1.	ANSWERS

Answer 1

Monos

(a) Income Statement for the year ended 31 May 2017

	€	€	€
Sales			700.000
Less Sales Returns			(6.670)
			693.330
Less Cost of Sales:			
Opening Inventory		40.000	
Purchases (410.890- 2.400)	408.490		
Add Carriage Inwards	4.240		
Less Purchases Returns	(3.112)	409.618	
		449.618	
Less Closing Inventory		(58.000)	(391.618)
Gross Profit			301.712
Add Rent income (1.020 + 280)		1.300	
Discounts Received		2.942	4.242
			305.954
Less Expenses:			
Wages		137.652	
Rent Payable (10.000 – 2.000)		8.000	
Heating and Lighting (4.720 + 400)		5.120	
Telephone and Postage		3.217	
Stationery (6.195 – 450 + 220)		5.965	
Repairs to Machinery		17.600	
Discounts Allowed		3.220	
Carriage Outwards		1.819	
Irrecoverable debts		1.800	
Allowance for irrecoverable debts*		440	
Depreciation of:			
Buildings (180.000 x 4%)	7.200		
Plant and Machinery (97.000 x 15%)	14.550		
Motor Vehicles (41.000 – 27.000) x 30%	4.200	25.950	(210.783)
Net profit			95.171

Monos

(b) Statement of Financial Position as at 31 May 2017

	COST	ACCUMUL. DEP'N	NET BOOK VALUE
Non-current assets			
Buildings	180.000	52.200	127.800
Plant and Machinery	97.000	67.550	29.450
Motor Vehicles	41.000	31.200	9.800
	318.000	150.950	167.050
Current assets			
Inventory		58.000	
Inventory of Stationery		450	
Trade receivables (34.600 – 1.800)	32.800		
Less: Allowance for irrecoverable debts	1.640	31.160	
Rent paid in advance		2.000	
Rent income due		280	
Bank		11.374	103.264
Total Assets			270.314
Capital & Liabilities			
Capital		200.000	
Add: Net Profit		95.171	
Less: Drawings (28.797+ 2.400)		(31.197)	263.974
Current liabilities			
Trade payables		5.720	
Stationery owing		220	
Heating and Lighting owing		400	6.340
Total capital & liabilities			270.314

*At the end (34.600 – 1.800) x 5% =	1.640
At the beginning	1.200
INCREASE	440

Answer 2

Galatia

(a) Statement of Profit or Loss Income Statement for the year ended 30 June 2018

	€	€	€
Sales			2.270.000
Less Sales Returns			(177.000)
			2.093.000
Less Cost of Sales:			
Opening Inventory		83.000	
Purchases (758.000-2.000)	756.000		
Add Carriage Inwards	213.000		
Less Purchases Returns	(240.000)	729.000	
		812.000	
Less Closing Inventory		(90.000)	(722.000)
Gross Profit			1.371.000
Add Rent income (22.000 + 1.000)		23.000	
Allowance for receivables		1.000	24.000
			1.395.000
Less Expenses:			
Wages (687.000+3.000)		690.000	
General administrative expenses		200.000	
General distribution expenses		100.000	
Light and heat		49.000	
Rent and insurance (157.000 – 4.000)		153.000	
Carriage Outwards		46.000	
Irrecoverable debts		6.000	
Loan interest (80.000x5%)		4.000	
Depreciation of:			
Fixtures & Fittings (120.000 x 10%)		12.000	
Motor Vehicles (255.000-105.000) x 20%		30.000	(1.290.000)
Net profit			105.000

Galatia

(b) Statement of Financial Position as at 30 June 2018

	COST	ACCUMUL. DEP'N	NET BOOK VALUE
Non-current assets			
Fixtures & Fittings	120.000	24.000	96.000
Motor Vehicles	255.000	135.000	120.000
	375.000	159.000	216.000
Current assets			
Inventory		90.000	
Trade receivables (306.000 – 6.000)	300.000		
Less: Allowance for receivables	9.000	291.000	
Rent prepaid		4.000	
Rent income due		1.000	
Bank		127.000	513.000
Total Assets			729.000
Capital & Liabilities			
Capital	200.000		
Add: Net Profit	105.000	305.000	
Less: Drawings (120.000+ 2.000)		(122.000)	183.000
Non-current liabilities			
5% Loan			80.000
Current liabilities			
Trade payables		461.000	
Accrued expenses (3.000+2.000)		5.000	466.000
Total capital & liabilities			729.000

*At the end (306.000-6.000) x 3% = 9.000
At the beginning (10.000)
DECREASE (1.000)

Allowance for receivables

	€		€
P & L Ledger A/c	1.000	Balance b/d	10.000
Balance c/d (306.000-6.000)X3%	9.000		
	10.000		10.000

Answer 3
(a)

Markos
Trial Balance at 31 December 2017

	Dr €	Cr €
Sales		900.000
Purchases	580.000	
Capital		188.600
Drawings	86.000	
Carriage inwards	8.000	
Carriage outwards	6.000	
Discounts received		3.000
Discounts allowed	4.600	
Office equipment at cost	48.000	
Fixtures and fittings at cost	26.000	
Accumulated depreciation on office equipment		9.600
Accumulated depreciation on fixture and fittings		5.200
Premises	160.000	
Trade receivables	100.000	
Sales returns	4.000	
Purchases returns		2.000
Insurance	16.000	
Inventory at 1 January 2017	60.000	
Heat and lighting	12.000	
Wages and salaries	70.000	
Trade payables		80.000
Bank overdraft		24.000
Cash	3.800	
Rent and rates	2.000	
Sundry expenses	28.000	
Suspense		2.000
	1.214.400	1.214.400

(b)

Commission: A transaction is entered in a wrong account of the same class.
Omission: A transaction is completely omitted from the books.
Principle: A transaction is entered in the wrong class of account.
Compensating: Errors cancel each other out.
Original: Correct accounts have been used, but the amount has been entered incorrectly in both accounts
Reversal of entries: Correct amounts have been entered but on the wrong side of the two accounts.

(c)

Suspense A/c

		€			€
Mar 31	Discounts allowed	700	Mar 31	Balance b/d (original difference)	2.000
	Discounts received	700			
	Ariel plc	400			
	Trial Balance – commission income	200			
		2.000			2.000

Answer 4

(a) **Suspense Account**

	€		€
Purchases	1.800	Balance b/d (original diff)*	1.200
Trade payables	1.620	Cash	750
		General expenses	270
		Irrecoverable debts	1.200
	3.420		3.420

WORKING

Trial Balance at 31 December 2017

	Dr €	Cr €
Purchases	93.000	
Sales		155.250
Carriage in	750	
Carriage out	600	
Rent & rates	18.000	
General expenses	5.400	
Capital		81.300
Motor vehicle	83.700	
Trade receivables	18.000	
Trade payables		7.500
Cash	300	
Accumulated depreciation		10.800
Inventory at 1 January 2017	6.000	
Drawings	12.000	
Bank overdraft		3.600
Salaries	21.900	
Suspense *		**1.200**
	259.650	259.650

(b) **P Pieros**

Corrected Trial Balance at 31 December 2017

	Dr €	Cr €
Purchases (93.000 - 1.800 - 3.000)	88.200	
Sales		155.250
Carriage in	750	
Carriage out	600	
Rent & rates	18.000	
General expenses (5.400 + 270)	5.670	
Capital		81.300
Motor vehicle (83.700 + 3.000)	86.700	
Trade receivables	18.000	
Trade payables (7.500 + 1.620)		9.120
Cash (300 + 750)	1.050	
Accumulated depreciation		10.800
Inventory at 1 January 2017	6.000	
Drawings	12.000	
Bank overdraft		3.600
Salaries	21.900	
Irrecoverable debts	1.200	
	260.070	260.070

(c)

Journal

		Dr €	Cr €
(i)	Cash	750	
	Suspense		750
(ii)	Suspense	1.800	
	Purchases		1.800
(iii)	Motor Vehicle	3.000	
	Purchases		3.000
(iv)	Suspense	1.620	
	Trial balance (Tr. Payables)		1.620
(v)	General expenses (525-255)	270	
	Suspense		270
(vi)	Irrecoverable debts	1.200	
	Suspense		1.200

Answer 5

(a)

Motor Vehicles Account

		€			€
2015			2015		
Dec 31	Bank (A)	40.000	Dec 31	Balance c/d	40.000
2016			2016		
Jan 1	Balance b/d	40.000	Dec 31	Balance c/d	76.000
Dec 31	Bank (B)	36.000			
		76.000			76.000
2017			2017		
Jan 1	Balance b/d	76.000	Dec 31	Disposal (A)	40.000
Dec 31	Bank	42.000	Dec 31	Balance c/d	78.000
		118.000			118.000
2018					
Jan1	Balance b/d	78.000			

(b)

Accumulated Depreciation of Motor Vehicles Account

		€			€
2015			2015		
Dec 31	Balance c/d	10.000	Dec 31	Depreciation exp. (40.000x25%)	10.000
2016			2016		
Dec 31	Balance c/d	26.500	Jan1	Balance b/d	10.000
				Depreciation exp. (7.500+ 9.000) (w1)	16.500
		26.500			26.500
2017			2017		
Dec 31	Disposal	17.500	Jan 1	Balance b/d	26.500
Dec 31	Balance c/d	26.250	Dec 31	Depreciation exp. (6.750 +10.500) (w1)	17.250
		43.750			43.750
			2018		
			Jan1	Balance b/d	26.250

(c)

Disposal of Motor Vehicles Account

		€			€
2017			2017		
31 Dec	Motor vehicles	40.000	31 Dec	Accum. Depn	17.500
			31 Dec	Motor Vehicles	22.000
			31 Dec	P & L Ledger a/c (or I/S)-loss on disposal	500
		40.000			40.000

WORKINGS 1

Calculation of Depn **motor vehicle (A)**		Calculation of Depn **motor vehicle (B)**		Calculation of Depn **motor vehicle (C)**	
Cost	**40.000**	**Cost**	**36.000**	**Cost**	**42.000**
Depn 2015 (40.000 x 25%)	***(10.000)***				
	30.000				
Depn 2016 (30.000 x 25%)	***(7.500)***	**Depn 2016** (36.000 x 25%)	***(9.000)***		
	22.500		27.000		
		Depn 2017 (27.000 x 25%)	***(6.750)***	**Depn 2017** (42.000 x 25%)	***10.500***
			20.250		31.500

d)

Machinery Account

		€			€
2015			2015		
Dec 31	Bank	12.000	Dec 31	Balance c/d	12.000
2016			2016		
Jan 1	Balance b/d	12.000	Dec 31	Balance c/d	22.000
Dec 31	Bank	10.000			
		22.000			22.000
2017			2017		
Jan 1	Balance b/d	22.000	Dec 31	Disposal	6.000
Dec 31	Bank	15.000	Dec 31	Balance c/d	31.000
		37.000			37.000
2018					
Jan1	Balance b/d	31.000			

(e)

Accumulated Depreciation of Machinery Account

		€			€
2015			2015		
Dec 31	Balance c/d	1.800	Dec 31	Depreciation exp. (12.000x15%)	1.800
2016			2016		
Dec 31	Balance c/d	5.100	Jan 01	Balance b/d	1.800
				Depreciation exp. (12.000x15%) + (10.000x15%)	3.300
		5.100			5.100
2017			2017		
Dec 31	Disposal	900	Jan 1	Balance b/d	5.100
Dec 31	Balance c/d	8.850	Dec31	Depreciation exp. (12.000x15%) + (10.000-6.000x15% + (15.000x15%)	4.650
		9.750			9.750
			2018		
			Jan1	Balance b/d	8.850

(f)

Disposal of machinery Account

		€			€
2017			2017		
31 Dec	Machinery	6.000	31 Dec	Accum. Depn	900
			31 Dec	Bank	3.000
			31 Dec	P & L Ledger a/c (or I/S) -loss on disposal	2.100
		6.000			6.000

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