	Taken from the trial balance
Cheque	<u>€800</u>	Taken from the question
	€69,600	BS CL

Bank will reduce because it is a bank overdraft, and the cheque will reduce the overdraft

Working – Debtor

Amount	€70,500	Taken form the trial balance
Bad Debt	<u>€500</u>	Taken from the question (€1,200 - €700)
	€71,000	

The debtor's figure will increase as the business is owed more money from debtors (€1,200 - €700)

Working – Bad Debt Recovered

Created a bad debt recovered for the full debt that we didn't think we would get - €1,200.
This is extra income and goes in the P & L added in the operating profit / income

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Question

A cheque for €800 had been received on 31/12/2013 in respect of a debt of €800 previously written off as bad. No entry was made in the books to record this transaction.

[Sole trader 2014](#)

Calculate the bank figure, bad debts recovered figure (no debtors as the full debt is paid)

Working – Bank

Amount	Taken from the trial balance
Cheque	Taken from the question
	BS CL

Working – Debtor

Amount	Taken from the trial balance
Bad Debt	Taken from the question (€800 - €800)

The full debt has been recovered so the debtors will not increase

Working – Bad Debt Recovered

add Operating Profit / Income

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Goods taken for Private use

Goods taken by Leahy for his own personal use during the year were not recorded. The goods had a retail value of €3,600 which is cost plus 20%.

[2023 – V. Leahy](#)

Steps to this adjustment

1. Adjust the Purchases figure for the p & l. as these goods have left the business and we will not be able to get the money back
2. Adjust the drawings as they have taken extra

Explanation

1. The purchases figure will decrease because they have been taken from the business so we will not be able to sell them to get the money back
2. Drawing will increase as they have taken something from the business

NOTE - These figures should be adjusted by the cost price and this figure will be needed to be calculated. This can be done by finding the 100% of the goods

$$\begin{aligned} 120\% &= \text{€}3,600 \\ 1\% &= \text{€}3,600 / 120 \\ &= 30 \\ 100\% &= 30 * 100 \\ &= \text{€}3,000 \end{aligned}$$

€3,000 is the cost price and used to Increase the two accounts above

Working – Purchases

Amount	€1,129,000	(Previous Adjustments)
Drawings	<u>(-) €3,000</u>	See above calculation
	€1,126,000	P & L T

Working – Drawings

Amount	€46,795	(Previous Adjustments)
Purchases	<u>€3,000</u>	See above calculation
	€49,795	BS FB

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Question

Goods taken by Mullen for own use during the year were not recorded. These goods had a retail value of €4,800 which is cost plus 20%.

[2017 – M. Mullen](#)

120% =

1%, =

=

100% =

=

€4,000 is the cost price and used to adjust the two accounts above

Working – Purchases

Amount €519,300 (Previous Adjustments)

Drawings See above calculation

P & L T

Working – Drawings

Amount Taken form the trial balance

Purchases See above calculation

BS FB

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Restocking Charge

Goods with a retail selling price of €15,000 were returned to a supplier. The selling price was cost plus 20%. The supplier issued a credit note showing a restocking charge of 10% of cost price. No entry has been made in respect of the restocking charge.

9.

[2014 – Mike McMahon](#)

Steps to this adjustment

1. Adjust creditors with this restocking charge figure (Please See Note below on how to calculate this figure)
2. Adjust Purchases with this restocking charge figure. (Please See Note below on how to calculate this figure)

Explanation

When we returned the good to our supplier, we didn't receive the full amount back for these goods as the supplier charge use a restock

1. Adjust creditors (increase) with this restocking charge figure - This is the figure that we still own to the creditors for restocking the goods that we returned
2. Adjust Purchases (increase) with this restocking charge figure. - We need to adjust the purchase as we didn't get the full amount for the stock that we returned

NOTE These figures should be adjusted by the cost price and this figure will be needed to be calculated. This can be done by finding the 100% of the goods.

$$\begin{aligned}120\% &= \text{€}15,000 \\1\% &= \text{€}15,000 / 120 \\&= \text{€}125 \\100\% &= \text{€}125 * 100 \\&= \text{€}12,500\end{aligned}$$

The cost of the goods returned was €12,500. We didn't receive all of this money back as there was a restock charge of 10% on this €12,500

$$\text{Restocking charge} \quad \text{€}12,500 * 10\% = \text{€}1,250$$

This is the restocking charge and is used to adjust the creditors (increase as we still owe this) and the purchases

Working – Purchases

Amount	€504,400	Taken from other Adjustments
Restocking	<u>€1,250</u>	See working above
	€505,650	P & L T

Working - Creditors

Amount	€114,000	Taken from other adjustments
Restocking	<u>€1,250</u>	See Working above
	€115,250	BS CL

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Question

Goods with a retail selling price of €8,400 were returned to a supplier. The selling price was cost plus 20%. The supplier issued a credit note showing a restocking charge of 10% of the cost price. No entry has been made in respect of this restocking charge.

[2010 – Nora O’Connell](#)

Calculate the restocking charge and adjust the Purchases and Creditors accounts. The purchases figure is €429,200

120% =

1% =

=

100% =

=

We didn’t receive all of this money back as there was a restock charge of 10% on this Restocking charge

Working – Purchases

Amount	Taken from other Adjustments
Restocking	See working above
	P & L T

Working - Creditors

Amount	Taken from the trial balance
Restocking	See Working above
	BS CL

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Advertising Campaign

The advertising payment is towards a 24-month campaign which began on 01/10/2009

[Sole trader 2010](#)

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 an advertising campaign running for 24 months but it starts on the 01/10/2009

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 multiply €2,400 (taken from the trial balance) by $\frac{3}{24}$
2. To calculate the prepaid amount, we taken the figure calculated in the step above away from €2,400

Working – Advertising

Advertising amount	€2,400	Taken from the trial balance
Length of campaign	24 months	Taken from the adjustment

€2,400 * 3 / 24

€300 P & L S & D

€2,100 BS CA

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Depreciation of Equipment

Equipment to be depreciated at 10% of cost per annum.

[2023 – V. Leahy](#)

Steps to this adjustment

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

Explanation

The business has an advertising campaign running for 24 months but it starts on the 01/10/2009

3. 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 multiply €2,400 (taken from the trial balance) by $\frac{3}{24}$
4. To calculate the prepaid amount, we taken the figure calculated in the step above away from €2,400

Working – Advertising

Advertising amount	€2,400	Taken from the trial balance
Length of campaign	24 months	Taken from the adjustment

€2,400 * 3 / 24

€300 P & L S & D

€2,100 BS CA

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