

4. The following Trial Balance was taken from the books of P. Ferguson on 31 December 2004:

	\$	\$
Fixed Assets	230 000	
Debtors	4 356	
Stock	9 436	
Creditors		4 940
Expenses	17 428	
Purchases	432 274	
Sales		634 356
Capital		50 000
	<u>693 494</u>	<u>689 296</u>

The trial balance did not agree and the difference was entered in a suspense account.

The following errors were later found:

- (1) A sale of \$840 had not been recorded in a debtor's account.
- (2) An accrued expense amount, \$1 260, from 31 December 2003 had not been included on 1 January, 2004.
- (3) The stock on hand at 1 January 2004 should have been recorded as \$6 816 but had been incorrectly recorded.
- (4) Purchases returns of \$1 158 were omitted from the Purchases Returns account.

**YOU ARE REQUIRED TO:**

- (a) Show the journal entries necessary to correct these errors. (Narratives are not required). [6]
- (b) Write up and balance off the Suspense Account. [5]
- (c) Write out a corrected Trial Balance. [5]

Total Marks [16]

3. The following errors were discovered in the books of S. Knight as on 31 December, 2004. The difference in the Trial Balance had been entered in a Suspense Account and on correction of the errors, the suspense will be eliminated.
- (a) The Returns Outwards Book had been overcast by \$300.
  - (b) A payment of \$175 for telephone charges had been entered on the debit side of the Telephone Account as \$275.
  - (c) The total of the Discounts Allowed column in the Cash Book, \$72, has been credited to the discount account. No debit entry was made.
  - (d) A cheque for \$49 paid by B. Bailey in settlement of her account of \$52, had been returned by the bank. The bank account had been credited with \$49, but no other entry had been made in respect of this dishonoured cheque.
  - (e) Payment of \$98 received from a debtor whose debt was written off sometime ago was entered correctly in the Cash Book but was posted to the debit side of the debtor's Account.
  - (f) The addition of the Sales account had been undercast by \$95.
  - (g) A balance of \$168 for outstanding Rent had been omitted from the Ledger.
  - (h) A credit note for \$80 sent to A. Cleare was entered correctly in the subsidiary books but was posted to Cleare's account as \$280.
  - (i) Purchases of goods, \$150, on credit from B. Clarke had been entered correctly in the Purchases account, but no entry had been made in the creditor's account.
  - (j) A cash refund to a customer of \$44 was entered correctly in the Cash Book but was credited to the customer's account.

**YOU ARE REQUIRED TO:**

Prepare journal entries to correct the above errors. Appropriate narratives should be included.

[20 marks]

3. On 30 June, 2007, the Trial Balance of S. Hanna failed to agree and the difference was posted to a Suspense Account. The accounting clerk found the following errors:
- a) An invoice sent to R. Bain for \$93 had been correctly entered in the subsidiary books but was posted to Bain's account as \$90. [2½]
  - b) A cheque of \$150 paid to L. Bowe had been correctly entered in the Cash Book but had not been entered in Bowe's account. [2½]
  - c) The total of the Discounts Received column in the Cash Book, \$25, had been posted to the Discounts Allowed account. [3]
  - d) The Sales Book had been under-casted by \$1 000. [2]
  - e) A cheque of \$50 paid to C. Stuart had been entered correctly in the Cash Book, but was also credited to the creditor's account. [2½]
  - f) An amount paid for Utilities, \$40, had been entered correctly in the Cash Book, but no entry had been made in the nominal account. [2½]

**YOU ARE REQUIRED TO:**

- A. Show the journal entries necessary to correct these errors. [15]

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6. On 31 March 1996 John Black prepared his final account for the year and calculated his net profit to be \$18,500. Shortly afterwards he found the following errors in his accounts. Prepare a statement of corrected net profit starting with his original profit.
- (a) The sales journal had been overcast by \$800.
  - (b) The returns outwards had been entered in the trial balance as \$114 instead of \$314.
  - (c) Fixtures purchased by cheque for \$300 had been entered in the Cash Book but not recorded in the ledger.
  - (d) John Black had withdrawn \$260 of stock during the year but no entry had been made in the books of account.
  - (e) Stationery expenses of \$70 had not been posted from the Petty Cash Book to the ledger account.

Total marks [8]

4. The following errors were found in the Books of T. Bowen. A suspense account had been opened until such time as the errors could be found.
- (i) A payment for Repairs to vehicle, \$180, had been entered in the Motor Vehicle account. [2]
  - (ii) The total of the Returns Outwards book, \$320, had not been posted to the Ledger. [2]
  - (iii) The debit side of a creditor's account was understated by \$50. [2]
  - (iv) A cheque, \$800, received from R. Smith was incorrectly debited to R. Smith's account. [3]
  - (v) A sale of \$420 was entered incorrectly as \$240, in the account of the debtor, P. Rose. [2½]
  - (vi) Rent received \$120 from a sub-tenant was incorrectly debited to Rents Payable account. [3]
  - (vii) Prepaid Insurance of \$49 appeared as a credit balance. [2½]
  - (viii) Discounts of \$525 appearing on the debit side of the Cash Book were posted to the wrong discounts account. [3]

You are required to:

Show the journal entries, complete with suitable narratives, necessary to correct these errors.

Total marks [20]

*ag 12.50*