

WORLD MISSION
HIGH SCHOOL
HOLIDAY PACKAGE
OF ACCOUNTING
LEVEL 5 ACC
PREPARED BY
KARANGWA
AIMABLE

- 1) Explain the following:
 - a. Accrued income/**1mark**
 - b. Unearned revenue/**1mark**
 - c. Consistency concept /**1mark**
 - d. Dual concept /**1mark**
 - e. Fair presentation concept/**1mark**
- 2) Explain under which circumstances where cost of sales will be equal to the cost of stock
- 3) A trial balance was extracted from the books of YZP and it was found that the debit side exceeded the credit side by FRW 4,000. The following errors were discovered and corrected.
 - a) The purchases were over-added by FRW2,000.
 - b) An amount paid to NBC was debited to his account as FRW 9,800 instead of FRW 8,900.
 - c) The sales were under-added FRW 1,100.

Required:

- i) Show the journal entries required to clear the suspense account.
 - ii) Show the entries in the suspense account.?
- 4) ABC Associates is not maintaining complete accounts on Double entry system basis. From the following details estimate the profit made by the firm using extended accounting equation during 2013–14.
- Capital as on 1–04–2013 Frw 190,000
 Capital added during the year Frw 125,000
 Drawing during the year Frw 135,000
 Capital as on 31–3–2014 Frw 2,25,000?/
- 5) Hafiz Ullah & Company purchased a factory machine of Rs. 180,000 on January 1, 2012. The machine is expected to have a salvage value of Rs. 20,000 at the end of its 4 year useful life. During the useful life, the machine is expected to be used for 160,000 hours. The machine was used as under:

Years	Hours used
2012	40,000
2013	60,000
2014	35,000
2015	25,000

Required: Prepare Schedule of Depreciation on the basis of following methods

- Straight Line Method
- Units of Output Method
- Diminishing Balance Method
- Sum of Year Digit Method/

Exercises

- 1 The following balances were extracted from the books of A. Anand on March 31, 1987.

Name of the Account	Dr.	Cr.
	Rs.	Rs.
Capital		80,000
Drawings	10,000	
General Expenses	5,240	
Building	52,000	
Machinery	38,000	
Stock	22,400	
Coal and Power	5,400	
Taxes and Insurance	2,600	
Wages	14,400	
Sundry Debtors	12,400	
Sundry Creditors		15,000
Discount	1,000	1,200
10% Loan		15,000
Sales		1,60,800
Purchases	94,000	
Furniture	23,000	
Provision for Bad Debts		1,800
Bills Payable		8,700
Commission		2,400
Salaries	13,600	
Cash in hand	260	
Bank Overdraft		9,600
Charity	200	
Total	2,94,500	2,94,500

Prepare the final accounts for the year ended March 31, 1987 after giving effect to the following adjustments:

- Stock on March, 31, 1987 was valued at Rs. 54,000
 - Outstanding Salaries Rs. 1,400
 - Unexpired Insurance Rs. 100
 - Write off Rs. 400 as Bad Debts, and maintain the Provision for the Bad Debts at 5% on Debtors
 - Depreciate Building by 2.5%, Machinery by 5% and Furniture by 10%.
- (Answer : Gross Profit Rs. 78,600; Net Profit Rs. 52,060; Balance Sheet Total Rs. 1,73,260)

EXERCISE 2

From the following Trial Balance of Ravinder prepare Trading and Profit and Loss Account for the year ended March 31, 1987 and Balance Sheet as on that date.

Trial Balance as on March 31, 1987

Name of the Account	Dr. Balances	Cr. Balances
	Rs.	Rs.
Stock on April 1, 1986	24,200	
Cash in hand	4,000	
Cash at bank	12,900	
Leasehold Premises (lease for five years commencing from April 1, 1986,	20,000	
Machinery	30,000	
Furniture	15,000	
Buildings	60,000	
Drawings	5,000	
Capital		1,60,000
Purchases and Sales	96,000	1,45,000
Debtors and Creditors	50,000	40,000
Returns	3,000	4,300
Freight	6,000	
Wages	17,500	
Trade Expenses	4,750	
Salaries	12,000	
Printing and Stationery	1,800	
Bad Debts	4,000	
Provision for Bad Debts		4,000
Rent received		3,100
10% Loan (taken on October 1, 1986)		10,000
Interest on Loan	250	
Total	3,66,400	3,66,400

You are required to make the following adjustments:

- Stock on March 31, 1987 was valued at Rs. 45,600.
- Write off Rs. 2,000 as bad debts and make a provision for doubtful debts at 5% on sundry debtors.
- Charge depreciation on Machinery at 10% and on Building at 2½%.
- Calculate interest on capital and drawings at 6% per annum.
- The Manager is entitled to a commission of 5% on the net profit before charging such commission.

13)The following trial balance was extracted from the books of Rodney, a sole trader, at 31st December 1997:

	Shs	Shs.
Drawings/Capital	2,148	20,271
Debtors/Creditors	7,689	5,462
Purchases/Sales	62,101	81,742
Rent and Rates	880	
Light and heat	246	
Salaries and wages	8,268	
Bad debts	247	
Provision for bad debts		326
Stock in trade 31 st Dec 1996	9,274	
Insurance	172	
General Expenses	933	

Bank balances	1,582	
Motor van at cost/Provision for depreciation	8,000	3,6000
Proceeds on sale of van		250
Motor expenses	861	
Freehold premises at cost	15,000	
Rent received		750
Provision for depreciation on buildings		<u>5,000</u>
	<u>117,401</u>	<u>117,401</u>

The following matters are to be taken in to account:

1. Stock in trade at 31st December 1997 was Shs.9,884
2. Rates paid in advance at 31st December 1997, Shs.40
3. Rent receivable due at 31st December 1997, Shs.250
4. Lighting and heating due at 31st December 1997, sh.85
5. Provision for doubtful debts to be increased to Shs.388
6. Included in the amount for insurance Shs.172, is an item for Shs82 for motor insurance and this amount should be transferred to motor expenses.
7. Depreciation has been and is to be charged on vans at an annual rate of 20% on cost.
8. Depreciate buildings Shs.500
9. On 1st January 1997 a van which had been purchased for Shs.1,000 on 1st January 1994 was sold for Shs250. The only record of matter is the credit of Shs.250 to “Proceeds of sale on van” account. **Required: prepare,**

- i) Prepare Statement of comprehensive income for the year ended 31st December 1997/
- ii) Prepare Statement of financial position as at 31st December 1997