

**Solution 1**

Answer: (D)

**Solution 2**

Answer: (C)

**Solution 3**

Answer: (B)

**Solution 4**

Turnover \$3 million x 5% gives receivables of = \$150,000

Allowance for receivables is 4% x \$150,000 = \$6,000

Existing allowance is \$6,000 X 3/4 = \$4,500

Change in allowance to income statement = debit \$1,500

**Solution 5**

Answer: (D)

**Solution 8**

\$2,400 for one year is \$200 per month

Charge to income statement  $7 \times \$200 = \$1,400$

Prepaid in statement of financial position  $5 \times \$200 = \$1,000$

**Solution 6**

Answer: (A), (D), (E)

**Solution 7**

Answer: (D)

**Solution 9**

\$14,,000

**Solution 10**

		\$
Bank statement balance	overdrawn	(1,650)
Unpresented cheques		(950)
Outstanding deposits		1,200
Bank error		<u>320</u>
Cash book - credit balance		<u>(1,080)</u>

**Solution 11****Sales ledger control**

Opening receivables	2,000	Cheques banked credit sales	160,000
Credit sales	161,000	Closing receivables	<u>3,000</u>
(balancing figure)	<u>163,000</u>		<u>163,000</u>

**Cash account**

Opening balance	100	Cash banked	50,000
Cash sales	69,000	Cash missing	18,900
(\$230,000 - \$161,000)	<u>69,100</u>	Closing balance	<u>200</u>
			<u>69,000</u>

**Solution 12**

1st April 20X0 Cost	10,000
Depreciation charge at 20%	
20X0	2,000
20X1	2,000
20X2	2,000
	<u>6,000</u>
Carrying amount 1 August 20X3	4,000
Proceeds 1 August 20X3	<u>4,900</u>
Profit	<u>900</u>

**Solution 13**

Answer: (B)

**Solution 14****Cash Account**

1st July bal b/d	250	Cash cheque	100
Photocopying	50	Cash paid out	620
Cash from bank	<u>600</u>	(balancing figure) 31st July bal c/d	<u>180</u>
Cash paid out \$620.	<u>900</u>		<u>900</u>

**Solution 15**

Answer: (C)

**Solution 16**

Answer: (A)

**Solution 17****Control Account****List of Payable Balances**

<i>Debit or Credit</i>	\$	<i>Increase or Decrease</i>	\$
Debit	600	Increase	200

**Solution 18**

	\$
Net salaries for April	16,000
Employees' social security and tax for April	8,000
Employer's social security	<u>3,500</u>
	<u>27,500</u>

**Solution 19**

	\$
<i>Prime cost is direct materials and direct labour</i>	
Opening inventories of raw materials	50,000
Purchases	165,000
Closing inventories of raw materials	<u>(70,000)</u>
Raw materials consumed	145,000
Manufacturing wages	<u>30,000</u>
	<u>175,000</u>

**Solution 20**

<u>Include Inward Transport Costs</u>	<u>Include Production Overheads</u>
Yes or No	Yes or No
Yes	Yes

**Solution 21**

<b>Electricity Account</b>			
\$			
31 May 20X1	Invoices	5,000	
31 May 20X1	Accrual - \$900 X 1/3	<u>300</u>	1 Jul 20X0 bal b/d
		<u>5,300</u>	400
			31 May 20X1 IS
			<u>4,900</u>
			<u>5,300</u>

Answer is \$4,900

**Solution 22**

	\$
Receivables (\$140,000 X 5%)	7,000
Allowance for receivables at 31 October 20X0	<u>(11,000)</u>
Change in allowance	(4,000)
Bad debts written off	<u>7,000</u>
Income statement	<u>3,000</u>

**Solution 23**

	\$'000
Inventories	50
Receivables	(45)
Payables	15
Accruals	<u>(5)</u>
Cash generated from operations	<u>15</u>

**Solution 24**

	\$
Inventories at valuation	14,000
Goods on sale or return at cost	<u>4,000</u>
Inventories valuation	<u>18,000</u>

**Solution 25**

Answer: (C)

**Solution 26**

	\$
Net pay February	1,840
Tax January	500
Social security January	<u>100</u>
	<u>2,440</u>

**Solution 27**

(0) Net gain on property revaluation.

Items (A), (B) and (C) would be recorded in the 'income statement' part of a statement of comprehensive income.

**Solution 28**

	\$
Cost of machine	18,000
Transportation	1,700
Installation	<u>500</u>
	20,200
Depreciation at 10%	<u>(2,020)</u>
Carrying amount	<u>18,180</u>

**Solution 29**

Answer: (B)

**Solution 30**

Answer: (D)

**Solution 31**

Answer: (A)

**Solution 32**

	\$
Subscriptions paid for 20X0	7,000
Subscriptions owing for 20X0	850
	7,850

**Solution 33**

Operating profit	230
<i>Add:</i> depreciation	40
<i>Less:</i> profit on sale	<u>(80)</u>
	190
Increase working capital	<u>(15)</u>
Cash generated from operations	<u>175</u>

**Solution 34**

Answer: (A), (B), (C)

**Solution 35**

Insurance balance omitted	\$700
Wages mis-posted - not affect trial balance	Nil
Accrual omitted - not affect trial balance	Nil

Answer is \$700

**Solution 36**

	\$
Valuation at the beginning of the year	11,475
Purchases	4,360
Disposals	(3,257)
	12,578
Valuation at end of year	<u>(9,000)</u>
Depreciation	<u>3,578</u>

**Solution 37**

Operating profit margin % X turnover: total capital employed = ROCE 9% X 3' = 27%

**Solution 38**

$$\frac{\text{Operating profit}}{\text{Total capital employed}} = \frac{\pounds 2,700,000}{\pounds 4,300,000} \times 100 = 63\%$$

**Solution 39**

$$\frac{\text{Turnover}}{\text{Total capital employed}} = \frac{\pounds 6,000,000}{\pounds 4,300,000} = 1.39 : 1$$

**Solution 40**

$$\frac{\text{Receivables} + \text{Bank}}{\text{Current liabilities}} = \frac{\pounds 900,000 + \pounds 50,000}{\pounds 450,000} = 2.11 : 1$$

**Solution 41**

Answer: (B)

**Solution 42**

Answer: (A3) (B1) (C4) (D2)

**Solution 43**

	\$'000
Inventories at beginning of year - raw materials	22,000
Purchases	220,000
Inventories at end of year - raw materials	(25,000)
Direct wages	300,000
Production overheads	360,000
Inventories at beginning of year - work in progress	4,000
Inventories at end of year - work in progress	<u>(1,000)</u>
	<u>880,000</u>

**Solution 44****Sales ledger control account**

	\$		\$
1 Nov. 20X1 Balance <i>bid</i>	30,000	Bank	60,000
Credit sales	67,000	Cash discounts	1,400
		Sales returns	4,000
		Bal c/d	<u>31,600</u>
	<u>97,000</u>		<u>97,000</u>

**Solution 45**

Answer: (A)

**Solution 46**

Bank reconciliation	\$
Balance at bank 31 July 20X1	10,300
Unpresented cheques	<u>(1,700)</u>
	<u>8,600</u>
Opening balance in cash book - balancing figure	8,450
Dishonoured cheque	(500)
Bank charges	(150)
Error (\$600 X 2)	<u>800</u>
	<u>8,600</u>

**Solution 47**

	<i>units</i>	<i>unit \$</i>	<i>Total \$</i>
Opening inventories	12	4	48
Purchases	60	5	300
Issue	(12)	4	(48)
Issue	(6)	5	(30)
Issue	<u>(23)</u>	<u>5</u>	<u>(115)</u>
Closing inventories	<u>31</u>	<u>5</u>	<u>155</u>

**Solution 48**

Answer: (A)

**Solution 49**

Average inventories IS opening inventories \$21,000 + closing inventories

$$\$18,000 = \$39,000/2 = \$19,500$$

Cost of goods sold is opening inventories \$21,000 + purchases \$165,000 - closing inventories

$$\$18,000 = \$168,000$$

$$\text{Inventories days is } (\$19,500 \times 365)/\$168,000 = 42 \text{ days}$$

**Solution 50**

Answer: (C), (E)