



Osborne Books Tutor Zone

Final Accounts Preparation

Answers to practice assessment 2

Task 1
(a) Sales ledger control account

Balance b/d	19,455	Sales returns day book	4,368
Sales day book	202,200	Bank	192,840
		Discounts allowed	384
		Balance c/d	24,063
	221,655		221,655

(b) Purchases ledger control account

Purchases returns day book	2,496	Balance b/d	16,341
Bank	95,585	Purchases day book	112,992
Discounts received	420		
Balance c/d	30,832		
	129,333		129,333

(c) VAT control account

Sales returns day book	728	Balance b/d	4,125
Discounts allowed	64	Sales day book	33,700
Purchases day book	18,832	Purchases returns day book	416
Selling expenses	4,068	Discounts received	70
Bank	10,930		
Balance c/d	3,689		
	38,311		38,311

Task 2

- (a) (a) £75,000
- (b) (1) Assets £66,875
 Liabilities £33,910
 Capital £32,965
 (2) £140,340
Working: £134,850 – £20,845 + £22,935 + £1,045 + £2,355
- (c) (b) £16,000
- (d) (c) Information should not be disclosed to third parties unless permission has been given by the client or there is a legal right or duty to disclose it

Task 3

- (a) (a) and (b) Credit; (c), (d) and (e) Debit
- (b) (1) £149,355 ie £149,975 – £620

(b) (2)

Southern Supplies Statement of profit or loss for the year ended 31 March 20-1		
	£	£
Sales revenue		149,355
Opening inventory	9,175	
Purchases	75,430	
Closing inventory	-10,290	
Cost of sales		74,315
Gross profit		75,040
Less:		
Depreciation charges	4,560	
Discounts allowed	795	
General expenses	11,345	
Payroll expenses	30,720	
Rent and rates	7,450	
Total expenses		54,870
Profit/loss for the year		20,170

(c)

	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Financed by
Trade payables			✓		
Accumulated depreciation	✓				
Prepaid income			✓		
Drawings					✓
VAT refund due from HMRC		✓			
Long-term loan				✓	
Accrued expenses			✓		

Task 4

(a) (1) (c) Any debts of the business will be shared between the partners

(2) A sole trader business is owned by **an individual**.

(3) (b) 1 and 2

(4) A partnership is managed by	Partners
A limited liability partnership is managed by	Members
A limited company is managed by	Directors
A charity is managed by	Trustees

(b) (a), (b) and (d) would show higher profit; (c) would show lower profit

(c)

Principle	Example
Materiality	A manufacturer has been making losses for the last two years. Management is considering closing it down.
Accruals	An accountant advises that it is inappropriate to show such a large sum under 'Miscellaneous expenses'.
Business entity	Insurance has been paid for a 12-month period from March to February. The accounting year-end is 30 June.
Going concern	A sole trader pays £10,000 into the business bank account to set up his business. This is shown as capital.

Task 5**(a) Goodwill account**

	£		£
Capital – Kim	30,000	Capital – Jan	12,500
Capital – Leo	20,000	Capital – Kim	20,000
		Capital – Leo	17,500
	50,000		50,000

(b) Capital account – Jan

	£		£
Goodwill	12,500	Balance b/d	0
Balance c/d	17,500	Bank	30,000
	30,000		30,000

(c) Partnership appropriation account for the year ended 30 June 20-1

	£
Profit for appropriation	84,000
Salaries:	
Dot	15,000
Eva	14,000
Fin	10,000
Commission on sales:	
Dot	0
Eva	6,000
Fin	0
Interest on capital:	
Dot	1,000
Eva	1,200
Fin	800
Profit available for distribution	36,000

Profit share	
Dot	10,800
Eva	18,000
Fin	7,200
Total profit distributed	36,000

Task 6

(a)

Current account: Paulo £8,340	CREDIT
Current account: Veena £7,450	CREDIT

(b)

Barkla Partnership**Statement of financial position as at 31 March 20-1**

	£	£	£
Non-current assets	Cost	Accumulated depreciation	Carrying amount
Vehicles	38,400	10,540	27,860
Current assets			
Inventory		12,495	
Trade receivables		*39,230	
Prepayments		395	
Cash		365	
Total current assets		52,485	
Current liabilities			
Trade payables	16,175		
Value Added Tax	2,965		
Bank	1,415		
Total current liabilities		20,555	
Net current assets			31,930
Net assets			59,790
Financed by:	Paulo	Veena	Total
Capital accounts	24,000	20,000	44,000
Current accounts	8,340	7,450	15,790
	32,340	27,450	59,790

*sales ledger control £40,085 minus allowance for doubtful debts £855

(c)

(b) Directors must state who is responsible for keeping accounting records