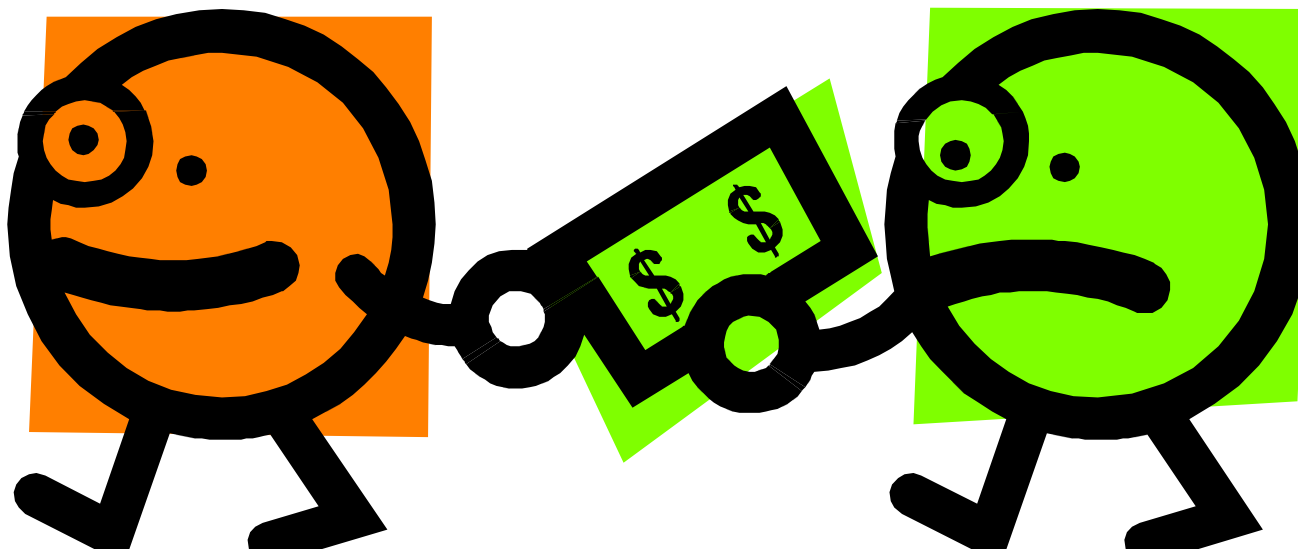


# Prepayments & Accruals

## Adjustments to

# Final Accounts

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- 1 Maria van Zyl is a trader. Her financial year ends on 31 July. She provides the following information.

	\$	
Wages outstanding at 1 August 2004		200
Total wages paid during the year ended 31 July 2005	61 300	
Wages outstanding at 31 July 2005		180

**REQUIRED**

- (a) Write up the wages account as it would appear in Maria's ledger for the year ended 31 July 2005. Show the amount transferred to the Profit and Loss Account.

Where a traditional 'T' account is used it should be balanced and the balance brought down on 1 August 2005.

Where a three column running balance account is used the balance column should be up-dated after each entry.

*Maria van Zyl  
Wages account*

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.....[6]

Maria van Zyl maintains a provision for doubtful debts.

**REQUIRED**

- (b) Name two accounting principles which Maria is applying by maintaining a provision for doubtful debts.

1 .....

2 .....[2]

2 Simon Nyemba sells farm machinery. His financial year ends on 31 January.

Mochudi Traders Ltd pay Simon Nyemba a commission on any goods purchased from them by Simon's customers. The commission is paid six-monthly in arrears.

On 1 February 2011 Simon Nyemba was owed \$280 in commission.

Simon Nyemba received cheques for commission as follows:

	\$
5 February 2011	280
3 August 2011	312

On 31 January 2012 Simon Nyemba was owed \$296 commission.

**REQUIRED**

(a) Write up the commission received account as it would appear in Simon Nyemba's ledger for the year ended 31 January 2012.

Where a traditional "T" account is used it should be balanced and the balance brought down.

Where a three-column running balance account is used the balance column should be updated after each entry.

Simon Nyemba  
Commission received account

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[6]

Simon Nyemba owns premises and pays property tax to the authorities.

On 1 February 2011 two months' property tax, \$520, was prepaid.

On 24 April 2011 Simon Nyemba paid \$1620 by cheque for property tax for six months to 30 September 2011.

On 4 October 2011 he paid a further cheque for \$1620 for property tax for six months to 31 March 2012.

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**REQUIRED**

(b) Write up the property tax account as it would appear in Simon Nyemba's ledger for the year ended 31 January 2012.

Where a traditional "T" account is used it should be balanced and the balance brought down.

Where a three-column running balance account is used the balance column should be updated after each entry.

Simon Nyemba  
Property tax account

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..... [6]

(c) Name the accounting principle applied in the preparation of the commission received account and the property tax account.

..... [1]

(d) Name the section of Simon Nyemba's balance sheet on 31 January 2012 in which **each** of the following balances would appear.

(i) Commission receivable account

..... [1]

(ii) Property tax account

..... [1]

(e) On 31 January 2012 Simon Nyemba's discount allowed account had a debit balance of \$324.

Prepare the journal entry Simon Nyemba would make to transfer the discount allowed account to the income statement for the year ended 31 January 2012.  
A narrative is required.

Simon Nyemba  
Journal

	Debit \$	Credit \$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[3]

Simon Nyemba maintains a provision for doubtful debts. On 1 February 2011 there was a credit balance of \$460 on the provision for doubtful debts account.

At 31 January 2012 Simon Nyemba's trade receivables amounted to \$14 300 and he decided to maintain the provision for doubtful debts at 3% of the trade receivables.

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Use

**REQUIRED**

- (f) Write up the provision for doubtful debts account as it would appear in Simon Nyemba's ledger for the year ended 31 January 2012.

Where a traditional "T" account is used it should be balanced and the balance brought down.

Where a three-column running balance account is used the balance column should be updated after each entry.

Simon Nyemba  
Provision for doubtful debts account

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..... [5]

- (g) Name **one** accounting principle which Simon Nyemba is applying by maintaining a provision for doubtful debts.

..... [1]

**[Total: 24]**

- 2 Nancy Tanwin owns a clothing store. Her financial year ends on 31 October.  
She lets part of her premises to Gemstones Ltd at an annual rent of \$2592.  
On 1 November 2011 Gemstones Ltd prepaid two months' rent.  
On 1 January 2012 Nancy Tanwin received a cheque for \$1296 for rent to 30 June 2012.  
On 1 July 2012 she received a further cheque for \$1080 for rent to 30 November 2012.

**REQUIRED**

- (a) Write up the rent received account as it would appear in Nancy Tanwin's ledger for the year ended 31 October 2012.

Where a traditional "T" account is used it should be balanced and the balance brought down.

Where a three column running balance account is used the balance column should be updated after each entry.

Nancy Tanwin  
Rent received account

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..... [6]

- (b) State the section of the balance sheet prepared on 31 October 2012 in which the balance of the rent received account would appear. Give a reason for your answer.

Section of balance sheet ..... [1]

Reason ..... [1]

.....



On 1 November 2011 Nancy Tanwin owed advertising expenses of \$74. She paid this outstanding amount in cash on 15 November 2011.

On 1 June 2012 Nancy Tanwin paid \$1200 by cheque for an advertising campaign which was for twelve months to 31 May 2013.

For  
Examiner's  
Use

**REQUIRED**

- (c) Write up the advertising expenses account as it would appear in Nancy Tanwin's ledger for the year ended 31 October 2012.

Where a traditional "T" account is used it should be balanced and the balance brought down.

Where a three column running balance account is used the balance column should be updated after each entry.

Nancy Tanwin  
Advertising expenses account

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..... [6]

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- (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.

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Use

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 \$1100.
- 3 New fixtures and fittings, \$3000, 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

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Profit for the year before corrections (550)

	Increase in profit \$	Decrease in profit \$	
Error 1		20	
Error 2			
Error 3			
Error 4			
Error 5			
Corrected profit for the year			[9]
			<b>[Total: 24]</b>

- 3 White Rose Ltd was formed some years ago. The company raised funds from the issue of ordinary shares and debentures.

**REQUIRED**

- (a) Explain why it is an advantage to the shareholders in White Rose Ltd to have limited liability.

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

- (b) State **two** differences between ordinary shares and debentures.

1 .....  
.....  
2 .....  
..... [4]

White Rose Ltd provided the following information at the end of the financial year on 31 August 2012.

- 1 The issued share capital consisted of 350 000 ordinary shares of \$0.50 each.
- 2 The company had issued 1000 5% debentures of \$100 each.
- 3 On 1 September 2011:  
General reserve       \$18 500  
Retained profit       \$7 300
- 4 The profit for the year ended 31 August 2012 was \$36 000.
- 5 During the year ended 31 August 2012 an interim dividend of 3% on the ordinary shares was paid.
- 6 On 31 August 2012 it was decided to transfer \$10 000 to general reserve and pay a dividend of 4% on the ordinary shares.



(e) Prepare the non-current liabilities section of the balance sheet of White Rose Ltd at 31 August 2012.

For  
Examiner's  
Use

White Rose Ltd  
Extract from Balance Sheet at 31 August 2012

Non-current liabilities

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

[Total: 22]

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