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 Rental Receivable (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 receivable owing		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	240

Answer 2
(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	1.214.000

(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 3

(a) Compensating errors are two errors that cancel each other out. An error of reversal occurs when the entry was completely reversed and as a result the correct amounts have been entered but on the wrong side of the two accounts.

(b)

Journal

		Dr €	Cr €
(i)	Motor Vehicle	5.000	
	Bank	5.000	
	Capital		10.000
(ii)	Suspense	1.300	
	Discount allowed		650
	Discount received		650
(iii)	Drawings	3.000	
	Wages		3.000
(iv)	Suspense	1.750	
	Nahir		1.750
(v)	General expenses	270	
	Suspense		270
(vi)	Disposal	12.000	
	Motor Vehicle		12.000
	Accumulated depreciation mv	5.250	
	Disposal		5.250
	Bank	4.900	
	Disposal		4.900

(c) **Trial Balance at 30 November 2011**

		Dr €	Cr €
	Capital (25.000 + 10.000)		35.000
	Drawings (4.500 + 3.000)	7.500	
	Sales		101.600
	Purchases	46.500	
	Purchases returns		3.250
	Sales returns	6.800	
	Discount allowed (6.500 – 650)	5.850	
	Discount received (4.000 + 650)		4.650
	Wages (27.500 – 3.000)	24.500	
	General expenses (9.400 + 270)	9.670	
	Bank (14.000 + 5.000 + 4.900)	23.900	
	Trade receivables (9.800 – 1.750)	8.050	
	Trade payables		13.870
	Motor vehicles (40.000 + 5.000 – 12.000)	33.000	
	Accumulated Depreciation – Motor vehicles (14.500 – 5.250)		9.250
	Disposal account - loss on disposal	1.850	
		167.620	167.620

(d)

(i) **Motor vehicle account**

	€		€
Balance b/d	40.000	Disposal	12.000
Capital	5.000	Balance c/d	33.000
	45.000		45.000
Balance b/d	33.000		

(ii) **Disposal account**

	€		€
Motor vehicle	12.000	Accumulated depn	5.250
		Bank	4.900
		P& L Ledger a/c - loss on disposal	1.850
	12.000		12.000

Answer 4

(a) **Suspense Account**

	€		€
Purchases	1.800	Balance b/d (original diff)*	1.200
Trade payables	1.620	Bank	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 + 1.620)		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**

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	
Accumulated depreciation		10.800
Inventory at 1 January 2017	6.000	
Drawings	12.000	
Bank overdraft (3.600 - 750)		2.850
Salaries	21.900	
Irrecoverable debts	1.200	
	259.320	259.320

Answer 5

(a)

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) (w2)	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) (w2)	17.250
		43.750			43.750
			2018		
			Jan1	Balance b/d	26.250

(b)

Depreciation expense – Motor vehicles account

		€			€
2015			2015		
31 Dec	Accumulated Depn	10.000	31 Dec	P & L Ledger a/c (or I/S)	10.000
2016			2016		
31 Dec	Accumulated Depn	16.500	31 Dec	P & L Ledger a/c (or I/S)	16.500
2017			2017		
31 Dec	Accumulated Depn	17.250	31 Dec	P & L Ledger a/c (or I/S)	17.250

(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

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	76.500
Dec 31	Bank (B)		36.000			
			76.500			76.500
2017				2017		
Jan 1	Balance b/d		76.500	Dec 31	Disposal (A)	40.000
Dec 31	Bank	20.000		Dec 31	Balance c/d	78.000
Dec 31	Disposal	22.000	42.000			
			118.000			118.000
2018						
Jan1	Balance b/d		78.000			

WORKINGS 2

Calculation of depreciation **motor vehicle (A)**		Calculation of depreciation **motor vehicle (B)**		Calculation of depreciation **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)*** 22.500	**Depn 2016** (36.000 x 25%)	***(9.000)*** 27.000		
		Depn 2017 (27.000 x 25%)	***(6.750)***	**Depn 2017** (42.000 x 25%)	***10.500***
			20.250		31.500

d)

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

(e)

Depreciation expense – Machinery Account

		€			€
2015			2015		
Dec 31	Accum. Depn	1.800	Dec 31	P & L Ledger a/c (or I/S)	1.800
2016			2016		
Dec 31	Accum. Depn	3.300	Dec 31	P & L Ledger a/c (or I/S)	3.300
2017			2017		
Dec 31	Accum. Depn	4.650	Dec 31	P & L Ledger a/c (or I/S)	4.650

(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

WORKINGS 3

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			

NOTE: Although the depreciation expense account was not mentioned in the B Lykeiou textbook, is required in this question for students to know how the relevant double entry is completed.