

MODULE 10

FINAL ACCOUNTS



Prior learning

Drawing up simple income statement and balance sheets, statements of net worth from spreadsheet; calculating profit for entrepreneurial activity in the GET phase.

Note to the Teacher:

Module 10 constitutes a large part of the syllabus and will be expanded on as the learners move into grades 11 and 12. Therefore the principles taught now are very important and determine how successful the learners are in the final results. It is very important that they learn why they are doing the various steps and try to break away from rote learning.

The bookkeeping cycle that has been studied up to now is the recording process. All these records are being kept for a reason, i.e. to work out the profit or loss made by the business and to determine its financial position. Hence the General Ledger, which is summarised into a trial balance, is used to draw up the Income Statement and Balance Sheet.

In the accounting cycle, final accounts should be completed first and then re-written in a user friendly format i.e. the Income Statement. However as the learners will have been exposed to the income statement in grade 9, this is a good starting point to re-enforce the reason for drawing up the document.

Constantly ensure that all the time the learners understand why they are doing what they are doing. While there are acceptable methods of setting out the information allow the learners time to understand why previously they got bogged down with the standard layout. This is just to ensure standards and to be able to compare statements from different businesses and in different years.

TASK 10.1 Hlope Traders: Financial statements, Theory

10.1.1

HLOPE TRADERS

INCOME STATEMENT FOR YEAR ENDED 28 FEBRUARY 20.8

Sales	648 000
Cost of sales	360 000
Gross profit	288 000
Other income	91 600
Rent income	66 000
Commission income	25 600
Gross operating income	379 600
Operating expenses	(228 700)
Salaries and wages	180 000
Vehicle expenses	17 000
Advertising	6 500
Stationery	4 100
Water & electricity	4 800
Sundry expenses	16 300
Operating profit	150 900
Interest income	2 100
Profit before interest expense	153 000
Interest expense	(39 200)
Net profit	113 800

**HLOPE TRADERS
BALANCE SHEET ON 28 FEBRUARY 20.8**

ASSETS	
Non-current assets	1 100 000
Land and buildings	610 000
Vehicles	320 000
Equipment	170 000
Current assets	181 800
Trading stock	90 000
Accounts receivable (Debtors)	33 000
Savings account	30 000
Bank	25 800
Cash float	3 000
TOTAL ASSETS	1 281 800
EQUITY AND LIABILITIES	
Owner's equity	941 800
Capital at beginning of year	900 000
Add: Net profit	113 800
	1 013 800
Less: Drawings	(72 000)
Non-current liabilities	280 000
Loan from Ace Bank	280 000
Current liabilities	60 000
Accounts payable (Creditors)	60 000
TOTAL EQUITY AND LIABILITIES	1 281 800

10.1.2

- (a) **Assets** e.g. Land & buildings, Vehicles, Equipment, Trading stock, Debtors control, Savings account, Bank, Cash Float. **Liabilities** e.g. Loan: Nedbank, Creditors. **Income** e.g. Sales, Rent income. **Expense** e.g. Cost of sales, Salaries & wages, Water & electricity, Trading licence, Fuel, Stationery, Consumable stores, Advertising.
- (b) The Balance Sheet section of the trial balance includes Assets, Liabilities, Capital and Drawings.
- (c) The Nominal section of the trial balance contains Income and Expenses.
- (d) These items are placed in different sections in the trial balance to make it easier to draw up the Income Statement and Balance Sheet.
- (e) It is necessary to draw up the trial balance as well as the financial statements because they serve different purposes. The **trial balance** is used by the bookkeeper to help him/her check if any errors are made in the ledger – if the totals of the trial balance do not agree, this will mean that an error has occurred. The **financial statements** are used by other people and must be drawn up in a more professional manner to reflect the gross profit, operating profit, net profit, non-current liabilities, current liabilities, non-current assets, current assets and owner's equity at the end of the year as all these different categories are needed for the users to analyse and to make decisions about the business.

TASK 10.2  **Malange Sport: Financial statements, Presentation**

Allow the learners time to work on this case study in-groups. They can draw on any prior knowledge plus applying some thinking skills to solve a problem. The method of setting out the work is not important at this stage but the fact that they can divide the figures into an Income Statement and Balance Sheet. (The interest does not have to be separated at this stage – it can be treated as an expense).

The solutions are given as guides only at this stage.

**10.2.1 MALANGE SPORTS
INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 20.7**

Turnover (2 300 000 – 60 000)	2 240 000
Cost of sales	(1 848 950)
GROSS PROFIT	391 050
OPERATING INCOME	
Rent income	6 400
OPERATING EXPENSES	(217 900)
Salaries and wages	180 000
Water and electricity	12 300
Trading licence	600
Fuel	8 000
Stationery	1 000
Telephone	5 100
Consumable stores	3 800
Advertising	7 100
OPERATING PROFIT	179 550
Interest income	0
PROFIT BEFORE INTEREST EXPENSE	179 550
Interest expense	0
NET PROFIT	179 550

BALANCE SHEET AS AT 30 APRIL 20.7

ASSETS	
FIXED ASSETS	720 000
Land and buildings	530 000
Equipment	100 000
Vehicles	90 000
CURRENT ASSETS	159 550
Trading stock	75 000
Debtors	65 000
Bank	18 000
Petty cash	1 000
Cash float	550
Total assets	879 550
EQUITY AND LIABILITIES	
EQUITY	819 550
Capital	700 000
Add Net profit	179 550
Less Drawings	(60 000)
NON CURRENT LIABILITIES	10 000
Loan: Nedbank	10 000
CURRENT LIABILITIES	50 000
Creditors	50 000
Total equity and liabilities	879 550

10.2.2 Allow the learners to work on their statements already drawn up. They need to discuss if they think the information should be recorded and if so, how. It is not important what they call the new entries – the concept of making a double entry is what is important. Names can be sorted out later. The report back is very important as this encourages the learners to consolidate and explain their reasoning. The following are for your guide only.

10.2.3 INCOME STATEMENT OF MALANGE SPORTS FOR THE YEAR ENDED 30 APRIL 20.7

Turnover [2 300 000 – 60 000]	2 240 000
Cost of sales	[1 848 950]
GROSS PROFIT	391 050
OPERATING INCOME	
Rent income [6 400 + 800]	7 200
OPERATING EXPENSES	(217 320)
Salaries and wages	180 000
Water and electricity	12 300
Trading licence	600
Fuel	8 000
Stationery [1 000 – 300]	700
Telephone [5 100 + 520]	5 620
Consumable stores	3 800
Advertising [7 100 – 800]	6 300
OPERATING PROFIT	180 930
Interest income	0
PROFIT BEFORE INTEREST EXPENSE	180 930
Interest expense	[1 125]
NET PROFIT	179 805

BALANCE SHEET OF MALANGE SPORTS AS AT 30 APRIL 20.7

ASSETS	
FIXED ASSETS	720 000
Land and buildings	530 000
Equipment	100 000
Vehicles	90 000
CURRENT ASSETS	161 450
Trading stock	75 000
Debtors	65 000
Bank	18 000
Petty cash	1 000
Cash float	550
Rent income owing	800
Stationery on hand	300
Advertising paid in advance	800
Total assets	881 450
EQUITY AND LIABILITIES	
EQUITY	819 805
Capital	700 000
Add Net profit	179 805
Less Drawings	(60 000)
NON CURRENT LIABILITIES	11 125
Loan: Nedbank [10 000 + 1 125]	11 125
CURRENT LIABILITIES	50 520
Creditors	50 000
Telephone owing	520
Total equity and liabilities	881 450

Note:

- The increase in the value of land and buildings is not shown. If it is shown, this will result in an income which results in an increase in profit. Tax is paid on the profit but remember that the business is not selling this asset, therefore tax is not payable. Capital gains tax also has a bearing on this calculation. Use this example when you introduce the historical cost and prudence concepts later.
- Calculation of interest on loan = $10\,000 \times 15\% \times \frac{9}{12} = R1\,125$ (the loan was only taken out on the 01 August 20.6 so interest must only be charged for 9 months). R1 125 is charged to the loan account: Loan increases; Interest on loan increases.

- Rent must be added on for April and is, therefore, money owing to the business.
- Telephone might not have been paid but it has been used – this is an expense for the year.
- The R300 stationery has not been used this year but will be used next year – this is an expense for next year.
- The R800 advertising is for next year, so must be deducted to work out this year's profit.

10.2.4 Presentation.

TASK 10.3 Accounting principles

Encourage the learners to conduct this research so that they can realise that what we are doing is not just because it appears in a textbook but occurs in reality. The sharing amongst the learners will further enhance this understanding.

Role-play is another method of assessing the learners and allows different expressions of thinking and accommodates different intelligence (multi-intelligence). Allow the learners time to prepare and present a short role play to depict the principles of GAAP.

TASK 10.4 Matching columns: **GAAP**

Example of year-end adjustment	Appropriate principle applied
A. Damages payable to a client will be finalised next year. An estimated amount of R9 000 is recorded this year.	<i>Prudence concept</i>
B. Interest on overdraft is shown as a separate amount to Interest on loan.	<i>Concept of materiality</i>
C. An owner owes his sister R5 000 for costs incurred on holiday. This is not reflected in the financial statements of the business.	<i>Business entity rule</i>
D. When a debtor settles his account, the discount granted must be recorded at the same time.	<i>Matching principle</i>
E. Land and buildings are shown in the financial statements as R400 000 even though an estate agent says the property is worth twice that amount.	<i>Historical cost concept</i>
F. Trading stock is still shown at the cost price of R20 000 even though it would be sold for R15 000 in a flea market or auction immediately.	<i>Going concern principle</i>

TASK 10.5 Accounting principles and concepts

- 10.5.1 Concept of materiality
- 10.5.2 Matching concept
- 10.5.3 Business entity rule
- 10.5.4 Historical cost principle
- 10.5.5 Matching concept
- 10.5.6 Going concern principle
- 10.5.7 Concept of materiality
- 10.5.8 Prudence concept
- 10.5.9 Matching concept
- 10.5.10 Concept of materiality

TASK 10.6 Research

- 10.6.1 – 10.6.6: The purpose of these tasks is to allow the learners the opportunity to discover for themselves that the price of old cars are less than new ones. They decrease in value. While generally motor cars decrease in value, it must be noted that in some instances, e.g. vintage cars, they can increase in value.
- 10.6.7 Vehicle (Asset) must be decreased and an expense (depreciation) increased [we will later learn that the actual entry is to Debit Depreciation & Credit Accumulated depreciation on vehicle].
- 10.6.8 Assets would decrease; Owner's equity would decrease (expense).
- 10.6.9 Prudence.

TASK 10.7 Two methods of depreciation

10.7.1

Year	Cost price	Rate of depreciation	Depreciation	Accumulated depreciation	Carrying (book) value
28:02:20.6	65 000	15% p.a. on cost	9 750	9 750	55 250
28:02:20.7	65 000	15% p.a. on cost	9 750	19 500	45 500
28:02:20.8	65 000	15% p.a. on cost	9 750	29 250	35 750
28:02:20.9	65 000	15% p.a. on cost	9 750	39 000	26 000

10.7.2

Year	Cost price	Rate of depreciation	Depreciation	Accumulated depreciation	Carrying (book) value
28:02:20.6	65 000	15% p.a. on diminishing balance	9 750	9 750	55 250
28:02:20.7	65 000	15% p.a. on diminishing balance	8 288	18 038	46 962
28:02:20.8	65 000	15% p.a. on diminishing balance	7 044	25 082	39 918
28:02:20.9	65 000	15% p.a. on diminishing balance	5 988	31 070	33 930

TASK 10.8 Salso Traders: Calculating and processing depreciation

10.8.1

GENERAL JOURNAL OF SALSO TRADERS – FEBRUARY 20.3

GJ

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
1	28	Depreciation	N	136 000					
		Accumulated depreciation on vehicles	B		105 000				
		Accumulated depreciation on equipment	B		31 000				
		Depreciation on vehicles at 25% p.a. and on equipment at 15% p.a. on straight line method.							

10.8.2

GENERAL LEDGER OF SALSO TRADERS BALANCE SHEET ACCOUNTS SECTION

Dr					VEHICLES					B		Cr		
20.2														
Mar	1	Bank	CPJ	420 000										

					EQUIPMENT					B				
20.2														
Mar	1	Bank	CPJ	310 000										

					ACCUMULATED DEPRECIATION ON VEHICLES					B				
					20.3	Feb	28	Depreciation		GJ			105 000	


					ACCUMULATED DEPRECIATION ON EQUIPMENT					B				
					20.3	Feb	28	Depreciation		GJ			31 000	

**NOMINAL ACCOUNTS SECTION
DEPRECIATION**

Dr				N				Cr	
20.3									
Feb	28	Accumulated depreciation on vehicles	GJ2	105 000					
		Accumulated depreciation on equipment	GJ2	31 000					

10.8.3 Effect on the Accounting Equation

ASSETS	OWNER'S EQUITY	LIABILITIES
-136 000	-136 000	0

TASK 10.9  **Ramba Traders: Calculating and processing depreciation**

10.9.1 GENERAL JOURNAL OF RAMBA TRADERS – FEBRUARY 20.8

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
1	28	Depreciation	N	66 800					
		Accumulated depreciation on vehicles	B		42 500				
		Accumulated depreciation on equipment	B		24 300				
		Depreciation written off at 25% on vehicles on straight line method and at 15% on equipment on diminishing balance method.							

**10.9.2 GENERAL LEDGER OF RAMBA TRADERS
BALANCE SHEET ACCOUNTS SECTION**

Dr				B				Cr	
20.7									
Aug	31	Bank	CPJ	340 000					

				B					
20.7									
Mar	1	Balance	b/d	200 000					

				B					
				20.8					
				Feb	28	Depreciation	GJ	42 500	

				B					
				20.7					
				Mar	1	Balance	b/d	38 000	
				20.8					
				Feb	28	Depreciation	GJ	24 300	

**NOMINAL ACCOUNTS SECTION
DEPRECIATION**

Dr				N				Cr	
20.8									
Feb	28	Accumulated depreciation on vehicles	GJ2	42 500					
		Accumulated depreciation on equipment	GJ2	24 300					

10.9.3 Effect on the Accounting Equation

ASSETS	OWNER'S EQUITY	LIABILITIES
-66 800	-66 800	0

TASK 10.10 Timba Traders: Calculating and processing depreciation

10.10.1 GENERAL JOURNAL OF TIMBA TRADERS – FEBRUARY 20.9

GJ2

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
1	28	Depreciation	N	96 206					
		Accumulated depreciation on vehicles	B		86 000				
		Accumulated depreciation on equipment	B		10 206				
		Depreciation written off at 10% p.a. on equipment on diminishing balance method and at 20% p.a. on vehicles on straight-line method.							

10.10.2

GENERAL LEDGER OF TIMBA TRADERS BALANCE SHEET ACCOUNTS SECTION

Dr		VEHICLES				B		Cr	
20.8									
Mar	1	Balance	b/d	390 000					
Dec	31	Bank	CPJ	160 000					

		EQUIPMENT				B			
20.8									
Aug	31	Bank	CPJ	140 000					

		ACCUMULATED DEPRECIATION ON VEHICLES				B			
					20.8				
					Mar	1	Balance	b/d	156 000
					20.9				
					Feb	28	Depreciation	GJ2	86 000

		ACCUMULATED DEPRECIATION ON EQUIPMENT				B			
					20.8				
					Mar	1	Balance	b/d	37 940
					20.9				
					Feb	28	Depreciation	GJ2	10 206

NOMINAL ACCOUNTS SECTION DEPRECIATION

						N			
20.9									
Feb	28	Accumulated depreciation on vehicles	GJ2	86 000					
		Accumulated depreciation on equipment	GJ2	10 206					

10.10.3 Effect on the Accounting Equation

ASSETS	OWNER'S EQUITY	LIABILITIES
-96 206	-96 206	0

TASK 10.11 ☼ Toppel Dealers: Adjustments to income

10.11.1 GENERAL JOURNAL OF TOPPEL DEALERS – JUNE 20.5

GJ

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
01	30	Income receivable/Accrued income		1 350					
		Interest on fixed deposit			1 350				
		Interest on fixed deposit still owing for 3 months							
02		Rent income		1 200					
		Commission income		280					
		Income received in advance/Deferred income			1 480				
		Rent and commission received in advance							

10.11.2

**GENERAL LEDGER OF TOPPEL DEALERS
BALANCE SHEET SECTION**

Dr		INCOME RECEIVABLE / ACCRUED INCOME				B		Cr	
20.5									
June	30	Interest on fixed deposit	GJ	1 350					

INCOME RECEIVED IN ADVANCE / DEFERRED INCOME B

					20.5				
					June	30	Rent Income	GJ	1 200
							Commission income	GJ	280

**NOMINAL SECTION
INTEREST ON FIXED DEPOSIT B**

					20.5				
					June	30	Total	b/f	4 050
							Income receivable / Accrued income	GJ	1 350

RENT INCOME B

20.5					20.5				
June	30	Income received in advance / Deferred income	GJ	1 200	June	30	Total	b/f	8 400

COMMISSION INCOME B

20.5					20.5				
June	30	Income received in advance/Deferred income	GJ	280	June	30	Total	b/f	24 540

10.11.3 Fixed deposit amount: $5\,400 = 11.25\%$
 $\frac{5\,400}{11.25} \times 100 = R48\,000$

Note:

- The rent amount must be divided by 7. Rent has been received since 01 January plus one extra month.
- Interest on fixed deposit for 3 months is owing. Although the fixed deposit has been invested since January 20.3, only the income earned in the current financial year is considered.

TASK 10.12 Pelham Suppliers: Depreciation & adjustments to income

10.12.1 Pelham Suppliers

No.	Account debit	Account credit	Assets	Owner's Equity	Liabilities
(i)	Fixed deposit	Interest on fixed deposit	+1 875	+1 875	
(ii)	Rent Income	Income received in advance*		-1 970	+1 970
(iii)	Commission income	Income received in advance*		-1 410	+1 410
(iv)	Depreciation	Acc dep on vehicles	-45 000	-45 000	
	Depreciation	Acc dep on equipment	-9 500	-9 500	

*Or Deferred income

Note:

- The second investment was only made on the 31 December 20.1 and therefore has not earned any interest.
- The other investment of R30 000 has only been invested for 6 months.
- Due to the increase you cannot divide by 7. An extra R150 was received in December and January = R300. Subtract this from the rent income of R13 040 (R13 040 - 300 = R12 740) and then divide by 7 to determine the amount received in advance ($\frac{12\ 740}{7} = R1\ 820$) plus add back the R150 increase in rent for January = R1 820 + 150 = R1 970.
- Depreciation on vehicles: 25% x R180 000 = R45 000.
- Depreciation on equipment: (20% x R40 000) + (25% x R10 000 x 9/12) = R8 000 + R1 500 = R9 500.

10.12.2**POST ADJUSTMENT TRIAL BALANCE AS AT 31 DECEMBER 20.1 (EXTRACT)**

Nominal section	Debit	Credit
Rent income [13 040 – 1 820]		11 070
Commission income [45 000 – 1410]		43 590
Interest on fixed deposit		1 875
Depreciation [45 000 + 9 500]	54 500	

10.12.3 (12.5% of R60 000) + (12,5% of R1 875) = R7 500 + R 234,38 = R7 734,38.

TASK 10.13 Optel Dealers: Adjustments to income and expenses

10.13.1 GENERAL JOURNAL OF OPTEL DEALERS – FEBRUARY 20.3

GJ

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
01	28	Prepaid expenses		1 930					
		Insurance			1 770				
		Stationery			160				
		Expenses paid in advance							
02		Vehicle expenses		980					
		Accrued expenses/Expenses payable			980				
		Vehicle expenses owing							
03		Interest on loan		12 800					
		Loan from WapBank			12 800				
		Interest for the year charged to loan account							

10.13.2

GENERAL LEDGER OF OPTEL DEALERS
BALANCE SHEET SECTION

Dr					LOAN FROM WAPBANK					B	Cr
					20.3						
					Feb	28	Balance	b/d	80 000		
							Interest on loan	GJ	12 800		

					ACCRUED EXPENSES / PAYABLE					B	
					20.3						
					Feb	28	Vehicle expenses	GJ	980		

					PREPAID EXPENSES					B	
20.3											
Feb	28	Insurance	GJ	1 770							
		Stationery	GJ	160							

					NOMINAL SECTION						
					INSURANCE					N	
20.3					20.3						
Feb	28	Total	b/f	15 670	Feb	28	Prepaid expenses	GJ	1 770		

					STATIONERY					N	
20.3					20.3						
Feb	28	Total	b/f	3 210	Feb	28	Prepaid expenses	GJ	160		

					INTEREST ON LOAN					N	
20.3											
Feb	28	Loan from WapBank	GJ	12 800							

					VEHICLE EXPENSES					N	
20.3											
Feb	28	Total	b/f	5 670							
		Accrued expenses /	GJ	980							
		Expenses payable									

Note:

- R1 530 for insurance is an annual (12 months) premium which expires on 30 June. As the financial period ends in February, 4 months are prepaid.
- The vehicle expenses have not been paid but are an expense for this year.
- R160 stationery will only be used next year. This can be regarded as expenses prepaid or consumable stores on hand.
- As the loan is in existence for the entire year, Optel Dealers has incurred an expense of 16% p.a. of R80 000 = R12 800. This amount (R12 800) should have been added to the loan account as the interest is capitalized in this case.

10.13.3

No.	Account debit	Account credit	Assets	Owner's Equity	Liabilities
(i)	Prepaid expenses	Insurance	+1 770	+1 770	
(ii)	Vehicle expenses	Accrued expenses		-980	+980
(iii)	Prepaid expenses	Stationery	+160	+160	
(iv)	Interest on loan	Loan from WapBank		-12 800	+12 800

TASK 10.14 Littletop Dealers: Adjustments to income & expenses

10.14.1 GENERAL JOURNAL OF LITTLETOP DEALERS – DECEMBER 20.6 GJ

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
01	31	Salaries and wages		4 100					
		Accrued expenses/Expenses payable			4 100				
		Salary still owing							
02		Prepaid expenses		1 760					
		Rent expense			1 760				
		Rent paid in advance for 2 months							
03		Income receivable/Accrued income		3 200					
		Interest on fixed deposit			3 200				
		Interest on fixed deposit outstanding							
04		Commission income		2 000					
		Income received in advance/Deferred income			2 000				
		Commission received in advance							
05		Depreciation		90 000					
		Acc. dep. on vehicles			90 000				
		Depreciation at 20% p.a. on the straight line method							
06		Interest on loan		19 600					
		Loan from BestBank			19 600				
		Interest on loan owing							

Note:

- Deduct the $R80 \times 2 = R160$ to cancel the increase in rent before you divide by 14 (2 months paid in advance). The rent paid in advance is at the new rate i.e. $R800 + R80 = R880$
- As the $R20\ 000$ fixed deposit has been recorded, you need to divide into 2 fixed deposits i.e. $R80\ 000$ for the year and $R20\ 000$ for 6 months i.e. $9\ 600 + 1\ 200 = R10\ 800$. Since interest earned is not capitalised, the Income receivable/accrued account is debited (asset increases) and the Interest on fixed deposit account is credited (income increases).

10.14.2 EXTRACT FROM THE POST-ADJUSTMENT FIGURES ON 31 DECEMBER 20.6

Balance Sheet accounts section	Debit	Credit
Fixed deposit with BestBank (12% p.a.)	100 000	
Vehicles	450 000	
Accumulated depreciation on vehicles [120 000 + 90 000]		210 000
Loan from BestBank (16% p.a.) [160 000 + 19 600]		179 600
Accrued expenses/Expenses payable		4 100
Prepaid expenses	1 760	
Accrued income/Income receivable	3 200	
Income received in advance/Deferred income		2 000
Nominal accounts section		
Salaries and wages [97 120 + 4 100]	101 220	
Stationery	6 780	
Commission income [35 000 – 2 000]		33 000
Interest on loan	19 600	
Consumable stores	2 440	
Interest on fixed deposit [7 600 + 3 200]		10 800
Rent expense [11 360 – 1 760]	9 600	
Depreciation	90 000	

TASK 10.15 Wrigley Bros: Adjustments to income & expenses

10.15.1 Wrigley Bros.

NO.	ASSETS	EXPENSES	DRAWINGS	CAPITAL	LIABILITIES	INCOME
(i)					+1 610	- 1 610
(ii)	+9 375					+9 375
(iii)	+2 300					+2 300
(iv)		+540			+540	
(v)	+430	-430				
(vi)	±120 000					
(vii)	-1 000				-1 000	
(viii)		+4 200			+4 200	
(ix)	-50 000	+50 000				
(x)	-25 500	+25 500				

10.15.2 EXTRACT FROM THE POST ADJUSTMENT TRIAL BALANCE AS AT 30 JUNE 20.6

<u>Nominal accounts section</u>	Debit	Credit
Salaries and wages	149 000	
Vehicle expenses	5 670	
Stationery	2 340	
Bad debts	4 520	
Commission income [14 560 + 2 300]		16 860
Interest on loan	4 200	
Interest on fixed deposit		9 375
Rent income [20 930 – 1 610]		19 320
Electricity and water [8 760 + 540]	9 300	
Consumable stores [2 130 – 430]	1 700	
Depreciation [50 000 + 25 500]	75 500	

TASK 10.16 Teltop Centre: Consolidation of year-end adjustments

SPREADSHEET: 28 FEBRUARY 20.9

Balance Sheet accounts section	Pre-adjustment amount		Adjustments		Post-adjustment amount	
	Debit	Credit	Debit	Credit	Debit	Credit
Capital		90 000				90 000
Vehicles at cost	140 000				140 000	
Equipment at cost	75 000				75 000	
Acc depreciation on vehicles		60 000		28 000		88 000
Acc depreciation on equipment		25 000		7 500		32 500
Fixed deposit	45 000				45 000	
Trading stock	31 326				31 326	
Debtors control	14 504				14 504	
Creditors control		11 350				11 350
Bank	25 010				25 010	
Mortgage loan		80 000		12 800		92 800
Accrued expenses				560		560
Accrued income			1 350		1 350	
Prepaid expenses			1 390 ^[1]		1 390	
Income received in advance				2 100		2 100
Nominal accounts section						
Sales		260 000				260 000
Cost of sales	140 000				140 000	
Salaries and wages	50 000				50 000	
Consumable stores	4 560			510	4 050	
Advertising	2 310		560		2 870	
Bad debts	700				700	
Rent income		9 450	2 100			7 350
Insurance	11 440			880	10 560	
Interest on fixed deposit		4 050		1 350 ^[2]		5 400
Interest on loan			12 800		12 800	
Depreciation			35 500		35 500	
	539 850	539 850	53 700	53 700	590 060	590 060

^[1] 510 + 880

^[2] 4 050 ÷ 3 = R1 350

TASK 10.17 AMABOKKE TRADERS: Valuing trading stock correctly

10.17.1 GENERAL LEDGER OF AMABOKKE TRADERS BALANCE SHEET SECTION

Dr				TRADING STOCK				B6		Cr
20.7				20.7						
June	1	Balance	b/d	28 700	June	30	Bank	CRJ	400	
	30	Bank	CPJ	14 222			Cost of sales	CRJ	8 660	
		Creditors control	CJ	14 000			Cost of sales	DJ	4 500	
		Cost of sales	DAJ	1 277			Creditors control	CAJ	2 444	
							Drawings	GJ	1 000	
							Balance	c/d	41 195	
				58 199					58 199	
July	1	Balance	b/d	41 195						

10.17.2

Date	Detail	Amount	Transaction
01	Balance	28 700	Amount of trading stock on hand
30	Bank	14 222	Trading stock bought for cash
	Creditors control	14 000	Trading stock bought on credit
	Cost of sales	1 277	Cost price of goods returned by debtors
	Bank	400	Refund from stock returned
	Cost of sales	8 660	Cost price of goods sold for cash
	Cost of sales	4 500	Cost price of goods sold on credit
	Creditors control	2 444	Cost price of goods returned to creditors
	Drawings	1 000	Trading stock taken by owner at cost price
	Balance	41 195	Closing balance of trading stock

9.17.3 Amount of trading stock on hand at the end of the month.

9.17.4 A physical stock taking.

9.17.5 Stock has been lost worth R1 195. Credit trading stock and Debit stock losses (at this stage the learners do not know the name trading stock deficit, so accept any expense account)

9.17.6 Goods were stolen, damaged, errors made, etc.

9.17.7 You would have gained trading stock worth R805. Debit trading stock and credit trading stock gain (surplus).

9.17.8 Errors.

TASK 10.18  **Eppy Stores: Trading stock deficit**

10.18.1 GENERAL JOURNAL OF EPPY STORES – FEBRUARY 20.1

GJ

J/V	D	Details	Fol	Debit	Credit	Debtors Control		Creditors Control	
						Debit	Credit	Debit	Credit
01	28	Trading stock deficit	N	580					
		Trading stock	B		580				
		Trading stock deficit as identified by physical count							

10.18.2

GENERAL LEDGER OF EPPY STORES
BALANCE SHEET ACCOUNTS SECTION

Dr					B					Cr	
TRADING STOCK											
20.1					20.1						
Feb	28	Balance	b/d	35 120	Feb	28	Trading stock deficit	GJ		580	
							Balance	c/d		34 540	
				35 120						35 120	
Mar	1	Balance	b/d	34 540							

NOMINAL ACCOUNTS SECTION
TRADING STOCK DEFICIT

N

20.1											
Feb	28	Trading stock	GJ	580							

10.18.3

ASSETS =	OWNER'S EQUITY +	LIABILITIES
- 580	-580	0

TASK 10.19 Capcon Retailers: Trading stock deficit

10.19.1

GENERAL LEDGER OF CAPCON RETAILERS BALANCE SHEET ACCOUNTS SECTION

Dr					B					Cr				
TRADING STOCK														
20.8					20.8									
Dec	31	Balance	b/d	15 210	Dec	31	Trading stock deficit	GJ					1 700	
		Creditors control	CJ	3 410			Balance	c/d					16 920	
				18 620									18 620	
Jan	1	Balance	b/d	16 920										

NOMINAL ACCOUNTS SECTION TRADING STOCK DEFICIT

					N									
20.8														
Dec	31	Total	b/f	510										
		Trading stock	GJ	1 700										

10.19.2 Various answers amongst others:

- Stock checks when goods are delivered.
- Control when goods are taken from stock room.
- Security on the shop floor.
- Security at exit points.
- Regular stock taking.
- Division of duties.
- Etc.

TASK 10.20 Kiona Traders: Trading stock & Consumable stores

10.20.1 GENERAL JOURNAL OF KIONA TRADERS – FEBRUARY 20.6

GJ

J/V	D	Details	Fol	Debit	Credit	Debtors Control		Creditors Control	
						Debit	Credit	Debit	Credit
01	28	Trading stock deficit	N	2 760					
		Trading stock	B		2 760				
		Trading stock deficit as identified by physical count							
02	28	Consumable stores on hand	B	1 540					
		Consumable stores	N		1 540				
		Packing materials on hand							

10.20.2

GENERAL LEDGER OF KIONA TRADERS BALANCE SHEET ACCOUNTS SECTION

Dr					B					Cr				
TRADING STOCK														
20.6					20.6									
Feb	28	Balance	b/d	67 870	Feb	28	Trading stock deficit	GJ					2 760	
							Balance	c/d					65 110	
				67 870									67 870	
Mar	1	Balance	b/d	65 110										

CONSUMABLE STORES ON HAND

B

20.6														
Feb	28	Consumable stores	GJ	1 540										

**NOMINAL ACCOUNTS SECTION
TRADING STOCK DEFICIT**

Dr						N		Cr	
20.6									
Feb	28	Trading stock	GJ	2 760					

CONSUMABLE STORES

Dr						N		Cr	
20.6					20.6				
Feb	28	Total	b/f	13 450	Feb	28	Consumable stores on hand	GJ	1 540

10.20.3

ASSETS =	OWNER'S EQUITY	+ LIABILITIES
- 2 760	-2 760	
+1 540	+1 540	

TASK 10.21  **Rifruff Retailers: Trading stock & Consumable stores**

10.21.1

**GENERAL LEDGER OF RIFRUFF RETAILERS
BALANCE SHEET ACCOUNTS SECTION**

Dr		TRADING STOCK				B7		Cr	
20.8					20.8				
Feb	28	Balance	b/d	46 660	Feb	28	Cost of sales	DJ	880
		Cost of sales	DAJ	260			Balance	c/d	49 670
		Creditors control	CJ	2 130					
		Trading stock surplus	GJ	1 500					
				50 550					50 550
Mar	1	Balance	b/d	49 670					

10.21.2 POST ADJUSTMENT TRIAL BALANCE AS AT 28 FEBRUARY 20.8

<u>Balance Sheet accounts section</u>	Debit	Credit
Trading stock	49 670	
Consumable stores on hand	460	
<u>Nominal accounts section</u>		
Sales [90 000 + 1 320]		91 320
Cost of sales [58 000 - 260 + 880]	58 620	
Consumable stores [4 440 - 460]	3 980	

Note:

- A credit note for R330 will appear in the Debtors Allowances account.
- Consumable stores **used** amounted to R3 980, therefore R460 is still on hand.

10.21.3 Error in calculation of cost of sales.

Received more goods than what is actually recorded in the account.
Goods sold but the customer forgot to take them, etc.

10.21.4 Increase owner's equity.

10.21.5 The selling price of the goods has been decreased and the customer does not have the original invoice.
Debtor has taken very long to return the goods so we are not prepared to refund the full amount.
Etc.

TASK 10.22 Caxio Supplies: Adjustments and the Post-Adjustment Trial Balance

10.22.1

No.	Account debit	Account credit	Amount	Effect on Accounting Equation		
				A =	OE +	L
1.	Depreciation	Accumulated depreciation on equipment	R8 000	-	-	0
2.	Depreciation	Accumulated depreciation on vehicle	R21 000	-	-	0
3.	Income receivable	Commission income	R3 000	+	+	0
4.	Rent income	Deferred income	R4 000	0	-	+
5.	Water & electricity	Expenses payable	R520	0	-	+
6.	Expenses prepaid	Advertising	R1 000	+	+	0
7.	Trading stock deficit	Trading stock	R5 000	-	-	0
8.	Consumable stores on hand	Consumable stores	R800	+	+	0
9..	Bank charges	Sundry expenses	R430	0	0	0

10.22.2 POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 20.2

Balance Sheet accounts section	Fol.	Debit	Credit
Capital			700 000
Drawings		110 000	
Loan from Beta Bank			350 000
Land and buildings		530 000	
Equipment		140 000	
Accumulated depreciation on equipment (60 000 + 8 000)			68 000
Vehicle		210 000	
Accumulated depreciation on vehicle			21 000
Trading stock (135 000 - 5 000)		130 000	
Debtors control		42 000	
Creditors control			63 200
Fixed deposit at Beta Bank		40 000	
Bank		36 600	
Cash float		2 000	
Income receivable		3 000	
Income received in advance / Deferred income			4000
Expenses accrued / payable			520
Expenses prepaid		1 000	
Consumable stores on hand		800	
Nominal accounts section			
Sales (750 000 - 15 000)			735 000
Cost of sales		420 000	
Rent income (52 000 - 4 000)			48 000
Commission income (22 000 + 3 000)			25 000
Interest income			2 400
Salaries and wages		233 000	
Vehicle expenses		9 000	
Consumable stores (6 200 - 800)		5 400	
Advertising (4 200 - 1 000)		3 200	
Bank charges (3 900 + 430)		4 330	
Telephone		3 600	
Water and electricity (5 100 + 520)		5 620	
Interest expense		42 000	
Sundry expenses (12 000 - 430)		11 570	
Depreciation (8 000 + 21 000)		29 000	
Trading stock deficit		5 000	
		2 017 120	2 017 120

TASK 10.23

Novak Clothing: Adjustments and the Post-Adjustment Trial Balance
10.23.1

No.	Account debit	Account credit	Amount	Effect on Accounting Equation		
				A =	OE +	L
1.	Drawings	Trading stock	R4 500	-	-	0
2.	Trading stock deficit	Trading stock	R13 900	-	-	0
3.	Income receivable	Rent income	R6 000	+	+	0
4.	Interest income	Deferred income	R1 200	0	-	+
5.	Expenses prepaid	Insurance	R550	+	+	0
6.	Consumable stores on hand	Cleaning materials	R1 050	+	+	0
7.	Salaries & wages	Expenses payable	R2 500	0	-	+
8.	Motor vehicle expenses	Sundry expenses	R2 700	0	0	0
9.	Depreciation	Acc. dep. on vehicle	R32 500	-	-	0
10.	Depreciation	Acc. dep. on equipment	R20 700	-	-	0

10.23.2 POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 20.6

<u>Balance Sheet accounts section</u>	Fol.	Debit	Credit
Capital			900 000
Drawings (240 000 + 4 500)		244 500	
Loan from Munibank			600 000
Land and buildings		968 000	
Vehicles		220 000	
Acc depreciation on vehicles (90 000 + 32 500)			122 500
Equipment		207 000	
Acc depreciation on equipment (133 000 + 20 700)			153 700
Trading stock (178 400 - 4 500 - 13 900)		160 000	
Debtors control		65 000	
Creditors control			62 000
Fixed deposit at Munibank (6% p.a.)		80 000	
Bank		31 100	
Cash float		3 000	
Income receivable / accrued		6 000	
Deferred income / received in advance			1 200
Expenses prepaid		550	
Consumable stores on hand		1 050	
Expenses payable / accrued			2 500
<u>Nominal accounts section</u>			
Sales (1 200 000 - 7 200)			1 192 800
Cost of sales		710 000	
Salaries and wages (233 000 + 2 500)		235 500	
Rent income (66 000 + 6 000)			72 000
Commission income			41 150
Vehicle expenses (11 200 + 2 700)		13 900	
Cleaning materials (8 800 - 1 050)		7 750	
Advertising		15 000	
Bank charges		5 200	
Insurance (7 150 - 550)		6 600	
Telephone		5 700	
Water and electricity		4 800	
Interest income (6 000 - 1 200)			4 800
Interest expense		84 000	
Sundry expenses (13 600 - 2 700)		10 900	
Trading stock deficit		13 900	
Depreciation (32 500 + 20 700)		53 200	
		3 152 650	3 152 650

TASK 10.24 Entro Suppliers: Adjustments and the Post-Adjustment Trial Balance

10.24.1 GENERAL JOURNAL OF ENTRO SUPPLIES – JUNE 20.3

GJ

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
01	30	Income receivable/Accrued income		3 000					
		Rent income			3 000				
		Rent owing for one month							
02		Repairs and maintenance		2 500					
		Income receivable/Accrued income			2 500				
		Repairs paid by tenant to be offset against rent owing							
03		Bank charges		350					
		Interest on overdraft			350				
		Correction of error							
04		Bad debts		1 672					
		Debtor			1 672		1 672		
		Bad debt written off							
05		Debtor		150		150			
		Interest on overdue account			150				
		Debtor charged interest at 15% p.a. for 6 months							
06		Prepaid expenses		560					
		Advertising			560				
		Advertising paid in advance							
07		Income receivable/Accrued income		5 360					
		Loss due to theft/Stock written off		1 340					
		Trading stock			6 700				
		Stock stolen; insurance company will pay out 80% of the claim							
08		Trading stock deficit		1 250					
		Trading stock			1 250				
		Trading stock written off							
09		Consumable stores on hand		320					
		Consumable stores			320				
		Consumable stores on hand							
10		Interest on loan		16 400					
		Mortgage loan			16 400				
		Interest on loan brought into a/c							
11		Income receivable/Accrued income		2 700					
		Interest on fixed deposit			2 700				
		Interest still owing							
12		Commission income		350					
		Income received in advance/Deferred income			350				
		Commission received in advance							
13		Drawings		650					
		Cell-phone charges			650				
		Correction of error							

GENERAL JOURNAL OF ENTRO SUPPLIES – JUNE 20.3 (Contd)

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
14		Depreciation		29 150					
		Acc depreciation on vehicles			24 800				
		Acc depreciation on equipment			4 350				
		Depreciation written off vehicles 20% p.a. on cost and equipment 15% on diminishing balance							

Note: Cash entries are not recorded in the General Journal. These are recorded in the CRJ (refer to adjustment (iii) – R228 and (iv) – R150.

10.24.2 ENTRO SUPPLIERS
POST-ADJUSTMENT TRIAL BALANCE ON 30 JUNE 20.3

Balance Sheet accounts section	Debit	Credit
Capital		300 000
Drawings	650	
Land and buildings	150 000	
Vehicles at cost	124 000	
Equipment at cost	60 000	
Accumulated depreciation on vehicles [67 000 + 24 800]		91 800
Accumulated depreciation on equipment [31 000 + 4 350]		35 350
Fixed deposit	45 000	
Trading stock [21 450 – 6 700 – 1250]	13 500	
Debtors control [45 670 – 1 900 + 150]	43 920	
Bank [21 110 – 228 - 150]		20 732
Cash float	1 000	
Creditors control		32 560
Mortgage loan [90 000 + 16 400]		106 400
Prepaid expenses	560	
Income receivable/Accrued income [3 000 – 2 500 + 5 360 + 2 700]	8 560	
Income received in advance/Deferred income		350
Consumable stores on hand	320	
Nominal accounts section		
Sales		245 120
Cost of sales	140 120	
Debtors allowances	4 230	
Salaries and wages	145 100	
Bad debts [2 340 + 1 672]	4 012	
Consumable stores [4 550 – 320]	4 230	
Advertising [12 490 – 560]	11 930	
Motor expenses	10 120	
Commission income [5 000 - 350]		4 650
Maintenance and repairs [7 610 + 2 500]	10 110	
Cell-phone charges [7 400 – 650]	6 750	
Interest on fixed deposit [2 700 + 2 700]		5 400
Electricity and water	6 790	
Bank charges [7 100 + 350]	7 450	
Interest on overdraft [7 650 - 350]	7 300	
Insurance	15 870	
Rent income [24 000 + 3 000]		27 000
Interest on loan	16 400	
Bad debts recovered		150
Interest on overdue account		150
Loss due to theft/Trading stock loss	1 340	
Trading stock deficit	1 250	
Depreciation [24 800 + 4 350]	29 150	
	869 662	869 662

10.24.3

NO.	ASSETS	OWNERS EQUITY	LIABILITIES
1.	+3 000	+3 000	
	-2 500	-2 500	
2.		±350	
3.	-1 900	-1 672	-228
4.		+150	-150
5.	+150	+150	
6.	+560	+560	
7.	-6 700	-1 340	
	+5 360		
8.	-1 250	-1 250	
	+320	+320	
9.		-16 400	+16 400
10.	+2 700	+2 700	
11.		-350	+350
12.		±650	
13.	-24 800	-24 800	
	-4 350	-4 350	

TASK 10.25  **Format of different Trial Balances**

Various answers for this task acceptable. Ensure that the learners understand why some entries appear only in the post-adjustment trial balance and not in the pre-adjustment trial balance.

Suggested answers:

Pre-Adjustment Trial Balance	Post-Adjustment Trial Balance
All assets, expenses, drawings, capital, liabilities and income	All assets, expenses, drawings, capital, liabilities and income Expenses prepaid Expenses payable / Accrued Income receivable / Accrued Deferred income / Income received in advance Depreciation Consumable stores on hand Plus any other accounts that only arise due to an adjustment entry.

TASK 10.26  **Question and answer**

- 10.26.1 No. They are carried through to next year.
- 10.26.2 Matching the expenses and income to the correct financial year so that an accurate profit or loss can be calculated.
- 10.26.3 Income earned for the period minus expenses for the period.
- 10.26.4 No. They are written off the profit for that year. (Reversals are to be introduced later).
- 10.26.5 Owner
- 10.26.6 Capital + Net profit – Drawings.

TASK 10.27 ☼💧 Caxio Supplies: Final accounts & Post-Closing Trial Balance

10.27.1

GENERAL LEDGER OF CAXIO SUPPLIES

FINAL ACCOUNTS SECTION

Dr				TRADING ACCOUNT				F1	Cr
20.2				20.2					
Feb	28	Cost of sales	420 000	Feb	28	Sales		735 000	
		Profit and loss a/c	315 000			[750 000 – 15 000]			
			735 000					735 000	

PROFIT AND LOSS ACCOUNT

F2

20.2				20.2				
Feb	28	Salaries and wages	233 000	Feb	28	Trading account		315 000
		Vehicle expenses	9 000			Rent income		48 000
		Consumable stores	5 400			Commission income		25 000
		Advertising	3 200			Interest income		2 400
		Bank charges	4 330					
		Telephone	3 600					
		Water and electricity	5 620					
		Interest expense	42 000					
		Sundry expenses	11 570					
		Depreciation	29 000					
		Trading stock deficit	5 000					
		Capital (net profit)	38 680					
			390 400					390 400

10.27.2 POST-CLOSING TRIAL BALANCE ON 28 FEBRUARY 20.2

Balance Sheet accounts section	Fol	Debit	Credit
Capital [700 000 + 38 680 – 110 000]			628 680
Loan from Beta Bank			350 000
Land and buildings		530 000	
Equipment		140 000	
Accumulated depreciation on equipment			68 000
Vehicle		210 000	
Accumulated depreciation on vehicle			21 000
Trading stock		130 000	
Debtors control		42 000	
Creditors control			63 200
Fixed deposit at Beta Bank		40 000	
Bank		36 600	
Cash float		2 000	
Income receivable		3 000	
Income received in advance / Deferred income			4 000
Expenses accrued / payable			520
Expenses prepaid		1 000	
Consumable stores on hand		800	
		1 135 400	1 135 400

TASK 10.28

Novak Clothing: Final accounts & Post-Closing Trial Balance

10.28.1

GENERAL LEDGER OF NOVAK CLOTHING FINAL ACCOUNTS SECTION

Dr				F1				Cr			
TRADING ACCOUNT											
20.6				20.6				20.6			
Feb	28	Cost of sales	710 000	Feb	28	Sales	1 192 800				
		Profit and loss a/c	482 800			[1 200 000 – 7 200]					
			1 192 800								1 192 800

PROFIT AND LOSS ACCOUNT

F2

20.6				20.6			
Feb	28	Salaries and wages	235 500	Feb	28	Trading account	482 800
		Vehicle expenses	13 900			Rent income	72 000
		Cleaning materials	7 750			Commission income	41 150
		Advertising	15 000			Interest income	4 800
		Bank charges	5 200				
		Insurance	6 600				
		Telephone	5 700				
		Water and electricity	4 800				
		Interest expense	84 000				
		Sundry expenses	10 900				
		Trading stock deficit	13 900				
		Depreciation	53 200				
		Capital (net profit)	144 300				
			600 750				600 750

10.28.2 POST-CLOSING TRIAL BALANCE ON 28 FEBRUARY 20.6

Balance Sheet accounts section	Fol	Debit	Credit
Capital [900 000 + 144 300 – 244 500]			799 800
Loan from Munibank			600 000
Land and buildings		968 000	
Vehicles		220 000	
Accumulated depreciation on vehicles			122 500
Equipment		207 000	
Accumulated depreciation on equipment			153 700
Trading stock		160 000	
Debtors control		65 000	
Creditors control			62 000
Fixed deposit at Munibank (6% p.a.)		80 000	
Bank		31 100	
Cash float		3 000	
Income receivable / accrued		6 000	
Deferred income / received in advance			1 200
Expenses prepaid		550	
Consumable stores on hand		1 050	
Expenses payable / accrued			2 500
		1 741 700	1 741 700

TASK 10.29 Singh Traders: Final accounts & Post-Closing Trial Balance

10.29.1 GENERAL JOURNAL OF SINGH TRADERS – FEBRUARY 20.7

GJ

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
01	28	Bad debts		400					
		Debtor			400		400		
		Further bad debts written off							
02		Rent income		15 000					
		Deferred income/Income received in advance			15 000				
		Amount received in advance							
03		Repairs & maintenance		450					
		Accrued expenses/Expenses payable			450				
		Account not yet paid							
04		Accrued income/Income receivable		3 000					
		Commission income			3 000				
		Amount still owing at year-end							
05		Accrued income/Income receivable		800					
		Interest income			800				
		Amount still owing at year-end							
06		Interest on loan		2 400					
		Loan from American Bank			2 400				
		Interest on loan capitalised							
07		Trading stock deficit		15 000					
		Trading stock			15 000				
		Stock deficit as per stock-take							
		Consumable stores on hand		1 800					
		Consumable stores			1 800				
		Amount unused at year-end							
08		Telephone		1 400					
		Sundry expenses			1 400				
		Error corrected							
09		Prepaid expenses		4 400					
		Insurance			4 400				
		Insurance paid in advance							
10		Depreciation		28 000					
		Acc. dep. on equipment			28 000				
		Depreciation at 10% p.a. on diminishing balance							
						0	400	-	-

10.29.2 POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 20.7

Balance Sheet accounts section		Fol	Debit	Credit
Capital				1 214 000
Drawings			168 000	
Land & buildings			1 300 000	
Equipment at cost			400 000	
Accum. depreciation on equipment [120 000 + 28 000]				148 000
Loan from American Bank [820 000 + 2 400]				822 400
Fixed deposit at Swiss Bank			160 000	
Trading stock [260 000 – 15 000]			245 000	
Debtors control [86 000 – 400]			85 600	
Creditors control				150 000
Bank			64 000	
Petty cash			5 000	
Cash float			5 000	
Deferred income/Income received in advance				15 000
Accrued expenses/Expenses payable				450
Accrued income/Income receivable [3 000 + 800]			3 800	
Consumable stores on hand			1 800	
Prepaid expenses			4 400	
Nominal accounts section				
Sales				1 840 000
Debtors allowances			40 000	
Cost of sales			1 200 000	
Rent income [105 000 – 15 000]				90 000
Commission income [132 400 + 3 000]				135 400
Interest income [12 000 + 800]				12 800
Discount received				600
Interest expense [98 000 + 2 400]			100 400	
Salaries & wages			404 000	
Water & electricity			36 000	
Printing & stationery			16 800	
Telephone [28 000 + 1 400]			29 400	
Insurance [57 200 – 4 400]			52 800	
Repairs & maintenance [24 000 + 450]			24 450	
Consumable stores [16 000 – 1 800]			14 200	
Bad debts [2 100 + 400]			2 500	
Discount allowed			500	
Sundry expenses [23 400 – 1 400]			22 000	
Trading stock deficit			15 000	
Depreciation			28 000	
			4 428 650	4 428 650

**10.29.3 GENERAL JOURNAL OF SINGH TRADERS – FEBRUARY 20.7
CLOSING TRANSFERS**
GJ

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
	28	Sales		40 000					
		Debtors allowances			40 000				
		Transfer of debtors allowances to sales							
		Trading account	F1	1 200 000					
		Cost of sales			1 200 000				
		Closing transfer							
		Sales		1 800 000					
		Trading account	F1		1 800 000				
		Closing transfer							

GENERAL JOURNAL OF SINGH TRADERS (Contd)

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
	28	Trading account	F1	600 000					
		Profit and Loss account	F2		600 000				
		Gross profit transferred to Profit and Loss account							
		Rent income		90 000					
		Commission income		135 400					
		Interest income		12 800					
		Discount received		600					
		Profit and Loss account	F2		238 800				
		Closing transfer							
		Profit and Loss account	F2	746 050					
		Interest expense			100 400				
		Salaries & wages			404 000				
		Water & electricity			36 000				
		Printing & stationery			16 800				
		Telephone			29 400				
		Insurance			52 800				
		Repairs & maintenance			24 450				
		Consumable stores			14 200				
		Bad debts			2 500				
		Discount allowed			500				
		Sundry expenses			22 000				
		Trading stock deficit			15 000				
		Depreciation			28 000				
		Closing transfer							
		Profit and loss account	F2	92 750					
		Capital			92 750				
		Net profit transferred to Capital account							
		Capital		168 000					
		Drawings			168 000				
		Drawings transferred to Capital account							

10.29.4

**GENERAL LEDGER OF TEVO TRADERS
FINAL ACCOUNTS SECTION**

Dr					F1					Cr				
TRADING ACCOUNT														
20.7					20.7					20.7				
Feb	28	Cost of sales	GJ	1 200 000	Feb	28	Sales	GJ	1 800 000					
		Profit and loss a/c	GJ	600 000										
				1 800 000										1 800 000

Dr					PROFIT AND LOSS ACCOUNT					F2		Cr	
20.7					20.7								
Feb	28	Interest expense	GJ	100 400	Feb	28	Trading account	GJ	600 000				
		Salaries & wages	GJ	404 000			Rent income	GJ	90 000				
		Water & electricity	GJ	36 000			Commission income	GJ	135 400				
		Printing & stationery	GJ	16 800			Interest income	GJ	12 800				
		Telephone	GJ	29 400			Discount received	GJ	600				
		Insurance	GJ	52 800									
		Repairs & maintenance	GJ	24 450									
		Consumable stores	GJ	14 200									
		Bad debts	GJ	2 500									
		Discount allowed	GJ	500									
		Sundry expenses	GJ	22 000									
		Trading stock deficit	GJ	15 000									
		Depreciation	GJ	28 000									
		Capital (net profit)	GJ	92 750									
				838 800									838 800

10.29.5 POST-CLOSING TRIAL BALANCE ON 28 FEBRUARY 20.7

Balance Sheet accounts section		Fol	Debit	Credit
Capital [1 214 000 + 92 750 – 168 000]				1 138 750
Land & buildings		1 300 000		
Equipment at cost		400 000		
Accumulated depreciation on equipment				148 000
Loan from American Bank				822 400
Fixed deposit at Swiss Bank		160 000		
Trading stock		245 000		
Debtors control		85 600		
Creditors control				150 000
Bank		64 000		
Petty cash		5 000		
Cash float		5 000		
Deferred income/Income received in advance				15 000
Accrued expenses/Expenses payable				450
Accrued income/Income receivable		3 800		
Consumable stores on hand		1 800		
Prepaid expenses		4 400		
		2 274 600	2 274 600	

- 10.29.6** Entries that need to be reversed: 02, 03, 04, 05, 07 (consumable stores on hand), 09. The matching principle will have to be complied with. Income and expenses need to be matched in the correct time period in order to produce reliable results.
- 10.29.7** No. The amount lost is too high and results in a loss of profit. This needs to be investigated. Internal control measures need to be put in place in order to curb stock losses.

TASK 10.30 Sadeck Stores: Consolidated task: Adjustments, Closing transfers & Final accounts

10.30.1/10.30.3

GENERAL LEDGER OF SADECK STORES BALANCE SHEET ACCOUNTS SECTION

Dr					CAPITAL					B1		Cr	
20.7					20.7								
Feb	28	Drawings	GJ1	51 640	Feb	28	Balance	b/d	150 000				
		Balance	c/d	163 660			Profit and loss	GJ1	65 300				
				215 300									215 300
					Mar	1	Balance	b/d	163 660				

Dr					DRAWINGS				B2		Cr	
20.7					20.7							
Feb	28	Balance	b/d	51 640	Feb	28	Capital	GJ1			51 640	

LAND AND BUILDINGS					B3							
20.7												
Feb	28	Balance	b/d	280 000								

VEHICLES					B4							
20.7												
Feb	28	Balance	b/d	120 000								

EQUIPMENT					B5							
20.7												
Feb	28	Balance	b/d	70 000								

ACCUMULATED DEPRECIATION ON VEHICLES					B6							
20.7					20.6							
Feb	28	Balance	c/d	86 000	Mar	1	Balance	b/d			62 000	
					20.7							
					Feb	28	Depreciation	GJ1			24 000	
				86 000							86 000	
					Mar	1	Balance	b/d			86 000	

ACCUMULATED DEPRECIATION ON EQUIPMENT					B7							
20.7					20.6							
Feb	28	Balance	c/d	32 600	Mar	1	Balance	b/d			26 000	
					20.7							
					Feb	28	Depreciation	GJ1			6 600	
				32 600							32 600	
					Mar	1	Balance	b/d			32 600	

FIXED DEPOSIT					B8							
20.7												
Feb	28	Balance	b/d	100 000								

TRADING STOCK					B9							
20.7					20.7							
Feb	28	Balance	b/d	45 110	Feb	28	Trading stock deficit	GJ1			880	
							Balance	c/d			44 230	
				45 110							45 110	
Mar	1	Balance	b/d	44 230								

DEBTORS CONTROL					B10							
20.7					20.7							
Feb	28	Balance	b/d	49 990	Feb	28	Sundry accounts	GJ1			180	
		Bank (R/D)	CPJ	1 200			Balance	c/d			51 090	
		Sundry accounts	GJ1	80								
				51 270							51 270	
Mar	1	Balance	b/d	51 090								

Dr				BANK				B11				Cr					
20.7								20.7									
Feb	28	Balance	b/d	20 170				Feb	28	Debtors control	CPJ		1 200				
		Bad debts recovered	CRJ	290						Balance	c/d		19 260				
				20 460									20 460				
Mar	1	Balance	b/d	19 260													

				PETTY CASH				B12									
20.7																	
Feb	28	Balance	b/d	3 500													

				CASH FLOAT				B13									
20.7																	
Feb	28	Balance	b/d	2 000													

				CREDITORS CONTROL				B14									
20.7								20.7									
Feb	28	Balance	c/d	340 540				Feb	28	Balance	b/d	340 090					
										Consumable stores	GJ1	450					
				340 540								340 540					
								Mar	1	Balance	b/d	340 540					

				MORTGAGE LOAN				B15									
20.7								20.7									
Feb	28	Balance	c/d	69 000				Feb	28	Balance	b/d	60 000					
										Interest on loan	GJ1	9 000					
				69 000								69 000					
								Mar	1	Balance	b/d	69 000					

				DEFERRED INCOME/INCOME RECEIVED IN ADVANCE				B16									
								20.7									
								Feb	28	Rent income	GJ1	5 000					

				PREPAID EXPENSES				B17									
20.7																	
Feb	28	Insurance	GJ1	800													

				INCOME RECEIVABLE/ACCRUED INCOME				B18									
20.7																	
Feb	28	Interest on fixed dep.	GJ1	4 500													

				CONSUMABLE STORES ON HAND				B19									
20.7																	
Feb	28	Consumable stores	GJ1	1 420													

NOMINAL ACCOUNTS SECTION

Dr					SALES				N1	Cr
20.7					20.7					
Feb	28	Debtors allowances	GJ1	3 600	Feb	28	Total	b/f	300 000	
		Trading account	GJ1	296 400						
				300 000					300 000	

					COST OF SALES				N2
20.7					20.7				
Feb	28	Total	b/f	112 000	Feb	28	Trading account	GJ1	112 000

					DEBTORS ALLOWANCES				N3
20.7					20.7				
Feb	28	Total	b/f	3 600	Feb	28	Sales	GJ1	3 600

					SALARIES AND WAGES				N4
20.7					20.7				
Feb	28	Total	b/f	97 000	Feb	28	Profit and loss	GJ1	97 000

					CELL-PHONE CHARGES				N5
20.7					20.7				
Feb	28	Total	b/f	6 700	Feb	28	Profit and loss	GJ1	6 700

					BAD DEBTS				N6
20.7					20.7				
Feb	28	Total	b/f	1 450	Feb	28	Profit and loss	GJ1	1 630
		Debtors control	GJ1	180					
				1 630					1 630

					BAD DEBTS RECOVERED				N7
20.7					20.7				
Feb	28	Profit and loss	GJ1	2 290	Feb	28	Total	b/f	2 000
				2 290			Bank	CRJ	290
									2 290

					CONSUMABLE STORES				N8
20.7					20.7				
Feb	28	Total	b/f	5 440	Feb	28	Cons. stores on hand	GJ1	1 420
		Creditors control	GJ1	450			Profit and loss	GJ1	4 470
				5 890					5 890

					COMMISSION INCOME				N9
20.7					20.7				
Feb	28	Profit and loss	GJ1	60 000	Feb	28	Total	b/f	60 000

Dr				ADVERTISING				N10		Cr
20.7					20.7					
Feb	28	Total	b/f	24 610	Feb	28	Profit and loss	GJ1	24 610	

				INTEREST ON FIXED DEPOSIT				N11	
20.7					20.7				
Feb	28	Profit and loss	GJ1	12 000	Feb	28	Total	b/f	7 500
							Income receivable	GJ1	4 500
				12 000					12 000

				MOTOR EXPENSES				N12	
20.7					20.7				
Feb	28	Total	b/f	14 390	Feb	28	Profit and loss	GJ1	14 390

				MAINTENANCE AND REPAIRS				N13	
20.7					20.7				
Feb	28	Total	b/f	9 780	Feb	28	Profit and loss	GJ1	9 780

				DISCOUNT ALLOWED				N14	
20.7					20.7				
Feb	28	Total	b/f	1 500	Feb	28	Debtors control	GJ1	80
							Profit and loss	GJ1	1 420
				1 500					1 500

				TELEPHONE				N15	
20.7					20.7				
Feb	28	Total	b/f	4 500	Feb	28	Profit and loss	GJ1	4 500

				MUNICIPAL CHARGES				N16	
20.7					20.7				
Feb	28	Total	b/f	5 700	Feb	28	Profit and loss	GJ1	5 700

				BANK CHARGES				N17	
20.7					20.7				
Feb	28	Total	b/f	4 450	Feb	28	Profit and loss	GJ1	4 450

				INSURANCE				N18	
20.7					20.7				
Feb	28	Total	b/f	9 060	Feb	28	Prepaid expenses	GJ1	800
							Profit and loss	GJ1	8 260
				9 060					9 060

Dr					RENT INCOME				N19		Cr	
20.7					20.7							
Feb	28	Deferred income	GJ1	5 000	Feb	28	Total	b/f				35 000
		Profit and loss	GJ1	30 000								
				35 000								35 000

					INTEREST ON LOAN				N20			
20.7					20.7							
Feb	28	Mortgage loan	GJ1	9 000	Feb	28	Profit and loss	GJ1				9 000

					TRADING STOCK DEFICIT				N21			
20.7					20.7							
Feb	28	Trading stock	GJ1	880	Feb	28	Profit and loss	GJ1				880

					DEPRECIATION				N22			
20.7					20.7							
Feb	28	Acc dep on vehicles	GJ1	24 000	Feb	28	Profit and loss	GJ1				30 600
		Acc dep on equip.	GJ1	6 600								
				30 600								30 600

**FINAL ACCOUNTS SECTION
TRADING ACCOUNT**

					F1							
20.7					20.7							
Feb	28	Cost of sales	GJ1	112 000	Feb	28	Sales	GJ1				296 400
		Profit and loss	GJ1	184 400								
				296 400								296 400

PROFIT AND LOSS ACCOUNT

					F2							
20.7					20.7							
Feb	28	Salaries and wages	GJ1	97 000	Feb	28	Trading account	GJ1				184 400
		Cell-phone charges	GJ1	6 700			Bad debts recovered	GJ1				2 290
		Bad debts	GJ1	1 630			Commission income	GJ1				60 000
		Consumable stores	GJ1	4 470			Int. on fixed deposit	GJ1				12 000
		Advertising	GJ1	24 610			Rent income	GJ1				30 000
		Motor expenses	GJ1	14 390								
		Maint. and repairs	GJ1	9 780								
		Discount allowed	GJ1	1 420								
		Telephone	GJ1	4 500								
		Municipal charges	GJ1	5 700								
		Bank charges	GJ1	4 450								
		Insurance	GJ1	8 260								
		Interest on loan	GJ1	9 000								
		Trading stock deficit	GJ1	880								
		Depreciation	GJ1	30 600								
		Capital (net profit)	GJ1	65 300								
				288 690								288 690

10.30.2 **GENERAL JOURNAL** – 28 FEBRUARY 20.7

GJ1

J/V	D	Details	Fol	Debit	Credit	Debtors Control		Creditors Control	
						Debit	Credit	Debit	Credit
01	28	Interest on loan	N20	9 000					
		Mortgage loan	B15		9 000				
		Interest on loan outstanding							
02		Rent income	N19	5 000					
		Deferred income/Income received in advance ^[1]	B16		5 000				
		Rent received in advance							
03		Prepaid expenses ^[2]	B17	800					
		Insurance	N18		800				
		Amount paid in advance							
04		Bad debts	N6	180					
		Debtor	DL		180		180		
		Additional bad debts written off							
05		Debtor	DL	80		80			
		Discount allowed	N14		80				
		Discount on r/d cheque cancelled							
06		Income receivable/Accrued income ^[3]	B18	4 500					
		Interest on fixed deposit	N11		4 500				
		Interest on fixed deposit outstanding							
07		Consumable stores	N8	450					
		Creditors control/Expenses payable	B14		450				
		Additional consumables bought on credit							
08		Trading stock deficit ^[4]	N21	880					
		Trading stock	B9		880				
		Stock deficit as per stock taking							
		Consumable stores on hand	B19	1 420					
		Consumable stores	N8		1 420				
		Consumables on hand as per stock-take							
09		Depreciation	N22	30 600					
		Accumulated depreciation on vehicles ^[5]	B6		24 000				
		Accumulated depreciation on equipment ^[6]	B7		6 600				
		Depreciation on vehicles at 20% p.a. and on equipment at 15% p.a.							
						80	180	-	-

B10 B10

[1] $35\,000 \div 14 \times 2$

[2] $2\,400 \div 12 \times 4$

[3] $100\,000 \times 12\% = R12\,000$

$12\,000 - 7\,500 = R4\,500$

[4] $45\,110 - 44\,230$

[5] $120\,000 \times 20\%$

[6] $70\,000 \times 15\%$

10.30.4 POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 20.7

Balance Sheet accounts section	Fol	Debit	Credit
Capital	B1		150 000
Drawings	B2	51 640	
Land and buildings	B3	280 000	
Vehicles at cost	B4	120 000	
Equipment at cost	B5	70 000	
Accumulated depreciation on vehicles	B6		86 000
Accumulated depreciation on equipment	B7		32 600
Fixed deposit	B8	100 000	
Trading stock	B9	44 230	
Debtors control	B10	51 090	
Bank	B11	19 260	
Petty cash	B12	3 500	
Cash float	B13	2 000	
Creditors control	B14		340 540
Mortgage loan	B15		69 000
Deferred income/Income received in advance	B16		5 000
Prepaid expenses	B17	800	
Income receivable/Accrued income	B18	4 500	
Consumable stores on hand	B19	1 420	
Nominal accounts section			
Sales	N1		300 000
Cost of sales	N2	112 000	
Debtors allowances	N3	3 600	
Salaries and wages	N4	97 000	
Cell-phone charges	N5	6 700	
Bad debts	N6	1 630	
Bad debts recovered	N7		2 290
Consumable stores	N8	4 470	
Commission income	N9		60 000
Advertising	N10	24 610	
Interest on fixed deposit	N11		12 000
Motor expenses	N12	14 390	
Maintenance and repairs	N13	9 780	
Discount allowed	N14	1 420	
Telephone	N15	4 500	
Municipal charges	N16	5 700	
Bank charges	N17	4 450	
Insurance	N18	8 260	
Rent income	N19		30 000
Interest on loan	N20	9 000	
Trading stock deficit	N21	880	
Depreciation	N22	30 600	
		1 087 430	1 087 430

10.30.5 GENERAL JOURNAL – 28 FEBRUARY 20.7
CLOSING ENTRIES

GJ1

J/V	D	Details	Fol	Debit	Credit	Debtors Control		Creditors Control	
						Debit	Credit	Debit	Credit
	28	Sales	N1	3 600					
		Debtors allowances	N3		3 600				
		Closing entry							
		Trading account	F1	112 000					
		Cost of sales	N2		112 000				
		Closing entry							
		Sales	N1	296 400					
		Trading account	F1		296 400				
		Closing entry							
		Trading account	F1	184 400					
		Profit and loss account	F2		184 400				
		Gross profit transferred to Profit and Loss account							
		Bad debts recovered	N7	2 290					
		Commission income	N9	60 000					
		Interest on fixed deposit	N11	12 000					
		Rent income	N19	30 000					
		Profit and loss account	F2		104 290				
		Closing entry							
		Profit and loss account	F2	223 390					
		Salaries and wages	N4		97 000				
		Cell-phone charges	N5		6 700				
		Bad debts	N6		1 630				
		Consumable stores	N8		4 470				
		Advertising	N10		24 610				
		Motor expenses	N12		14 390				
		Maintenance and repairs	N13		9 780				
		Discount allowed	N14		1 420				
		Telephone	N15		4 500				
		Municipal charges	N16		5 700				
		Bank charges	N17		4 450				
		Insurance	N18		8 260				
		Interest on loan	N20		9 000				
		Trading stock deficit	N21		880				
		Depreciation	N22		30 600				
		Closing entry							
		Profit and loss account	F2	65 300					
		Capital	B1		65 300				
		Net profit transferred to capital account							
		Capital	B1	51 640					
		Drawings	B2		51 640				
		Drawings transferred to capital							

10.30.6 POST-CLOSING TRIAL BALANCE ON 28 FEBRUARY 20.7

Balance Sheet accounts section	Fol	Debit	Credit
Capital	B1		163 660
Land and buildings	B3	280 000	
Vehicles at cost	B4	120 000	
Equipment at cost	B5	70 000	
Accumulated depreciation on vehicles	B6		86 000
Accumulated depreciation on equipment	B7		32 600
Fixed deposit	B8	100 000	
Trading stock	B9	44 230	
Debtors control	B10	51 090	
Bank	B11	19 260	
Petty cash	B12	3 500	
Cash float	B13	2 000	
Creditors control	B14		340 540
Mortgage loan	B15		69 000
Deferred income/Income received in advance	B16		5 000
Prepaid expenses	B17	800	
Income receivable/Accrued income	B18	4 500	
Consumable stores on hand	B19	1 420	
		696 800	696 800

10.30.7**Post-Adjustment Trial Balance:**

This is the Trial Balance that is drawn up after all the adjustments have been considered. It consists of Balance Sheet and Nominal accounts.

Post-Closing Trial Balance:

This Trial Balance consists only of the Balance Sheet accounts. The nominal accounts have been closed off to the Final accounts.

TASK 10.31

Scampy Stores: Consolidation of Trial Balances
**SCAMPY STORES
SPREADSHEET FOR THE YEAR ENDED 30 JUNE 20.5**

	Pre-Adjustment figures		Adjustments		Post-Adjustment figures		Post-Closing figures	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Balance Sheet section								
Capital		620 000				620 000		473 009
Drawings	80 000		1 233		81 233		-	
Land and buildings	256 000				256 000		256 000	
Vehicles at cost	190 600				190 600		190 600	
Equipment at cost	94 000				94 000		94 000	
Acc dep on vehicles		64 616		38 120		102 736		102 736
Acc dep on equipment		27 600		9 960		37 560		37 560
Fixed deposit	60 000		5 000		65 000		65 000	
Trading stock	78 210			6 812	71 398		71 398	
Debtors control	59 870		1 320	2 800	58 390		58 390	
Bank		16 605	980	1 887		17 512		17 512
Savings account	15 000		59		15 059		15 059	
Petty cash	3 000				3 000		3 000	
Cash float	5 000				5 000		5 000	
Creditors control		44 323				44 323		44 323
Loan from VG Finance Co.		80 000		12 750		92 750		92 750
Accrued income			5 900		5 900		5 900	
Accrued expenses				2 274		2 274		2 274
Consum. stores on hand			7 244		7 244		7 244	
Income recd. in advance				2 311		2 311		2 311
Prepaid expenses			884		884		884	
Nominal section								
Sales		280 000				280 000		
Cost of sales	120 000				120 000			
Debtors allowances	8 904				8 904			
Salaries and wages	98 763				98 763			
Advertising	21 997			884	21 113			
Rent income		60 000		2 000		62 000		
Bad debts	42 133		1 820		43 953			
Interest on savings		1 203		59		1 262		
Consumable stores	25 693			8 444	17 249			
Commission income		55 441	2 311			53 130		
Bank charges	7 117		389		7 506			
Interest on overdraft	2 984		218		3 202			
Motor expenses	8 743			1 233	7 510			
Maintenance and repairs	7 568				7 568			
Discount allowed	2 111			40	2 071			
Discount received		2 033				2 033		
Telephone	16 327		698		17 025			
Water and electricity	12 125		576		12 701			
Interest on overdue debtors		324				324		
Insurance	36 000		1 000		37 000			
Depreciation			48 080		48 080			
Interest on loan			12 750		12 750			
Loss due to theft			1 300		1 300			
Trading stock deficit			2 812		2 812			
Interest on fixed deposit				5 000		5 000		
	1 252 145	1 252 145	94 574	94 574	1 323 215	1 323 215	772 475	772 475

Explanation:

- (i) Expenses: $317 + 72 + 218 - 40$ (discount allowed cancelled)
 Increase Debtors by $R1\ 280 + R40 = R1\ 320$
 Bank: $317 + 72 + 218 + 1\ 280 = R1\ 877$
- (ii) Vehicles: $190\ 600 \times 20\% = R38\ 120$
 Equipment: $[94\ 000 - 27\ 600] \times 15\% = R9\ 960$
 Total: $38\ 120 + 9\ 960 = R48\ 080$
- (iii) Interest on loan
 $01:07:20.4 - 31:12:20.4: 90\ 000 \times 15\% \times \frac{6}{12} = 6\ 750$
 $01:01:20.5 - 30:06:20.5: 80\ 000 \times 15\% \times \frac{6}{12} = \underline{6\ 000}$
R12 750
- $R13\ 500 - 6\ 000 = R7\ 500$
- (iv) Bad debts: $980 \times \frac{65}{35} = R1\ 820$. Reduce Debtors by $R980 + R1\ 820 = R2\ 800$.
- (v) $60\ 000 \div 12 = R5\ 000$
 $[5\ 000 \times 8 = R40\ 000] + [5\ 000 + 10\% \times 4 = R22\ 000]$
 Total rent = $40\ 000 + 22\ 000$
 = $R62\ 000$
 Amount owing = $62\ 000 - 60\ 000$
 = $R2\ 000$
- (vi) Insurance = $[3\ 000 \times 10 = R30\ 000] + [42\ 000 \div 12 \times 2 = R7\ 000]$
 = $R37\ 000$
 Amount owing = $37\ 000 - 36\ 000$
 = $R1\ 000$
- (viii) Stock decreases by $R4\ 000$; Consumable stores (expense) decreases by $R1\ 200$; Expenses decrease by the total loss, i.e. $R5\ 200$.
 Insurance claim: $75\% \times 5\ 200 = R3\ 900$: Income receivable (asset) increases by $R3\ 900$; Expenses increase by $R3\ 900$.
- (x) Stock deficit: $78\ 210 - 4\ 000 - 71\ 398 = R2\ 812$
- (xi) Interest on fixed deposit
 $60\ 000 - 20\ 000 \times 10\% \times \frac{6}{12} = R2\ 000 + [60\ 000 \times 10\% \times \frac{6}{12}]$
 $60\ 000 \times 10\% \times \frac{6}{12} = \underline{R3\ 000}$
 Total interest receivable = R5 000
- (xiii) No entry as this has been recorded.
- (xv) Advertising $R1\ 326 \div 3 \times 2 = R884$

Note to Teacher:

- Net loss is $R65\ 758$ (expenses minus income). Add up the debits and credits of the Nominal accounts section. The difference represents a net loss of $R65\ 758$ as the debits (expenses) are greater than the credits (income).
- The Capital balance in the Post-Closing Trial Balance is calculated as follows:
 $620\ 000$ (Capital balance) $- 65\ 758$ (Net loss) $- 81\ 233$ (Drawings) = $R473\ 009$.

TASK 10.32  **Timing differences**

- 10.32.1** Insurance has been paid in advance – for the next financial period.
- 10.32.2** The next financial period, i.e. 01 March 20.3 – 28 February 20.4.
- 10.32.3** This amount must be brought back into the account next year so that it reflects the correct insurance for next year.
- 10.32.4** Reverse (close up) the Prepaid expenses account and transfer back to the Insurance account.
- 10.32.5** Expenses payable/Accrued expenses and Advertising.
 Income received in advance/Deferred income and Rent income.
 Income receivable/Accrued income and Interest on fixed deposit.
 Consumable stores on hand and Consumable stores.
- 10.32.6** The General Journal – does not fit into any other journal.

TASK 10.33 ☼💧 Reversal entries

10.33.1 GENERAL JOURNAL – MARCH 20.3

GJ3

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
01	1	Expenses payable/Accrued expenses	B15	300					
		Advertising	N7		300				
		Reversal entry							
02		Income received in advance/Deferred income	B16	2 000					
		Rent income	N15		2 000				
		Reversal entry							
03		Insurance	N14	3 450					
		Prepaid expenses	B17		3 450				
		Reversal entry							
04		Interest on fixed deposit	N11	150					
		Income receivable/Accrued income	B18		150				
		Reversal entry							
05		Consumable stores	N6	560					
		Consumable stores on hand	B19		560				
		Reversal entry							

10.33.2

GENERAL LEDGER

BALANCE SHEET ACCOUNTS SECTION

EXPENSES PAYABLE / ACCRUED EXPENSES

B15

Cr

Dr									Cr
20.3				20.3				20.3	
Mar	1	Advertising	GJ3	300	Feb	28	Advertising	GJ2	300

DEFERRED INCOME/ INCOME RECEIVED IN ADVANCE

B16

20.3				20.3				20.3	
Mar	1	Rent income	GJ3	2 000	Feb	28	Rent income	GJ2	2 000

PREPAID EXPENSES

B17

20.3				20.3				20.3	
Feb	28	Insurance	GJ2	3 450	Mar	1	Insurance	GJ3	3 450

INCOME RECEIVABLE / ACCRUED INCOME

B18

20.3				20.3				20.3	
Feb	28	Interest on fixed dep.	GJ2	150	Mar	1	Interest on fixed dep.	GJ3	150

CONSUMABLE STORES ON HAND

B19

20.3				20.3				20.3	
Feb	28	Consumable stores	GJ2	560	Mar	1	Consumable stores	GJ3	560

**NOMINAL ACCOUNTS SECTION
CONSUMABLE STORES**

Dr					N6					Cr
20.3					20.3					
Feb	28	Total	b/f	4 560	Feb	28	Consumable stores on hand	GJ2	560	
							Profit and Loss a/c	GJ2	4 000	
				4 560					4 560	
Mar	1	Consumable stores on hand	GJ3	560						

ADVERTISING

N7

20.3					20.3					
Feb	28	Total	b/f	11 900	Feb	28	Profit and Loss a/c	GJ2	12 200	
		Expenses payable / Accrued expenses	GJ2	300						
				12 200					12 200	
					Mar	1	Expenses payable / Accrued expenses	GJ3	300	

INTEREST ON FIXED DEPOSIT

N11

20.3					20.3					
Feb	28	Profit and Loss a/c	GJ2	2 550	Feb	28	Total	b/f	2 400	
							Income receivable / Accrued income	GJ2	150	
				2 550					2 550	
Mar	1	Income receivable / Accrued income	GJ3	150						

INSURANCE

N14

20.3					20.3					
Feb	28	Total	b/f	12 980	Feb	28	Prepaid expenses	GJ2	3 450	
							Profit and Loss a/c	GJ2	9 530	
				12 980					12 980	
Mar	1	Prepaid expenses	GJ3	3 450						

RENT INCOME

N15

20.3					20.3					
Feb	28	Deferred income / Income received in advance	GJ2	2 000	Feb	28	Total	b/f	26 000	
		Profit and Loss a/c	GJ2	24 000						
				26 000					26 000	
					Mar	1	Deferred income / Income received in advance	GJ3	2 000	

TASK 10.34 ☼💧 Revision of Accounting principles and equation

No.	Account debit	Account credit	GAAP principle	Effect on equation					Reversal entry required YES/NO)
				Assets	Expenses	Liabilities	Owner's equity	Income	
1.	Depreciation	Acc dep on equipment	Prudence	-	+				No
2.	Income receivable/ Accrued income	Interest on fixed deposit	Matching	+				+	Yes
3.	Bad debts	Debtors control	Prudence	-	+				No
4.	Prepaid expenses	Rates	Matching	+	-				Yes
5.	Commission income	Income received in advance/Deferred income	Matching			+		-	Yes
6.	Debtors control	Interest on overdue a/c		+				+	No
7.	Interest expense	Creditors control			+	+			No
8.	Consumable stores on hand	Consumable stores	Matching	+	-				Yes
9.	Telephone	Accrued expenses/ Expenses payable	Matching		+	+			Yes
10.	Bank	Bad debts recovered		+				+	No
11.	Trading stock deficit	Trading stock	Prudence	-	+				No
12.	Bank charges	Bank		-	+				No
13.	Debtors control	Bank		±					No
14.	Debtors control	Discount allowed		+	-				No
15.	Drawings	Trading stock	Bus entity	-			-		No
16.	Stationery	Trading stock		-	+				No

TASK 10.35 ☼💧 Reversal entries

10.35.1/10.35.3

GENERAL LEDGER OF RT SERVICE CENTRE BALANCE SHEET ACCOUNTS SECTION CONSUMABLE STORES ON HAND

B11

20.8					20.8				
Feb	28	Consumable stores	GJ2	1 200	Mar	1	Consumable stores	GJ3	1 200

INCOME RECEIVABLE/ACCRUED INCOME

B12

20.8					20.8				
Feb	28	Fee income	GJ2	5 120	Mar	1	Fee Income	GJ3	5 120

DEFERRED INCOME/INCOME RECEIVED IN ADVANCE

B13

20.8					20.8				
Mar	1	Rent income	GJ3	1 450	Feb	28	Rent income	GJ2	1 450

EXPENSES PAYABLE/ACCRUED EXPENSES

B14

20.8					20.8				
Mar	1	Advertising	GJ3	670	Feb	28	Advertising	GJ2	670

PREPAID EXPENSES

B15

20.8					20.8				
Feb	28	Insurance	GJ2	2 120	Mar	1	Insurance	GJ3	2 120

10.36.2 GENERAL JOURNAL – MARCH 20.8

GJ3

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
01	1	Consumable stores Consumable stores on hand Reversal entry	B11	1 200	1 200				
02		Fee income Income receivable/Accrued income Reversal entry	B12	5 120	5 120				
03		Deferred income/Income received in advance Rent income Reversal entry	B13	1 450	1 450				
04		Expenses payable / Accrued expenses Advertisements Reversal entry	B14	670	670				
05		Insurance Prepaid expenses Reversal entry	B15	2 120	2 120				

- 10.35.4 (a) So that the accounts can reflect the correct information for next year.
 (b) Depreciation, bad debts, charging interest. Various answers are acceptable.
 (c) They are records for this year.

TASK 10.36 Zack Traders: Adjustments & reversals

10.36.1 / 10.36.3 / 10.36.5

GENERAL LEDGER OF ZACK TRADERS BALANCE SHEET ACCOUNTS SECTION

Dr					EQUIPMENT			B5		Cr	
20.7											
Feb	28	Balance	b/d	50 000							

ACCUMULATED DEPRECIATION ON EQUIPMENT					B6								
20.7					20.7								
Feb	28	Balance	c/d	27 900	Feb	28	Balance	b/d	24 000				
							Depreciation	GJ2	3 900				
				27 900					27 900				
					Mar	1	Balance	b/d	27 900				

TRADING STOCK					B7								
20.7													
Feb	28	Balance	b/d	24 530									

DEBTORS CONTROL					B8								
20.7													
Feb	28	Balance	b/d	19 880									

CREDITORS CONTROL					B9								
					20.7								
					Feb	28	Balance	b/d	23 120				

LOAN					B10								
20.7					20.7								
Feb	28	Balance	c/d	30 680	Feb	28	Balance	b/d	26 000				
							Interest on loan	GJ2	4 680				
				30 680					30 680				
					Mar	1	Balance	b/d	30 680				

EXPENSES PAYABLE/ACCRUED EXPENSES					B11								
20.7					20.7								
Mar	1	Telephone	GJ3	470	Feb	28	Telephone	GJ2	470				

DEFERRED INCOME/INCOME RECEIVED IN ADVANCE					B12								
20.7					20.7								
Mar	1	Rent Income	GJ3	1 660	Feb	28	Rent income	GJ2	1 660				

INCOME RECEIVABLE/ACCRUED INCOME					B13								
20.7					20.7								
Feb	28	Fee income	GJ2	2 100	Mar	1	Fee income	GJ3	2 100				

Dr		PREPAID EXPENSES				B14		Cr	
20.7					20.7				
Feb	28	Repairs	GJ2	540	Mar	1	Repairs	GJ3	540

		CONSUMABLE STORES ON HAND				B15			
20.7					20.7				
Feb	28	Consumable stores	GJ2	1 960	Mar	1	Consumable stores	GJ3	1 960

		NOMINAL SECTION CONSUMABLE STORES				N5			
20.7					20.7				
Feb	28	Total	b/f	9 860	Feb	28	Con. stores on hand	GJ2	1 960
							Profit and Loss	GJ2	7 900
				9 860					9 860
Mar	1	Consumable stores on hand	GJ3	1 960					

		FEE INCOME				N6			
20.7					20.7				
Feb	28	Profit and loss	GJ2	17 000	Feb	28	Total	b/f	14 900
							Income receivable /	GJ2	2 100
							Accrued income		
				17 000					17 000
Mar	1	Income receivable /	GJ3	2 100					
		Accrued income							

		RENT INCOME				N7			
20.7					20.7				
Feb	28	Deferred Income /	GJ2	1 660	Feb	28	Total	b/f	21 580
		Income received in							
		advance							
		Profit and loss	GJ2	19 920					21 580
				21 580					
					Mar	1	Deferred Income /	GJ3	1 660
							Income received in		
							advance		

		REPAIRS				N10			
20.7					20.7				
Feb	28	Total	b/f	4 550	Feb	28	Prepaid expenses	GJ2	540
							Profit and loss	GJ2	4 010
				4 550					4 550
Mar	1	Prepaid expenses	GJ3	540					

		TELEPHONE				N11			
20.7					20.7				
Feb	28	Total	b/f	5 610	Feb	28	Profit and loss	GJ2	6 080
		Expenses payable /	GJ2	470					
		Accrued expenses							
				6 080					6 080
					Mar	1	Expenses payable /	GJ3	470
							Accrued expenses		

Dr					INTEREST ON LOAN					N12		Cr	
20.7					20.7								
Feb	28	Loan	GJ2	4 680	Feb	28	Profit and loss	GJ2	4 680				

					DEPRECIATION					N13			
20.7					20.7								
Feb	28	Acc dep on equip- ment	GJ2	3 900	Feb	28	Profit and loss	GJ2	3 900				

10.36.2 GENERAL JOURNAL – FEBRUARY 20.7

GJ2

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
01	28	Interest on loan	N12	4 680					
		Loan	B10		4 680				
		Interest for the year brought into account at year-end							
02		Rent income	N7	1 660					
		Deferred income/Income received in advance	B12		1 660				
		Rent paid in advance							
03		Income receivable/Accrued income	B13	2 100					
		Fee income	N5		2 100				
		Fee income still owing							
04		Telephone	N11	470					
		Expenses payable/Accrued expenses	B11		470				
		Telephone account not yet paid							
05		Prepaid expenses	B14	540					
		Repairs	N10		540				
		Amount for painting paid in advance							
06		Consumable stores on hand	B15	1 960					
		Consumable stores	N5		1 960				
		Consumable stores as per physical stock-taking.							
07		Depreciation	N13	3 900					
		Accumulated depreciation on equipment	B6		3 900				
		Depreciation on equipment at 15% p.a. on diminishing balance							

ii. $R21\ 580 \div 13 = R1\ 660$

vii. $R50\ 000 - 24\ 000 \times 15\% = R3\ 900$

10.36.4 POST-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 20.7

Balance Sheet accounts section		Fol	Debit	Credit
Equipment	B5	50 000		
Accumulated depreciation on equipment	B6			27 900
Trading stock	B7	24 530		
Debtors control	B8	19 880		
Creditors control	B9			23 120
Loan	B10			30 680
Expenses payable/Accrued expenses	B11			470
Deferred income/Income received in advance	B12			1 660
Income receivable/Accrued income	B13	2 100		
Prepaid expenses	B14	540		
Consumable stores on hand	B15	1 960		
Nominal accounts section				
Consumable stores	N5	7 900		
Fee income	N6			17 000
Rent income	N7			19 920
Repairs	N10	4 010		
Telephone	N11	6 080		
Interest on loan	N12	4 680		
Depreciation	N13	3 900		

10.36.5 GENERAL JOURNAL – MARCH 20.7

GJ3

	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
08	1	Deferred income/Income received in advance	B12	1 660					
		Rent income	N7		1 660				
		Reversal entry							
09		Fee Income	N6	2 100					
		Income receivable/Accrued income	B13		2 100				
		Reversal entry							
10		Expenses payable/Accrued expenses	B11	470					
		Telephone	N11		470				
		Reversal entry							
11		Repairs	N10	540					
		Prepaid expenses	B14		540				
		Reversal entry							
12		Consumable stores	N5	1 960					
		Consumable stores on hand	B15		1 960				
		Reversal entry							

10.36.6

(a) $1\ 660 \times 3 = 4\ 980$

$1\ 909 \times 9 = 17\ 181$

22 161

(b) Dr Prepaid expenses; Cr Consumable stores

(c) Only pay after the job is completed or pay only a part up-front and the balance after completion of the job.

TASK 10.37 Abcon Stores: Consolidation of year-end procedures

10.37.1 /10.37.2 /10.37.4

GENERAL LEDGER OF ABCON STORES BALANCE SHEET ACCOUNTS SECTION

Dr					CAPITAL				B1		Cr	
20.8					20.8							
Dec	31	Drawings	GJ	90 000	Dec	31	Balance	b/d			250 000	
		Balance	c/d	258 072			Profit and loss a/c	GJ			98 072	
				348 072							348 072	
					20.9							
					Jan	1	Balance	b/d			258 072	

DRAWINGS					B2							
20.8					20.8							
Dec	31	Balance	b/d	90 000	Dec	31	Capital	GJ			90 000	

LAND AND BUILDINGS					B3							
20.8					20.8							
Dec	31	Balance	b/d	200 000	Dec	31	Repairs & mainten.	GJ			5 000	
				200 000			Balance	c/d			195 000	
											200 000	
20.9												
Jan	1	Balance	b/d	195 000								

VEHICLES					B4							
20.8												
Dec	31	Balance	b/d	95 000								

ACCUMULATED DEPRECIATION ON VEHICLES					B5							
20.8					20.8							
Dec	31	Balance	c/d	94 999	Jan	1	Balance	b/d			83 000	
				94 999	20.8							
					Dec	31	Depreciation*	GJ			*11 999	
											94 999	
					20.9							
					Jan	1	Balance	b/d			94 999	

*Note: The asset cannot be depreciated below a book value of R1

EQUIPMENT					B6							
20.8												
Dec	31	Balance	b/d	60 000								

ACCUMULATED DEPRECIATION ON EQUIPMENT					B7							
20.8					20.8							
Dec	31	Balance	c/d	31 200	Jan	1	Balance	b/d			24 000	
				31 200	20.8							
					Dec	31	Depreciation	GJ			7 200	
											31 200	
					20.9							
					Jan	1	Balance	b/d			31 200	

Dr					FIXED DEPOSIT AT ZUMA BANK					B8		Cr	
20.8					20.8								
Dec	31	Balance	b/d	35 000	Dec	31	Balance	c/d				36 183	
		Interest on fixed dep.	GJ	1 183									
				36 183								36 183	
20.9													
Jan	1	Balance	b/d	36 183									

BANK					B9								
20.8					20.8								
Dec	31	Balance	c/d	8 092	Dec	31	Balance	b/d				5 680	
							Bank charges	CPJ				375	
							Interest on o/d	CPJ				600	
							Debtors control	CPJ				1 437	
				8 092								8 092	
					20.9								
					Jan	1	Balance	b/d				8 092	

LOAN: QUICKCASH LOANS					B10								
20.8					20.8								
Dec	31	Balance	c/d	56 125	Dec	31	Balance	b/d				50 000	
							Interest on loan	GJ				6 125	
				56 125								56 125	
					20.9								
					Jan	1	Balance	b/d				56 125	

TRADING STOCK					B11								
20.8					20.8								
Dec	31	Balance	b/d	45 560	Dec	31	Creditors control	GJ				840	
		Cost of sales	GJ	840			Trading stock deficit	GJ				1 260	
							Balance	c/d				44 300	
				46 400								46 400	
					20.9								
20.9					Jan	1	Balance	b/d				44 300	

DEBTORS CONTROL					B12								
20.8					20.8								
Dec	31	Balance	b/d	38 280	Dec	31	Sundry accounts	GJ				315	
		Bank (r/d)	CPJ	1 437			Debtors allowances	GJ				1 470	
		Discount allowed	GJ	63			Balance	c/d				37 995	
				39 780								39 780	
					20.9								
20.9					Jan	1	Balance	b/d				37 995	

PETTY CASH					B13								
20.8					20.8								
Dec	31	Balance	b/d	800	Dec	31	Fee income	PCJ				130	
							Balance	c/d				670	
				800								800	
					20.9								
20.9					Jan	1	Balance	b/d				670	

Dr		CASH FLOAT				B14		Cr	
20.8									
Dec	31	Balance	b/d	2 000					

CREDITORS CONTROL					B15				
20.8					20.8				
Dec	31	Trading stock	GJ	840	Dec	31	Balance	b/d	25 200
		Balance	c/d	24 360					
				25 200					25 200
					20.9				
					Jan	1	Balance	b/d	24 360

PREPAID EXPENSES					B16				
20.8					20.9				
Dec	31	Stationery	GJ	520	Jan	1	Stationery	GJ1	520

EXPENSES PAYABLE/ACCRUED EXPENSES					B17				
20.9					20.8				
Jan	1	Telephone	GJ1	610	Dec	31	Telephone	GJ	610

INCOME RECEIVABLE/ACCRUED INCOME					B18				
20.8					20.9				
Dec	31	Rent income ^[2]	GJ	200	Jan	1	Rent income	GJ1	200

DEFERRED INCOME/INCOME RECEIVED IN ADVANCE					B19				
20.9					20.8				
Jan	1	Fee income	GJ1	320	Dec	31	Fee income	GJ	320

CONSUMABLE STORES (STATIONERY) ON HAND					B20				
20.8					20.9				
Dec	31	Stationery	GJ	1 910	Jan	1	Stationery	GJ1	1 910

NOMINAL ACCOUNTS SECTION

SALES					N1				
20.8					20.8				
Dec	31	Debtors allowances	GJ1	17 440	Dec	31	Total	b/f	610 000
		Trading account	F1	592 560					
				610 000					610 000

DEBTORS ALLOWANCES					N2				
20.8					20.8				
Dec	31	Total	b/f	15 970	Dec	31	Sales	GJ1	17 440
		Debtors control	GJ	1 470					
				17 440					17 440

Dr					COST OF SALES					N3		Cr	
20.8					20.8								
Dec	31	Total	b/f	370 000	Dec	31	Trading stock	GJ		840			
							Trading account	GJ1		369 160			
				370 000						370 000			

SALARIES AND WAGES					N4								
20.8					20.8								
Dec	31	Total	b/f	150 000	Dec	31	Profit and loss	GJ1		150 000			

FEE INCOME					N5								
20.8					20.8								
Dec	31	Petty cash	PCJ	130	Dec	31	Total	b/f		68 000			
		Deferred income / Income received in advance	GJ	320									
		Profit and loss	GJ1	67 550									
				68 000						68 000			
					20.9								
					Jan	1	Deferred income / Income received in advance	GJ1		320			

RENT INCOME					N6								
20.8					20.8								
Dec	31	Profit and loss	GJ1	24 200	Dec	31	Total	b/f		24 000			
							Income receivable / Accrued income	GJ		200			
				24 200						24 200			
					20.9								
					Jan	1	Income receivable / Accrued income	GJ1		200			

DISCOUNT ALLOWED					N7								
20.8					20.8								
Dec	31	Total	b/f	3 200	Dec	31	Debtors control	GJ		63			
							Profit and loss	GJ1		3 137			
				3 200						3 200			

DISCOUNT RECEIVED					N8								
20.8					20.8								
Dec	31	Profit and loss	GJ1	2 980	Dec	31	Total	b/f		2 980			

BAD DEBTS					N9								
20.8					20.8								
Dec	31	Total	b/f	2 990	Dec	31	Profit and loss	GJ1		3 305			
		Debtors control	GJ	315									
				3 305						3 305			

Dr					BANK CHARGES		N10		Cr
20.8					20.8				
Dec	31	Total	b/f	2 070	Dec	31	Profit and loss	GJ1	2 445
		Bank	CPJ	375					
				2 445					2 445

					INTEREST ON OVERDRAFT		N11		
20.8					20.8				
Dec	31	Total	b/f	2 220	Dec	31	Profit and loss	GJ1	2 820
		Bank	CPJ	600					
				2 820					2 820

					STATIONERY		N12		
20.8					20.8				
Dec	31	Total	b/f	5 600	Dec	31	Prepaid expenses	GJ	520
							Cons. stores on hand	GJ	1 910
				5 600			Profit and loss	GJ1	3 170
									5 600
20.9									
Jan	1	Cons. stores on hand	GJ1	1 910					

					SUNDRY EXPENSES		N13		
20.8					20.8				
Dec	31	Total	b/f	6 770	Dec	31	Profit and loss	GJ1	6 770

					TELEPHONE		N14		
20.8					20.8				
Dec	31	Total	b/f	11 400	Dec	31	Profit and loss	GJ1	12 010
		Expenses payable /	GJ	610					
		Accrued expenses		12 010					12 010
					20.9				
					Jan	1	Expenses payable /	GJ1	610
							Accrued expenses		

					REPAIRS AND MAINTENANCE		N15		
20.8					20.8				
Dec	31	Total	b/f	6 000	Dec	31	Profit and loss	GJ1	11 000
		Land and buildings	GJ	5 000					
				11 000					11 000

					INTEREST ON FIXED DEPOSIT		N16		
20.8					20.8				
Dec	31	Profit and loss	GJ1	1 183	Dec	31	Fixed deposit	GJ	1 183

					INTEREST ON LOAN		N17		
20.8					20.8				
Dec	31	Loan	GJ	6 125	Dec	31	Profit and loss	GJ1	6 125

Dr				DEPRECIATION		N18		Cr	
20.8					20.8				
Dec	31	Acc dep on vehicles	GJ	11 999	Dec	31	Profit and loss	GJ1	19 199
		Acc dep on equip. ^[1]	GJ	7 200					
				19 199					19 199

				TRADING STOCK DEFICIT		N19			
20.8					20.8				
Dec	31	Trading stock	GJ	1 260	Dec	31	Profit and loss	GJ1	1 260

**FINAL ACCOUNTS SECTION
TRADING ACCOUNT**

				F1					
20.8					20.8				
Dec	31	Cost of sales	GJ1	369 160	Dec	31	Sales	GJ1	592 560
		Profit and loss	GJ1	223 400					
				592 560					592 560

PROFIT AND LOSS ACCOUNT

				F2					
20.8					20.8				
Dec	31	Salaries and wages	GJ1	150 000	Dec	31	Trading account	GJ1	223 400
		Discount allowed	GJ1	3 137			Fee income	GJ1	67 550
		Bad debts	GJ1	3 305			Rent income	GJ1	24 200
		Bank charges	GJ1	2 445			Discount received	GJ1	2 980
		Interest on overdraft	GJ1	2 820			Int. on fixed deposit	GJ1	1 183
		Stationery	GJ1	3 170					
		Sundry expenses	GJ1	6 770					
		Telephone	GJ1	12 010					
		Repairs & mainten.	GJ1	11 000					
		Interest on loan	GJ1	6 125					
		Depreciation	GJ1	19 199					
		Trading stock deficit	GJ1	1 260					
		Capital (net profit)	GJ1	98 072					
				319 313					319 313

^[1] 60 000 – 24 000 x 20% = R7 200 Depreciation

^[2] [2 000 x 11] + [2 000 + 10%] = R24 200 Rent

Amount owing = 24 200 – 24 000 = R200

10.37.3 POST-ADJUSTMENT TRIAL BALANCE ON 31 DECEMBER 20.8

Balance Sheet accounts section	Fol	Debit	Credit
Capital	B1		250 000
Drawings	B2	90 000	
Land and buildings	B3	195 000	
Vehicle at cost	B4	95 000	
Accumulated depreciation on vehicles	B5		94 999
Equipment	B6	60 000	
Accumulated depreciation on equipment	B7		31 200
Fixed Deposit at Zuma Bank	B8	36 183	
Bank	B9		8 092
Loan: QuickCash Loans	B10		56 125
Trading stock	B11	44 300	
Debtors control	B12	37 995	
Petty cash	B13	670	
Cash float	B14	2 000	
Creditors control	B15		24 360
Prepaid expenses	B16	520	
Expenses payable/Accrued expenses	B17		610
Income receivable/Accrued income	B18	200	
Deferred income/Income received in advance	B19		320
Consumable stores on hand	B20	1 910	
Nominal accounts section			
Sales	N1		610 000
Debtors allowances	N2	17 440	
Cost of sales	N3	369 160	
Salaries and wages	N4	150 000	
Fee income	N5		67 550
Rent income	N6		24 200
Discount allowed	N7	3 137	
Discount received	N8		2 980
Bad debts	N9	3 305	
Bank charges	N10	2 445	
Interest on overdraft	N11	2 820	
Stationery	N12	3 170	
Sundry expenses	N13	6 770	
Telephone	N14	12 010	
Repairs and maintenance	N15	11 000	
Interest on fixed deposit	N16		1 183
Interest on loan	N17	6 125	
Depreciation	N18	19 199	
Trading stock deficit	N19	1 260	
		1 171 619	1 171 619

**10.37.4 GENERAL JOURNAL – DECEMBER 20.8
CLOSING ENTRIES**
GJ1

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
	31	Sales	N1	17 440					
		Debtors allowances	N2		17 440				
		Closing entry							
		Trading account	F1	369 160					
		Cost of sales	N3		369 160				
		Closing entry							
		Sales	N1	592 560					
		Trading account	F1		592 560				
		Closing entry							

CLOSING ENTRIES (Contd)

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
	31	Profit and loss account	F2	223 400					
		Trading account	F1		223 400				
		Gross profit transferred to Profit and Loss account							
		Fee income	N5	67 550					
		Rent income	N6	24 200					
		Discount received	N8	2 980					
		Interest on fixed deposit	N16	1 183					
		Profit and loss account	F2		95 913				
		Closing entry							
		Profit and loss account	F2	221 241					
		Salaries and wages	N4		150 000				
		Discount allowed	N7		3 137				
		Bad debts	N9		3 305				
		Bank charges	N10		2 445				
		Interest on overdraft	N11		2 820				
		Stationery	N12		3 170				
		Sundry expenses	N13		6 770				
		Telephone	N14		12 010				
		Repairs and maintenance	N15		11 000				
		Interest on loan	N17		6 125				
		Depreciation	N18		19 199				
		Trading stock deficit	N19		1 260				
		Closing entry							
		Profit and loss account	F2	98 072					
		Capital	B1		98 072				
		Net profit transferred to capital account							
		Capital	B1	90 000					
		Drawings	B2		90 000				
		Drawings transferred to capital							

10.37.5 POST-CLOSING TRIAL BALANCE AS AT 31 DECEMBER 20.8

Balance Sheet accounts section	Fol	Debit	Credit
Capital	B1		258 072
Land and buildings	B3	195 000	
Vehicle at cost	B4	95 000	
Accumulated depreciation on vehicles	B5		94 999
Equipment	B6	60 000	
Accumulated depreciation on equipment	B7		31 200
Fixed Deposit at Zuma Bank	B8	36 183	
Bank	B9		8 092
Loan: QuickCash Loans	B10		56 125
Trading stock	B11	44 300	
Debtors control	B12	37 995	
Petty cash	B13	670	
Cash float	B14	2 000	
Creditors control	B15		24 360
Prepaid expenses	B16	520	
Expenses payable/Accrued expenses	B17		610
Income receivable/Accrued income	B18	200	
Deferred income/Income received in advance	B19		320
Consumable stores on hand	B20	1 910	
		473 778	473 778

**10.37.6 GENERAL JOURNAL
REVERSALS: 1 JANUARY 20.9**

GJ1

J/V	D	Details	Fol	Debit	Credit	Debtors control		Creditors control	
						Debit	Credit	Debit	Credit
	1	Rent income	N8	200					
		Income receivable / Accrued income	B16		200				
		Reversal entry							
		Stationery	N14	520					
		Prepaid expenses	B17		520				
		Reversal entry							
		Expenses payable / Accrued expenses	B18	610					
		Telephone	N16		610				
		Reversal entry							
		Fee income		320					
		Deferred income/Income received in advance	B19		320				
		Reversal entry							
		Stationery	N14	1 910					
		Consumable stores on hand	B20		1 910				
		Reversal entry							

10.37.7

- (a) Yes. Carrying (book) value is only R1 (95 000 – 94 999); any other valid reason.
- (b) $\frac{223\,400}{369\,160} \times \frac{100}{1} = \underline{61\%}$
- (c) 14% below the target mark-up. Probable causes: theft, too many discounts, inaccurate mark-up calculations, etc.
- (d) Provide incentives for prompt settlement; effective screening of prospective debtors is advisable; send out reminders; etc.

NOTE TO TEACHER:

Task 10.37 consolidates all aspects of year-end procedures. If you, as the teacher, wish to focus on any one aspect, learners need not complete all seven parts of this task. For example, preparation of the final accounts (10.37.4) would also involve understanding of the year-end adjustments.

Teachers might also require learners to revise adjusting journal entries using this task. For your assistance, a summary of the adjusting journal entries follows.

Teachers might also want learners to use Task 10.37 to proceed toward completing the Balance Sheet, after they have covered Module 10. Teachers may provide generic formats of the financial statements in this case. In order to provide learners with the necessary information regarding Balance Sheet adjustments, this information has been included in Task 10.37, e.g. Additional information no. 3 (increase in capital), no. 5 (maturing of fixed deposit), no. 8 (current portion of loan).

SUMMARY OF ADJUSTING ENTRIES – TASK 10.37

NO.	DEBIT	CREDIT	AMOUNT
1.	Repairs & maintenance	Land & buildings	5 000
2.	Bank charges	Bank	375
	Interest on overdraft	Bank	600
	Debtors control	Bank	1 437
	Debtors control	Discount allowed	63
3.	<i>No general journal entry – Balance Sheet adjustment only</i>		
4.	Debtors allowances	Petty cash	130
5.	Fixed deposit	Interest income	1 183
	<i>No general journal entry for current portion – Balance Sheet adjustment only</i>		
6.	Expenses prepaid	Stationery	520
7.	Telephone	Expenses payable	610
8.	Interest on loan	Loan	6 125
	<i>No general journal entry for current portion – Balance Sheet adjustment only</i>		
9.	Bad debts	Debtors control	315
10.	Depreciation	Accumulated depreciation on vehicles	11 999
	Depreciation	Accumulated depreciation on equipment	7 200
11.	Debtors allowances	Debtors control	1 470
	Trading stock	Cost of sales	840
	Creditors control	Trading stock	840
12.	Income receivable/accrued	Rent income	200
13.	Fee income	Deferred income/received in advance	320
14.	Trading stock deficit	Trading stock	1 260
	Consumable stores on hand	Stationery	1 910

TASK 10.38 Ethical & internal control scenarios relating to final accounts

Before undertaking this task, it is advisable to inform the learners about what is meant by internal control (you may refer to Module 14).

10.38.1	Pre-adjustment Trial Balance – provides assurance that the double entries in the books have been properly done.
10.38.2	Post-adjustment Trial Balance – provides assurance that the double entries for adjustments have been properly done.
10.38.3	Post-closing Trial Balance – provides assurance that the double entries for closing transfers have been properly done.
10.38.4	Explain how the following amounts in the post-closing Trial Balance can easily be checked: Fixed assets – check to Fixed Assets Register and check by physical inspection . Financial assets – check to statements from financial institutions. Trading stock – check to evidence of physical count and stock records. Debtors control – check to debtors' list from debtors' ledger. Cash at bank – check to bank reconciliation statement. Creditors control – check to debtors' list from debtors' ledger. Loan from a bank – check to loan statement.
10.38.5	Explain how the following amounts in the final accounts can easily be checked: Rent expense – check by calculation of monthly rent X number of months. Interest income – check calculation to statement from financial institution. Depreciation – check to calculations in fixed assets register. Trading stock deficit – check to evidence of physical count and stock records.

CHECKLIST

Skills	Yes – proficient	Requires more attention	Complete
Understand and apply the GAAP principles.			
Calculate and record depreciation.			
Calculate and record income receivable.			
Calculate and record income received in advance.			
Calculate and record expenses payable.			
Calculate and record expenses prepaid.			
Calculate and record trading stock deficit / surplus.			
Calculate and record consumable stores on hand.			
Correct errors or omissions through year-end adjustments			
Journalise and post closing transfer entries.			
Journalise and post reversal entries.			
Prepare final accounts.			
Analyse adjustment entries in the accounting equation.			
Analyse ethical & internal control scenarios relating to final accounts			