

Correction of errors

J11/12/ (11/13 same)

- 6 Monica has a shop. She writes up the books of account herself but is not an experienced bookkeeper. Her financial year ends on 28 February.

The trial balance she prepared on 28 February 2011 showed a shortage on the debit side of \$720. Monica entered this in a suspense account and then prepared a draft income statement showing a profit for the year of \$3 600.

The following errors were later discovered.

- 1 A cheque payment of \$460 to repay a loan from Carlo has been correctly entered in the cash book but \$640 has been debited to his loan account.
- 2 Cash sales of \$850 have been completely omitted from the books.
- 3 A cheque payment for \$900 for goods has been entered in the cash book but no other entry has been made.
- 4 The purchase of new display shelves for \$1200 has been debited to the repairs account.

REQUIRED

- (a) Show the journal entries required to correct the above errors. The date and narrative are **not** required.

Error 1	Dr \$	Cr \$

Error 2	Dr \$	Cr \$

Error 3	Dr \$	Cr \$

Error 4	Dr \$	Cr \$

[8]

J12/22

- 5 Bethany Searle is a trader. Her financial year ends on 31 March. The trial balance prepared on 31 March 2012 failed to agree. The difference was entered in a suspense account.

The following errors were later discovered.

- 1 The total of the discount received column in the cash book, \$96, had not been posted to the ledger.
- 2 Cash received from a tenant, \$340, had been entered in the cash book but had not been posted to the rent received account.
- 3 Stationery returned to the supplier, \$24, had been correctly entered in the supplier's account but had been entered in the purchases returns journal.
- 4 The balance of the petty cash book, \$100, had not been included in the trial balance.
- 5 The total of the sales journal had been overcast by \$1 000.

REQUIRED

- (a) Prepare the entries in Bethany Searle's journal to correct the above errors. Narratives are **not** required. The first one has been completed as an example.

Bethany Searle
Journal

		Debit (\$)	Credit (\$)
1	Suspense	96	
	Discount received		96
2			
3			
4			
5			

[8]

Before the errors were discovered Bethany Searle calculated that she had made a profit for the year ended 31 March 2012 of \$14 940.

REQUIRED

- (b) Prepare a statement to show the effect of correcting errors 1-5 on the original profit for the year. If the error does not affect the profit for the year write "No effect". The first correction has been completed as an example.

Bethany Searle
Statement of corrected profit for the year ended 31 March 2012

			\$
Profit for the year before corrections			14 940
Effects on profit			
	Increase (\$)	Decrease (\$)	
Error 1	96		
2			
3			
4			
5			
Corrected profit for the year			

[9]

N12/12

- 2(e) Lynch bought goods, \$100, on credit, but he recorded this as \$1 000.

Name the type of error which has been made.

..... [1]

N12/12

- 4 Mbane sells craft items from a market stall. He sells for cash and buys his goods on credit. He prepared the following trial balance at 31 October 2012. Although the trial balance totals were equal, Mbane had made some errors.

Mbane
Trial Balance at 31 October 2012

	Debit \$	Credit \$
Capital	2 600	
Motor vehicle	4 400	
Purchases	12 400	
Trade payables	3 200	
Revenue		30 800
Inventory 31 October 2012	3 300	
General expenses	600	
Cash at bank		5 200
Motor vehicle expenses	860	
Drawings	8 640	
	36 000	36 000

Mbane had inventory on 1 November 2011 of \$4 500.

REQUIRED

- (a) Prepare a corrected trial balance at 31 October 2012.

Mbane
Corrected Trial Balance at 31 October 2012

	Debit \$	Credit \$
Capital		
Motor vehicle		
Purchases		
Trade payables		
Revenue		
Inventory 31 October 2012		
General expenses		
Cash at bank		
Motor vehicle expenses		
Drawings		

[7]

- (b) From your answer to (a) and the other information shown, prepare Mbane's income statement for the year ended 31 October 2012.

Mbane
Income Statement for the year ended 31 October 2012

	\$	\$

[8]

- (c)(i) State the formula for the calculation of working capital.

.....
[1]

- (ii) Calculate Mbane's working capital at 31 October 2012.

.....
[2]

Mbane wishes to know the effect on his working capital of changes in his business.

REQUIRED

- (a) In the table below, place a tick (✓) under the correct heading to show the effect on Mbane's working capital of each of the following.

	Increase	Decrease	No change
Increased revenue			
Increased trade payables			
Increased motor expenses			
Reduced drawings			

[4]

- (e)(i) State the formula for the calculation of the current ratio.

.....
[1]

- (ii) Calculate Mbane's current ratio at 31 October 2012. Give your answer to **one** decimal place.

.....

[2]

[Total: 25]

N12/12

5 On checking his accounting records, Agricola discovered the following errors:

- 1 A cheque, \$320, paid to Cattle Feeds Ltd had been debited to the account of Cattle & Co.
- 2 Repairs to farm machinery, \$30, had been recorded in the farm machinery account.

REQUIRED

(e) Prepare journal entries to correct the above errors. Narratives **are** required.

Agricola Journal

	Debit (\$)	Credit (\$)

[6]

N12/13

2(d) Alan's trial balance does not balance. Give **two** possible reasons for this.

1

 2
[4]

(g) Singh bought goods, \$240, on credit from Malik. This was recorded in Singh's books as \$420.

(i) Name the type of error which has been made.

.....[1]

(ii) Show the journal entry required to correct this error. A narrative is **not** required.

Singh Journal

	Debit \$	Credit \$

[3]

N12/22

- 2(d) Indicate, by placing a tick (✓) against the correct answer, the effect on the capital employed at 31 October 2012 if the total cost of the advertising campaign had been charged to the year ended 31 October 2012.

Effect on capital employed	
Overstated	
Understated	

[1]

Nancy Tanwin's income statement showed that she had made a loss of \$550 for the year ended 31 October 2012.

The following errors were then discovered.

- 1 No entry had been made for general expenses, \$20, paid from petty cash.
- 2 The sales account had been undercast by \$1 100.
- 3 New fixtures and fittings, \$3 000, had been debited to the premises account.
- 4 The inventory on 31 October 2012 included goods costing \$310 which were damaged and would have to be thrown away.
- 5 Discount received, \$260, had been omitted from the income statement.

REQUIRED

- (e) Prepare a statement to show the effect of correcting errors 1-5 on the original loss for the year and calculate the corrected profit or loss for the year.

If the error does not affect the profit or loss for the year write "No effect". The first correction has been completed as an example.

Nancy Tanwin

Statement of corrected profit/loss for the year ended 31 October 2012

				\$
Profit for the year before corrections				(550)
		Effects on profit		
		Increase (\$)	Decrease (\$)	
Error 1			20	
Error 2				
Error 3				
Error 4				
Error 5				
Corrected profit for the year				

[9]

[Total: 24]

J13/12

2 The following balances are taken from Teresa’s books of account on 31 January 2013.

	\$
Drawings	29 100
Vehicles	16 200
Rent	3 400
Inventory at 1 February 2012	19 100
Equipment	12 100
Trade payables	16 600
Trade receivables	19 300
Sales	210 100
Purchases	131 600
Carriage inwards	400
Discount received	1 100
Bank overdraft	17 000
Wages	21 800
General expenses	11 200
Capital	?

(c) Complete Teresa’s trial balance at 31 January 2013 showing her capital account balance. [8]

Teresa
Trial Balance at 31 January 2013

	\$	\$
Drawings		
Vehicles		
Rent		
Inventory at 1 February 2012		
Equipment		
Trade payables		
Trade receivables		
Sales		
Purchases		
Carriage inwards		
Discount received		
Bank overdraft		
Wages		
General expenses		
Capital		

(d) Name and explain two errors which would not affect the balancing of a trial balance.

Name of error

Explanation

.....

Name of error

Explanation

.....[6]

(e) Teresa's profit for the year ended 31 January 2013 was \$48 200.

Prepare Teresa's capital account. Balance the account on 31 January 2013 and bring down the balance on 1 February 2013.

Teresa
Capital account

Date	Details	\$	Date	Details	\$

[4]

(f) State **two** ways in which Teresa can use her accounting information.

1

2[2]

J13/21

2(f) Ashraf Zayed forgot to enter the motor insurance in the profit and loss section of his income statement for the year ended 28 February 2013.

Complete the following table to indicate how this error would affect the profit for the year.

	Overstated	Understated
Profit for the year ended 28 February 2013		

[2]

(g) Explain why it is important for Ashraf Zayed to keep his personal expenses separate to those of the business.

.....

.....

.....

.....[2]

J13/21

- 3 Sanath Jaffer is a trader. His financial year ends on 31 January. He provided the following information on 31 January 2013.

	\$
Capital	53 000
Drawings	6 100
Revenue	66 000
Purchases	43 350
Purchases returns	1 150
Inventory 1 February 2012	3 700
Inventory 31 January 2013	4 100
Bank overdraft	3 050
Trade receivables	5 320
Trade payables	3 450
General expenses	17 850
Non-current assets	50 400

- (a) Complete the following trial balance for Sanath Jaffer at 31 January 2013. Show any difference you find as a balance on an appropriate account.

Sanath Jaffer
Trial Balance at 31 January 2013

	Debit \$	Credit \$
Capital		
Drawings		
Revenue		
Purchases		
Purchases returns		
Inventory		
Bank overdraft		
Trade receivables		
Trade payables		
General expenses		
Non-current assets		

[7]

- (b) After the preparation of the trial balance some errors were discovered.

Complete the following table to show the entries required to correct each error. The first one has been completed as an example.

	Error	Entry required to correct the error			
		Debit		Credit	
		Account	\$	Account	\$
(i)	Cheque, \$100, paid to a credit supplier not recorded	<i>Trade payable</i>	<i>100</i>	<i>Bank</i>	<i>100</i>
(ii)	Motor expenses, \$400, treated as capital expenditure				
(iii)	Petty cash balance, \$80, omitted from the trial balance				
(iv)	Purchases returns journal undercast by \$100				
(v)	Refund of water rates, \$25, debited to both cash book and general expenses				

[8]

- (c) Select **one** of the above errors and explain why it did not affect the balancing of the trial balance.

Error number

Reason

.....

..... [2]

J13/22

- 1 After the preparation of the income statement the following errors and omissions were discovered:

- 1 A bank statement received on 31 March 2013 showed bank charges of \$140. This had not been entered in the accounting records.
- 2 The office expenses includes stationery. The inventory of stationery was valued at \$210 on 31 March 2013. No adjustment had been made in the accounting records.
- 3 The trade receivables amounted to \$8 400 on 1 April 2012 and \$8 900 on 31 March 2013. A provision for doubtful debts is maintained at 2% of trade receivables. No entries had been made on 31 March 2013 to adjust the provision.
- 4 On 1 January 2013 the business received a \$10 000 loan from Finance4all. No entries had been made for interest which is charged at 6% per annum.

- (b) Complete the table below to show what effect each of the above errors would have on the profit for the year ended 31 March 2013. The first one has been completed as an example.

Error	Effect on profit for the year		
	Overstated \$	Understated \$	No effect \$
1	<i>140</i>		
2			
3			
4			

[6]

N13/11

3(a) Suggest **two** reasons why a trader wants to know his profit for the year.

- 1.....

 2.....
[2]

(b) Complete the table below to indicate where the following will appear in the trial balance and the Statement of Financial Position. The first one has been completed as an example.

Account	Trial balance Debit or credit	Statement of Financial Position section
Delivery van	<i>Debit</i>	<i>Non-current assets</i>
Drawings		
Provision for doubtful debts		
Credit supplier		
Bank overdraft		
Long term bank loan		
Provision for depreciation		

[12]

(c) Name two errors which would not affect a trial balance. Give an example of each.

- Name
- Example
-
- Name
- Example
-[4]

[Total: 18]

N13/13

2 (d) Complete the table below. Use a tick (✓) to show on which side of a trial balance each item would appear. The first one has been completed as an example.

	Debit	Credit
Equipment	✓	
Bank overdraft		
Sales		
Discount allowed		
Capital		
Drawings		

[5]

(e) State **one** purpose of preparing a trial balance.

.....
[1]

(f) A payment for vehicle repairs has been debited to the motor vehicles account in error.

(i) Name the type of error which has taken place.

.....[1]

(ii) Explain the effects of this error on the trial balance.

.....[2]

N13/22

4 Samira El Badry is a trader. Her financial year ends on 31 August.

The totals of her trial balance on 31 August 2013 failed to agree. The difference was a shortage on the debit side of \$116. This was entered in a suspense account.

The following errors were later discovered.

- 1 The purchases returns account had been undercast by \$100.
- 2 Discount received, \$286, had been omitted from the trial balance.
- 3 No entry had been made in the business books for goods, \$220, taken by Samira for her own use.
- 4 \$159 received from Amrik Bhatti had been entered in his account as \$195.
- 5 Rent paid, \$200, had been credited to the rent received account.

(a) Prepare the suspense account in Samira El Badry's ledger to show the required entries. Start with the balance arising from the difference on the trial balance. The account should be balanced or totalled as necessary.

Samira El Badry
Suspense account

Date	Details	\$	Date	Details	\$

[7]

- (b) State whether all the errors in Samira El Badry's books have been discovered. Give a reason for your answer.

.....

 [2]

- (c) Explain why not all the corrections require an entry in the suspense account. Illustrate your answer with reference to **one** of the errors listed.

.....

 [2]

N13/23

6 Maria Nlovu is a trader. Her financial year ends on 31 August.

The trial balance prepared on 31 August 2013 failed to agree and the difference was entered in a suspense account. Maria Nlovu then prepared a draft income statement.

The following errors were later discovered.

- 1 The purchases account had been overcast by \$1 000.
- 2 Carriage inwards, \$111, had been debited to the carriage outwards account.
- 3 Repairs to motor vehicles, \$315, had been included in the motor vehicles account.
- 4 Rent paid, \$350, had been credited to the rent received account.
- 5 Goods, \$45, returned to Helmut, a supplier, had been entered on the wrong side of his account.

- (a) Complete the table below to show what effect each of the above errors had on the profit for the year ended 31 August 2013. The first one has been completed as an example.

Error	Effect on profit for the year		
	Overstated \$	Understated \$	No effect
1		1 000	
2			
3			
4			
5			

[8]

(b) Name the type of error made in:

Error number 2

.....

Error number 3.

..... [2]

(c) Prepare the entries in Maria Nlovu’s journal to correct errors 2–5. Narratives **are** required.

Maria Nlovu
Journal

	Debit \$	Credit \$

Ahsan Zarif, TCS, PAF Chapter

[13] [Total: 23]

J14/12

4(a) Matsumi was inexperienced in book-keeping and drew up a trial balance which failed to balance. Name the account she could have opened to enable the trial balance to balance.

.....[1]

The trial balance which she drew up, and which contained errors, was as follows.

Matsumi
Trial Balance at 30 April 2014

	Dr \$	Cr \$
Bank overdraft		2 320
Cash		100
Fixtures and fittings at cost		6 800
Provision for depreciation at 1 May 2013	1 360	
Fees receivable	28 105	
Interest payable	200	
Rent payable	6 000	
Advertising	430	
Wages		8 005
Loan account	3 000	
Capital at 1 May 2013		2 950
Drawings		16 200
	39 095	36 375

REQUIRED

(b) Prepare a corrected trial balance at 30 April 2014.

Matsumi
Trial Balance at 30 April 2014

	Dr \$	Cr \$
Bank overdraft		
Cash		
Fixtures and fittings at cost		
Provision for depreciation at 1 May 2013		
Fees receivable		
Interest payable		
Rent payable		
Advertising		
Wages		
Loan account		
Capital at 1 May 2013		
Drawings		

[6]

(c) Explain why the capital account balance in the trial balance is that of 1 May 2013.

.....

[2]

(d) Suggest the line of business in which Matsumi may be working.

.....
[1]

(e) Matsumi depreciates her fixtures and fittings at the rate of 20% per annum using the reducing (diminishing) balance method. Calculate the depreciation charge for the year ended 30 April 2014.

.....

[2]

(f) Prepare the provision for depreciation account for the year ended 30 April 2014. Balance the account and bring down the balance on 1 May 2014.

Provision for depreciation account

Date	Details	\$	Date	Details	\$

[4]
 [Total: 16]

J14/21

- 5 Uzma Khan runs a dress-making business. She maintains a full set of accounting records. Her financial year ends on 28 February.

On 28 February 2014 she opened a suspense account and entered a credit balance of \$2 027.

REQUIRED

- (a) State two reasons why it was necessary for Uzma Khan to open a suspense account.

1

2 [2]

Uzma Khan discovered the following **errors** had been made in her accounting records.

- 1 Rent of premises, \$250, had been debited to the rent account as \$520.
- 2 \$400 withdrawn from the bank for personal use had been debited to the wages account.
- 3 The total of the discount allowed column in the main cash book, \$43, had not been transferred to the discount allowed account in the ledger.
- 4 \$2 000 received from Amina had been credited to the account of Mona as \$200.

REQUIRED

- (b) Prepare the entries in Uzma Khan’s journal to correct the above four errors. Narratives **are** required.

Uzma Khan
Journal

	Debit \$	Credit \$

- (c) Complete the table below to show what effect each of the four errors (part 'b' above) had on Uzma Khan's profit for the year ended 28 February 2014. The first one has been completed as an example.

Error	Effect on profit for the year		
	Overstated \$	Understated \$	No effect
1		270	
2			
3			
4			

[6]
[Total: 21]

J14/22

- 6 Bali Sudhaker is a trader. His trial balance totals did not agree, but he proceeded to prepare a draft income statement for the year ended 30 April 2014. Some errors were then discovered.

REQUIRED

- (a) Complete the following table to show the entries required to correct each error. The first one has been completed as an example.

Error	Entries required to correct the error				
	Debit		Credit		
	Account	\$	Account	\$	
1	\$156 paid to Kumar debited to KM account	<i>Kumar</i>	156	<i>KM</i>	156
2	Credit note, \$210, received from a supplier, Pete, entered as invoice				
3	Total of the discount received column in the cash book, \$44, debited to discount allowed account				

[6]

- (b) Complete the following table to show the effect, if any, each error had on the draft profit for the year.

Error	effect on draft profit for the year		
	Overstated \$	Understated \$	No effect
1			
2			
3			

[6]

After making the necessary adjustments, Bali Sudhaker prepared a corrected income statement for the year ended 30 April 2014.

He provided the following information.

	\$
Revenue	39 500
Cost of sales	28 200
Total expenses	7 900

REQUIRED

(c) Complete the table below to show the ratios for the year ended 30 April 2014. Calculations should be to **two** decimal places. You may use the space below for your workings.

Ratio	Year ended 30 April 2013	Year ended 30 April 2014
percentage of gross profit to revenue (sales)	25.75%	%
percentage of profit for the year to revenue (sales)	10.50%	%

[4]

Workings

(d) Suggest one possible reason for the change in the percentage of gross profit to revenue (sales).

.....
 [2]

(e) State whether the efficiency of the business has increased or decreased. Give a reason for your answer.

Increased or decreased

Reason

..... [2]

[Total: 20]

N14/12

- 4** A book-keeper drew up a trial balance and found that it did not balance. He opened a suspense account with a debit balance of \$60. The following errors were then discovered.
- 1 Sales returns, \$80, have been credited to the purchases returns account, although correctly recorded in the debtor’s account.
 - 2 Vehicle repairs, \$150, have been debited to the motor vehicles account.
 - 3 The purchases journal has been overcast by \$100.
 - 4 Goods taken by the owner for his own use, \$55, have not been recorded in the books.

REQUIRED

(a) Prepare journal entries to correct these errors. Narratives are **not** required.

Journal

	Debit \$	Credit \$

[9]

(b) Prepare the suspense account, showing the necessary corrections.

Suspense account

Details	\$	Details	\$
Difference on trial balance	60		

[3]

(c) Name the type of error made in error 2 on page 12.

.....[1]
 [Total: 13]

N14/13

4 Arrietty’s draft income statement showed a profit for the year of \$26 800. The following errors were then discovered.

- 1 Inventory, \$160, at a customer’s premises at the year end on a sale or return basis, had been forgotten and not included in the financial statements.
- 2 The sales account had been undercast by \$1 000.
- 3 Goods, \$250, taken by Arrietty for her own use, had not been recorded in the books of account.
- 4 A cheque from a debtor, Alice, had been credited to the account of Alicia.
- 5 A payment for vehicle repairs, \$300, had been credited to the vehicle repair account.

REQUIRED

(a) Complete the table below using a tick (✓) to indicate if each error would affect the balancing of the trial balance. The first has been completed as an example.

	Error Affects balancing of trial balance	Does not affect balancing of trial balance
1		✓
2		
3		
4		
5		

[4]

(b) Complete the statement below to show the effect of each of these errors on the profit for the year. If an error has no effect, write No Effect. Show the corrected profit for the year.

Statement of corrected profit

	\$
Draft profit for the year	26 800
Error – 1	
Error – 2	
Error – 3	
Error – 4	
Error – 5	
Corrected profit for the year	

[7]

(c) Name the type of error made in Error 4.

.....[1]
 [Total: 12]

J15/23

5 Dylan Kelly is a trader. After the preparation of his draft income statement for the year ended 28 February 2015 some errors were discovered.

REQUIRED

(a) Complete the following table to show by how much correcting each of the errors would affect the profit for the year.

Error	Increase \$	Decrease \$
Sales returns, \$420, had not been recorded		
Inventory on 1 March 2014 was overstated by \$1 500		
The income statement included rent and rates, \$6 150, for 15 months to 31 May 2015		
Discount allowed, \$180, had been recorded as discount received		

[8]

After the correction of the errors on 28 February 2015, Dylan Kelly provided the following information.

	\$
Inventory	9 900
Trade receivables	7 350
Trade payables	6 870
Bank	1 120 debit
Loan repayable 30 June 2015	5 000

REQUIRED

(b) Calculate the quick ratio. The calculation should be correct to two decimal places.

.....

.....

.....

..... [2]

(c) Comment on your answer to (b).

.....

.....

.....

..... [2]

(d) State how the calculation of the quick ratio differs from the calculation of the current ratio.

..... [1]

Dylan Kelly allows his credit customers 30 days credit. The sales for the year ended 28 February 2015 were \$90 000, of which \$18 500 represented cash sales.

REQUIRED

(e) State the formula for the calculation of the collection period for trade receivables.

.....
..... [1]

(a) Calculate the collection period for trade receivables. Round up your answer to the next whole day.

.....
.....
.....
..... [2]

(g) Comment on your answer to (f).

.....
.....
.....
..... [2]

(h) Suggest two ways in which Dylan Kelly could improve the collection period for trade receivables.

1
.....
2
..... [2]

Dylan Kelly is allowed 40 days credit by his credit suppliers. For the year ended 28 February 2015 the payment period for trade payables was 36 days.

REQUIRED

(i) Comment on Dylan Kelly's payment period for trade payables.

.....
.....
.....
..... [2]

[Total: 22]

N15/12

6 Leroy prepared a trial balance on 30 September 2015 which failed to balance. He opened a suspense account. He then discovered the following errors.

- 1 Discount allowed, \$30, had been posted to the credit side of the discount received account.
- 2 Receipt of cash, \$85, from Yolanda, a credit customer, had been credited to the account of Joanie.
- 3 The total of the sales returns journal, \$110, had been posted as \$100.
- 4 An invoice totalling \$1000 for computer equipment and supplies had included a charge of \$150 for stationery. The total amount had been posted to the office equipment account.

REQUIRED

(b) State which two of these errors did not affect the balancing of the trial balance and in each case name the type of error which had occurred.

Error

Name

Error

Name [4]

(c) Prepare journal entries to correct all four errors. Narratives are required.

Error number	Details	Debit \$	Credit \$

[13]

(d) Prepare the suspense account, showing the original difference on the trial balance.

Leroy
Suspense account

Date	Details	\$	Date	Details	\$
2015			2015		
Sept.30			Sept.30		

[3]

Leroy had a draft profit for the year of \$5170 before the errors were corrected.

REQUIRED

(e) Complete the following table to calculate the correct profit for the year. Where an error has no effect on profit, place a tick (✓) in the No Effect column.

	No Effect	Increase \$	Decrease \$	\$
Draft profit				5 170
Error 1				
Error 2				
Error 3				
Error 4				
Corrected profit				

[8]

N15/23

3 Sally Rickard is a trader. Despite having little knowledge of book-keeping, she decided to prepare a trial balance at the end of her financial year on 31 October 2015. The trial balance she prepared was as follows.

	\$	\$
Revenue	160 400	
Purchases		99 300
Wages	27 000	
Motor expenses	1 600	
General expenses	7 250	
Premises at cost	80 000	
Equipment and fixtures at cost	10 000	
Motor vehicle at cost	13 930	
Provision for depreciation of equipment and fixtures		1 050
Provision for depreciation of motor vehicle		5 750
Trade receivables	26 800	
Provision for doubtful debts	670	
Trade payables		8 150
Cash	350	
Bank overdraft		4 810
Loan from AB Loans		10 000
Drawings		12 500
Capital (balancing figure)		186 440
	328 000	328 000

Inventory 1 November 2014 \$7 100
 Inventory 31 October 2015 \$8 300

In addition to the obvious errors in the trial balance, the following errors were also discovered.

- 1 General expenses paid in cash, \$150, had not been recorded.
- 2 Motor expenses, \$430, had been debited to the motor vehicles account.
- 3 A cheque, \$260, received from a credit customer had been credited to the bank account and debited to the customer's account.

REQUIRED

(a) For **each** of the items 1-3 state the type of error that was made.

Error 1

Error 2

Error 3[3]

- (b) Prepare a corrected trial balance at 31 October 2015.

Sally Rickard
Corrected Trial Balance at 31 October 2015

	\$	\$
Revenue		
Purchases		
Wages		
Motor expenses		
General expenses		
Premises at cost		
Equipment and fixtures at cost		
Motor vehicle at cost		
Provision for depreciation of equipment and fixtures		
Provision for depreciation of motor vehicle		
Trade receivables		
Provision for doubtful debts		
Trade payables		
Cash		
Bank overdraft		
Loan from AB Loans		
Drawings		
Capital (balancing figure)		

[13]

After the trial balance was corrected, Sally Rickard attempted to prepare an income statement to calculate her profit for the year, but made some errors.

REQUIRED

- (c) Complete the table, by placing a tick (✓) in the appropriate column, to show how **correcting each** of the following errors would affect the profit for the year.

Name the accounting principle being applied. The first one has been completed as an example.

	Effect on profit		Accounting principle
	Increase	Decrease	
The depreciation charge had been calculated at a lower rate than in previous years.		✓	<i>Consistency</i>
An amount owing by a credit customer should have been written off.			
General expenses included rates which were prepaid until 31 December 2015.			
Goods invoiced and despatched to a customer were not recorded as the customer did not receive them until 3 November 2015.			
No record had been made of goods taken for personal use.			

[8][Total: 24]

J16/12

3(d) State **one** reason why a book-keeper would prepare a trial balance.

.....
.....[1]

(e) Complete the following table, indicating with a tick (✓) whether **each** account would appear on the debit side or the credit side of a trial balance.

	debit side	credit side
Machinery		
bank overdraft		
Inventory		
Capital		
Purchases		
discount received		
carriage outwards		
trade receivables		

[4]

(f) State which accounts from the table in (e) are

(i) assets

(ii) liabilities

[3]

J16/12

3(g) Name the account which is opened when a trial balance fails to agree.

.....[1]

(h) Name and explain **two** errors which would **not** affect the balancing of the trial balance.

Error 1

Name

Explanation

Error 2

Name

Explanation

.....[4]

J16/21

6 Wasim is a trader. His financial year ends on 31 March.

The totals of his trial balance on 31 March 2016 did not agree. The difference was a shortage on the debit side of \$495. This was entered in a suspense account.

The following errors were later discovered.

- 1 The total of a page of the purchases account, \$3 842, had been carried forward as \$3 824.
- 2 A cheque received from DEC Limited, \$150, had been credited to the account of DDE Limited.
- 3 The balance of the petty cash book, \$100, had been omitted from the trial balance.
- 4 Repairs to motor vehicle, \$283, had been debited to the motor vehicles account.
- 5 Purchase of fixtures, \$2 200, on credit from Office Supplies Company, had been debited to Office Supplies Company and credited to fixtures account.
- 6 The total of the discount allowed column in the cash book, \$250, had been credited to the discount received account in the ledger.
- 7 The total of the analysis column for stationery in the petty cash book, \$67, had not been transferred to the stationery account in the ledger.

REQUIRED

- (a)** Prepare the suspense account. Start with the balance arising from the difference on the trial balance. The account should be balanced or totalled as necessary.

Wasim
Suspense account

Date	Details	\$	Date	Details	\$

[7]

- (b)** Prepare journal entries to correct **two** of the errors which do **not** require correcting by means of the suspense account. Narratives **are** required.

Wasim
Journal

Error number		Debit \$	Credit \$

[6]

(c) Name the type of error made in **Error 2**.

.....[1]

Wasim prepared draft financial statements for the year.

REQUIRED

(d) Complete the following table by placing a tick (✓) in the correct column to indicate whether the profit for the year would be affected by **each** of the errors. The first one has been completed as an example.

Error Number	affects profit for the year	does not affect the profit for the year
1	✓	
2		
3		
4		
5		
6		
7		

[6]
[Total: 20]

J16/22

5 After the preparation of the income statement for the year ended 31 December 2015 it was discovered that the inventory on 31 December 2014 had been valued at net realisable value which was higher than the cost price.

REQUIRED

(e) Complete the following table to indicate the effect of this error. Place a tick (✓) under the correct heading to indicate the **effect** of this error on **each** item.

	Overstated	Understated	No effect
Profit for the year ended 31 December 2014			
Profit for the year ended 31 December 2015			
Cost of sales for the year ended 31 December 2015			
Current assets at 31 December 2014			
Current assets at 31 December 2015			

[5]

J16/22

6 David is a trader. The totals of his trial balance prepared on 31 January 2016 did not balance. The difference was entered in a suspense account and draft financial statements were prepared. The following information was extracted from the draft income statement for the year ended 31 January 2016.

	\$
Cost of sales	59 600
Gross profit	15 800
Profit for the year	3 500

REQUIRED

(a)(i) Calculate the percentage of profit for the year to revenue. The calculation should be correct to **two** decimal places. Show your workings.

.....

[2]

(ii) Suggest **two** reasons why the percentage of profit for the year to revenue is lower than the previous year.

1

 2
[2]

The following errors were later discovered.

- 1 No record had been made of office expenses paid in cash, \$114.
- 2 A page total in the sales journal, \$45 400, had been incorrectly carried forward as \$44 500.
- 3 Discount allowed, \$300, was incorrectly recorded as discount received.
- 4 Sales returns, \$814, had been correctly recorded in the customer's account, but credited to the purchases returns account.
- 5 The provision for doubtful debts of \$120 should have been increased to \$144.

REQUIRED

(b) Prepare journal entries to correct **errors 1 and 2**. Narratives **are** required.

David
Journal

	Debit \$	Credit \$

[6]

- (c) Complete the following statement to show the effect on the profit for the year of **correcting errors 1-5**. Calculate the corrected profit for the year. The first correction has been completed as an example.

David
Statement of corrected profit for the year ended 31 January 2016

			\$
Profit for the year before corrections			3 500
	Increase in profit \$	Decrease in profit \$	
Error 1		114	
Error 2			
Error 3			
Error 4			
Error 5			
Corrected profit for the year			

[9] [Total: 19]

N16/22

- 6 After the preparation of the **draft financial statements** for the year ended **31 July 2016** the following errors were discovered.
- 1 No entry had been made for bank charges, \$110.
 - 2 Rent receivable, \$780, had been recorded as \$870.
 - 3 The total of a page of the wages account, \$10 050, had been carried forward as \$10 500.
 - 4 A credit customer who owed \$500 had sent a cheque for 75 cents for each dollar owed. The balance should have been written off as a bad debt.
 - 5 The provision for doubtful debts, \$650, should have been adjusted to 2% of the trade receivables who owed \$30 800.

REQUIRED

- (d) Complete the following statement to show the effect on the draft profit for the year of **correcting errors 1-5**. Calculate the corrected profit for the year. The first correction has been completed as an example.

Daniel
Statement of corrected profit for the year ended 31 July 2016

			\$
Draft profit for the year before corrections			41 000
	Increase in profit	Decrease in profit	
Error 1			
Error 2			
Error 3			
Error 4			
Error 5			
Corrected profit for the year			

[9]

N16/23

3 On 31 October 2016 it was found that two receipts had been incorrectly classified.

REQUIRED

(e) Complete the following table by placing a tick (✓) in the correct column to indicate the **effect** of each error on the profit for the year.

	Effect of error on profit	
	Overstated	Understated
Proceeds of sale of old fixtures (at book value) included in income statement		
Interest received on loan to employee recorded as part repayment of loan		

[2]

J17/21

2 The totals of Harum’s trial balance prepared on 31 March 2017 did not agree. Harum recorded the difference in a suspense account.

On checking the accounting records various errors were discovered.

REQUIRED

(e) Complete the following table to show the entries required to **correct each** error. The first one has been completed as an example.

Error	Entry required to correct the error			
	Debit		Credit	
	Account	\$	Account	\$
Goods returned, \$310, to Ali, a credit supplier, had been entered into the account of Alam.	<i>Ali</i>	<i>310</i>	<i>Alam</i>	<i>310</i>
Wages paid in cash, \$1 200, had been correctly entered in the cash book but posted to the wages account as \$2 100.				
The total of the general expenses column in the petty cash book, \$48, had not been posted to the general expenses account.				
The total of the discount received column in the cash book, \$114, had been debited to the discount allowed account.				

[7]

J17/22

5 Heng is a wholesaler. He maintains a full set of double entry accounting records.

REQUIRED

(a) Name the accounting principle Heng is applying in his accounting records.

..... [1]

Heng’s financial year ends on 31 December. He opened a suspense account on 31 December 2016 and entered a debit balance of \$430.

REQUIRED

(b) State **two** reasons why it was necessary for Heng to open a suspense account.

1

.....

2

..... [2]

Heng discovered that the following errors had been made in his accounting records.

- 1 Repairs to office equipment, \$281, had been correctly entered in the cash book, but had been entered in the office equipment account.
- 2 A sales invoice issued to AB Stores had been overcast by \$100.
- 3 The balance of the petty cash book, \$150, had not been entered in the trial balance.
- 4 General expenses, \$1 120, had been correctly entered in the cash book, but had been entered in the general expenses account as \$1 210.
- 5 The total of the discount allowed column in the cash book, \$1024, had not been transferred to the discount allowed account in the ledger.
- 6 A cheque, \$2 060, paid to AK Suppliers, had been debited in the cash book (which had a positive balance) and credited to the account of AK Suppliers.
- 7 The total of the purchases returns account, \$454, had not been entered in the trial balance.

REQUIRED

(c) Prepare the suspense account in Heng’s ledger to show the required entries. The account should be balanced or totalled as necessary.

Heng
Suspense account

Date	Details	\$	Date	Details	\$

[6]

- (d) State whether all the errors in Heng's books have been discovered. Give a reason for your answer.
 Have all errors been discovered?
 Reason
 [2]

- (e) Complete the table to show the **effect** of **each** of the errors. Where an error has no effect, write 'No effect'. The first one has been completed as an example.

Error	Profit for the year \$	Non-current assets \$	Current assets \$	Current liabilities \$
1	<i>281 overstated</i>	<i>281 overstated</i>	<i>No effect</i>	<i>No effect</i>
2				
3				
4				
5				
6				
7				

[10]

[Total: 21]

N17/11

- 5 Satish has a financial year end of 30 June. On 30 June 2017 he prepared the following trial balance.

Satish
Trial Balance at 30 June 2017

	Debit \$	Credit \$
Revenue		53 030
Purchases	33 200	
Fixtures and fittings	12 000	
Provision for depreciation on fixtures and fittings		3 000
Trade receivables	3 100	
Trade payables		1 900
Inventory at 1 July 2016	4 450	
Rent	6 000	
Wages	2 800	
Other operating expenses	4 180	
Drawings	10 900	
Capital		14 200
Bank		<u>600</u>
	<u>76 630</u>	<u>72 730</u>

Additional information

- Satish calculated a draft gross profit for the year ended 30 June 2017 of \$20 000. This calculation used a valuation of closing inventory of \$4 620.
- Depreciation for the year, \$1 500, had yet to be provided.

The books of account contained errors and the totals of the trial balance did not agree. Satish therefore opened a suspense account, and then discovered the following errors.

- 1 A sale on credit, \$400, had been completely omitted from the books.
- 2 Closing inventory included \$550 for inventory which had been damaged and now had no value, but this had not been written off.
- 3 The purchases journal for June had been undercast by \$100.
- 4 Capital introduced of \$2 000 had been correctly entered in the cash book but debited in the drawings account.

REQUIRED

(a) Prepare the suspense account, showing the opening balance and the entries correcting the errors.

Satish
Suspense account

Date	Details	\$	Date	Details	\$

[4]

(b) (i) Complete the following statement to calculate the correct gross profit for the year. Where an error has no effect on gross profit, place a tick (3) in the No Effect column.

Satish
Statement of correction of gross profit for the year ended 30 June 2017

	No effect	Increase \$	Decrease \$	\$
Draft gross profit				20 000
Error 1				
Error 2				
Error 3				
Error 4				
Corrected gross profit				

[8]

(ii) Calculate the profit for the year ended 30 June 2017.

.....

.....

.....

.....

.....

.....

.....[5]

- (c) Prepare Satish's statement of financial position at 30 June 2017.

Satish
Statement of financial position at 30 June 2017

	\$	\$

[10] [Total: 27]

N17/12

- 3** Before preparing the financial statements Jason prepared a trial balance. The totals of the trial balance did not agree.

REQUIRED

- (f) State what is meant by the term 'trial balance'.

.....
[2]

- (g) Name and explain **two** errors which would **not** affect the balancing of the trial balance.

Error 1

Name

Explanation

.....

.....

Error 2

Name

Explanation

.....

.....[4]

N17/22

3 After the preparation of Zikri’s financial statements for the year ended 31 August 2017 some errors were discovered.

REQUIRED

(f) Complete the following table to indicate the **effect** of **each** error on the gross profit and the profit for the year. Where the error does not affect the profits write No Effect. The first one has been completed as an example.

Error	Effect on gross Profit	Effect on profit for the year
General expenses omitted from income statement	<i>No Effect</i>	<i>Overstated</i>
Opening inventory over-valued		
Wages account over-added		
Sales returns omitted from income statement		
Carriage inwards included in the expenses in the income statement		
Purchases returns added to the purchases		

[10]

N17/22

5 On 30 September 2017 Ben calculated his profit for his first six months of trading. The following errors were then discovered.

- Error 1 \$500 received from the sale of old shop fittings (book value \$550) was debited to the cash account and credited to the sales account. No other entries were made to record this disposal.
- Error 2 6 months’ loan interest was treated as part-repayment of the loan.
- Error 3 The shop fittings account was debited with \$1 450. Of this \$1 300 was for new shop fittings and the balance was for repairs.

REQUIRED

(d) Complete the following table to indicate the **effect** of **each** of the errors. The first one has been completed as an example.

Error	effect on assets		effect on liabilities		Effect on profit	
	Overstated \$	Understated \$	Overstated \$	Understated \$	Overstated \$	Understated \$
1	550	–	–	–	450	–
2						
3						

[8]

J18/11

6 Mai is a trader. At the end of her financial year on 31 March 2018 she opened a suspense account with a debit balance of \$650.

REQUIRED

(a) State **two** reasons why it was necessary for Mai to open a suspense account.

- 1
- 2

[2]

Mai discovered that some errors had been made in her accounting records.

REQUIRED

- (b) Complete the following table to show the entries required to correct **each** error. The first one has been completed as an example.

	Error	Entries required to correct the error			
		Debit		Credit	
		Account	\$	Account	\$
1	motor expenses, \$150, debited to motor vehicles account	<i>motor expenses</i>	150	<i>motor vehicles</i>	150
2	carriage inwards, \$120, debited to carriage outwards account				
3	sales journal overcast by \$1 000				
4	wages, \$460, debited to wages account as \$640				

[6]

- (c) State whether all the errors in Mai’s books have been discovered. Give a reason for your answer.

Have all the errors been discovered?

Reason

.....

[2]

- (d) Complete the statement to show the effect on the profit for the year of **correcting** errors 1–4. Where the error does not affect the profit **write** “no effect”.

Mai

Statement of corrected profit for the year ended 31 March 2018

Error	Increase in profit	Decrease in profit	
	\$	\$	\$
Profit for the year before correction			4 150
1			
2			
3			
4			
Corrected profit for the year			

[6]

[Total: 16]

J18/12

4 Chandra calculated a draft profit of \$8760 for the year ended 31 January 2018. The following errors were later discovered.

- 1 Advertising expenses owing at the year-end had been overstated by \$100.
- 2 Interest payable on a 6% bank loan of \$10 000 had been omitted. The loan was taken on 1 February 2017.
- 3 Cost of petrol, \$89, for Chandra’s personal use had been recorded as a business expense.
- 4 Motor vehicle repairs, \$210, had been recorded as motor insurance.

REQUIRED

(e) Complete the statement to show the corrected profit for the year ended 31 January 2018. If an error has no effect on profit place a tick (✓) in the No Effect column.

Chandra
Statement of corrected profit for the year ended 31 January 2018

Error	No effect	Increase \$	Decrease \$	\$
Draft Profit				8 760
1				
2				
3				
4				
Corrected profit				

[6]

(f) Name the accounting principle being applied when correctly dealing with the transaction in error 3. Give a reason for your answer.

Accounting principle

Reason

.....[2]

J18/21

- 2 Despite having little knowledge of book-keeping, Nabil decided to prepare a trial balance at the end of his financial year on 28 February 2018.

The trial balance he prepared, which contains errors, was as follows.

	Debit \$	Credit \$
Revenue		119 100
Purchases	72 000	
Capital		155 000
Loan – AB Loans		80 000
Premises	200 000	
Fixtures and fittings	22 000	
Trade receivables	7 600	
Trade payables		6 850
Bank overdraft	3 950	
Wages	32 300	
General expenses	25 400	
Inventory - 1 March 2017	5 500	
28 February	6 100	
Difference in trial balance		13 900
	372 850	374 850

The following errors were later discovered.

- 1 Nabil's cash drawings, \$10 000, had been posted to the wages account.
- 2 No entry had been made for purchases returns, \$150.
- 3 \$140 owed by a credit customer should have been written off as a bad debt.
- 4 No entry had been made for bank charges, \$210.
- 5 The balance of the petty cash book, \$100, had been omitted from the trial balance.

REQUIRED

- (c) Prepare a **corrected** trial balance at 28 February 2018.

Nabil
Corrected Trial Balance at 28 February 2018

	Debit \$	Credit \$
Revenue		
Purchases		
Capital		
Loan – AB Loans		
Premises		
Fixtures and fittings		
Trade receivables		
Trade payables		
Bank overdraft		
Wages		
General expenses		
Inventory -		

[13]

J18/22

2 After calculating her profit for the year ended 31 March 2018, Sophia discovered some errors had been made in her accounting records.

- Error 1 Rent received from a tenant had been credited to the premises account.
- Error 2 Legal costs on the purchase of a new warehouse had been debited to the general expenses account.
- Error 3 Roof repairs to the existing warehouse had been debited to the premises account.
- Error 4 Capital introduced had been included in the cash sales.

REQUIRED

(b) Complete the following table by placing a tick (✓) in the correct column to indicate the **effect** of each of the errors. The first one has been completed as an example.

Error	effect on profit for the year		effect on closing capital		
	Overstated	Understated	Overstated	Understated	No effect
1		✓		✓	
2					
3					
4					

[6]

N18/11

2 (e) Give **one** example of **each** of the following errors which will **not** be revealed by a trial balance.

- Error of commission
-
- Error of omission
-
- Compensating error
- [3]

N18/12

4 Ahmed is a wholesaler. He provided the following draft income statement for the year ended 30 September 2018, which **contains errors**.

Ahmed
Draft Income Statement for the year ended 30 September 2018

	\$	\$
Revenue		75 000
Proceeds from sale of motor vehicle		2 600
		77 600
Opening inventory	8 500	
Purchases	52 200	
	60 700	
Closing inventory	(7 300)	
Cost of sales		(53 400)
Gross profit		24 200
Expenses		(12 900)
Profit for the year		11 300

Additional information

- 1 Purchases included \$15 000 for new plant and equipment.
- 2 The motor vehicle was sold at net book value. No entry had been made in the motor vehicles account.

REQUIRED

(b) Complete the following table by inserting a tick (✓) to show the effect of **correcting** the errors on **each** of the following items.

	Increase	Decrease
Plant and equipment		
Motor vehicle		

[2]

(c) Complete the statement to calculate the corrected **gross** profit for the year ended 30 September 2018.

Ahmed
Statement of corrected gross profit for the year ended 30 September 2018

	Increase \$	Decrease \$	\$
Draft gross profit			24 200
Corrected gross profit			

[3]

N18/21

4 Rizwan is a motor trader. His financial year ends on 30 September. On 30 September 2018 Rizwan opened a suspense account.

REQUIRED

(a) Suggest **two** reasons why it was necessary for Rizwan to open a suspense account.

- 1
-
- 2
- [2]

Rizwan later discovered the following errors in his accounting records.

- 1 Rent received, \$560, had been debited to the rent payable account.
- 2 The purchase of office equipment, \$890, had been entered in the purchases account.
- 3 The balance of the petty cash book, \$21, had been omitted from the trial balance.

REQUIRED

(b) Prepare journal entries to correct these errors. Narratives **are** required.

Rizwan
Journal

		Debit \$	Credit \$

[10]

J19/11

3 Kadar is a food wholesaler. He maintains a full set of accounting records and prepares a trial balance at the end of each financial year.

REQUIRED

(a) State **two** reasons why a trial balance is prepared.

1

.....

2

.....

[2]

(b) Name **three** types of error which are **not** revealed by a trial balance. Give an example of each.

1 Type of error

Example

.....

.....

2 Type of error

Example

.....

.....

3 Type of error

Example

.....

.....

[6]

Kadar provided the following information at the end of his financial year on 31 March 2019.

	\$
Revenue	146 000
Purchases	137 300
Sales returns	1 400
Carriage outwards	2 970
Fixtures and fittings (at cost)	45 000
Provision for depreciation of fixtures and fittings	18 000
Motor vehicle (at cost)	16 850
Discount allowed	190
Discount received	230
Trade payables	14 600
Trade receivables	12 900
Operating expenses	17 190
Rent payable	5 200
Commission receivable	2 000
Bank overdraft	5 170
Capital	65 000
Inventory 1 April 2018	12 000
Inventory 31 March 2019	10 950

(c) Prepare the trial balance of Kadar at 31 March 2019.

Kadar
Trial Balance at 31 March 2019

	Debit \$	Credit \$
Revenue		
Purchases		
Sales returns		
Carriage outwards		
Fixtures and fittings (at cost)		
Provision for depreciation of fixtures and fittings		
Motor vehicle (at cost)		
Discount allowed		
Discount received		
Trade payables		
Trade receivables		
Operating expenses		
Rent payable		
Commission receivable		
Bank overdraft		
Capital		
Inventory		

[9]

J19/21

- 5 Nadia is a trader. She has a limited knowledge of book-keeping, but attempted to prepare a set of draft financial statements at the end of her first year of trading.

She prepared the following draft statement of financial position, which contains errors.

Nadia		\$
Draft Statement of Financial Position at 31 March 2019		
Premises at cost		31 000
Other non-current assets at cost		9 600
Inventory		3 170
Trade receivables		3 000
Cash		200
Drawings		<u>10 350</u>
		57 320
Less: Bank overdraft		<u>1 410</u>
		<u>55 910</u>
Trade payables		2 680
Capital at 1 April 2018		50 000
Draft profit for the year		<u>3 330</u>
		56 010
Less: Suspense account		<u>100</u>
		<u>55 910</u>

The following errors were later discovered.

- 1 No entries had been made for bank charges, \$21.
- 2 Cash sales, \$100, had been debited to the cash book and credited to the account of Zahoor, a credit customer.
- 3 The purchases returns were overstated by \$10.
- 4 The inventory at 31 March 2019 was overstated by \$199.
- 5 A provision for doubtful debts of 2% of trade receivables should have been created.
- 6 Expenses, \$90, paid in cash had been credited in the cash book but no other entry had been made.
- 7 The draft income statement had been charged with insurance, \$2 800, which was for a period of 14 months.
- 8 The non-current assets (excluding premises) should have been depreciated by 10% on cost.

REQUIRED

- (a) Prepare journal entries to correct errors 1 and 2. Narratives are **not** required.

Nadia Journal

Details	Debit \$	Credit \$

[4]

J19/22

5 Myra's brother, Raj, also has a business.

After he prepared his draft financial statements for the year ended 31 March 2019 the following errors were discovered.

- 1 The total cost of an advertising campaign, \$900, which covered a period of 15 months to 30 June 2019, had been charged to the income statement.
- 2 Discount allowed, \$1 200, had been recorded as discount received.
- 3 Depreciation on office equipment for the year ended 31 March 2019 had been calculated at 10% per annum using the reducing (diminishing) balance method instead of the straight line (equal instalment) method. On 1 April 2018 the cost of the office equipment was \$15 000 and the accumulated depreciation was \$3 000.

REQUIRED

(d) Complete the following statement to show the effect on the draft profit for the year of **correcting** errors 1–3. Calculate the corrected profit for the year.

Raj
Statement of corrected profit for the year ended 31 March 2019

Draft profit for the year before corrections		\$ 8 550
	Increase in profit \$	Decrease in profit \$
Error 1		
Error 2		
Error 3		
Corrected profit for the year		

[7]

N19/21

- 5 After the preparation of the draft financial statements for the year ended 31 July 2019 the following errors were discovered.

- Error 1 Rent received, \$3 000, had been debited to the cash book and credited to the premises account.
Error 2 Repairs to premises, \$1 630, had been credited to the cash book and debited to the premises account.
Error 3 The total of the discount allowed column in the cash book, \$640, had been credited to the discount received account.
Error 4 The purchase of office furniture, \$1 500, had been debited to the purchases account and credited to the supplier's account.

Office furniture is depreciated at 10% per annum calculated on the cost of office furniture owned at the end of each financial year.

REQUIRED

- (f) Complete the table to indicate the **effect** of **each** of the errors. Where there is no effect on the non-current assets place a tick (✓) in the 'No effect' column. The first one has been completed as an example.

You may use the space provided for your workings.

	effect in non-current assets			effect on profit for the year	
	Overstated \$	Understated \$	no effect	Overstated \$	Understated \$
Error 1		3 000			3 000
Error 2					
Error 3					
Error 4					

[9]

N19/22

- 5 Sabir's financial year ends on 30 September. The totals of the trial balance prepared on 30 September 2019 did not balance and Sabir opened a suspense account with a debit entry of \$7 000.

Sabir used the trial balance to prepare draft financial statements for the year ended 30 September 2019.

After the preparation of these draft financial statements five errors were discovered.

REQUIRED

- (a) Complete the table to show the entries required to **correct each** error. The first one has been completed as an example.

Error	Entry required to correct the error				
	Debit		Credit		
	Account	\$	Account	\$	
1	The total of the sales returns journal, \$990, had been posted to the credit of the sales account.	<i>Sales sales returns</i>	<i>990 990</i>	<i>Suspense</i>	<i>1 980</i>
2	A bad debt written off, \$65, had been credited to the account of Nadia instead of the account of Nadira.				
3	No entry had been made for goods, cost price \$150, withdrawn by Sabir for personal use.				
4	The opening inventory, \$4100, had not been entered in the trial balance.				
5	The total of the discount allowed column in the cash book, \$430, had been posted to the credit of the discount received account as \$340.				

[9]

(b) State whether all the errors in Sabir's books have been discovered.

Give a reason for your answer.

Have all the errors been discovered?

Reason

..... [2]

(c) Complete the following statement to show the effect on the draft profit for the year of **correcting** errors 1–5. Calculate the corrected profit for the year. If the error does not affect the profit place a tick (✓) in the 'No effect on profit' column.

Sabir

Statement of corrected profit for the year ended 30 September 2019

				\$
Draft profit for the year before corrections				31 400
	No effect on profit	Increase in profit \$	Decrease in profit \$	
Error 1				
Error 2				
Error 3				
Error 4				
Error 5				
Corrected profit for the year				

[9]

[Total: 20]