2 Alexandra's bookkeeper extracted the following trial balance on 30 September 2022.

Alexandra is aware that the bookkeeper had made some errors in drafting.

Trial Balance at 30 September 2022

	Dr	Cr
	£	£
Capital		70 000
Drawings	11 400	
Revenue		205 000
Purchases	117 000	
Returns outwards	1 900	
Inventory – 1 October 2021	27 500	
Bank overdraft	7 950	
Wages	31 500	
Rent payable		9 000
Rent receivable	4 750	
Electricity and water	5 700	
Sundry expenses	18 750	
Non-current assets (cost)	88 000	
Provision for depreciation – non-current assets	22 000	
Discount allowed		1 920
Discount received	4 100	
Trade receivables		13 000
Trade payables	7 270	
Allowance for irrecoverable debts	800	
Suspense		49 700
	348 620	348 620

Required

(a) Complete the corrected trial balance at 30 September 2022.

(10)

After the correction of the trial balance, the bookkeeper completed the financial statements, which showed a profit for the year of £5 980. Alexandra then found that there had been some errors in the year-end adjustments when preparing the financial statements.

(1) The inventory at 30 September 2022 was recorded in the financial statements as £23 600. The inventory count had been understated and should have been £26 100

(2) No adjustment had been made for £2 000 rent receivable which was owing.

(3) No adjustments had been made for sundry expenses accrued £700 and for £240 prepaid.

(4) Annual depreciation on non-current assets owned at the end of the year had been charged at the rate of 20% on cost, when this should have been 25% on cost.

(5) No adjustment had been made to the allowance for irrecoverable debts that should have been maintained at 4% of trade receivables.

(6) No provision had been made for an injury claim from one of Alexandra's employees. The injury claim would be for 10 weeks' loss of earnings at £190 per week plus a total loss of bonus £140

Required

(b) Calculate the revised profit for the year ended 30 September 2022.

(13)

The following information related to two of Alexandra's ledger accounts.

	Balance 1 October 2021	Payments/ receipts by cheque	Balance 30 September 2022	Transfer to income statement
	£	**£**	**£**	**£**
Rent payable	650 Cr	9 650	600 Cr	**To be calculated**
Rent receivable	250 Dr	5 000	**To be calculated**	6 750

Required

(c) Prepare the following ledger accounts for the year ended 30 September 2022.

(i) Rent Payable Account

(4)

(ii) Rent Receivable Account.

(4)

(d) Explain the following terms, giving **one** example of how each term would be applied when preparing the financial statements of Alexandra's business.

- Materiality concept
- Business entity concept
- Money measurement concept
- Annual depreciation charge
- Allowance for irrecoverable debts
- Accounting ethics.

(12)

A friend of Alexandra stated that

'A balanced trial balance must ensure that the business transactions in the books of account have been recorded correctly.'

(e) Evaluate this statement.

(12)

(Total for Question 2 = 55 marks)

2 Samantha is in business buying and selling goods on credit. The following balances were available for the month ended 30 April 2019.

	£
Revenue	5 000
Purchases	2 700
Returns inwards	450
Returns outwards	210
Discount allowed	120
Bad debts	50
Bad debts recovered	200
General expenses	1 250
Inventory	600
Trade receivables	2 990
Allowance for doubtful debts	300
Trade payables	1 900
Bank overdraft	730
Non-current assets (at cost)	4 100
Provision for depreciation –non-current assets	3 000
Drawings	550
Capital	**To be calculated**

Required

(a) Prepare the trial balance at 30 April 2019, including the calculation of the capital.

(10)

Samantha prepares a trade receivables control account each month.

The following additional information is available for April 2019:

(1) Trade receivable account balances

	1 April 2019	30 April 2019
	£	£
Binham	1 600 Dr	2 300 Dr
John	970 Dr	750 Dr
Mel	90 Cr	60 Cr
Sanjay	80 Dr	-

(2) Other information

	£
Cheques received from customers (including bad debt recovered)	4 170
Interest charged to Binham for an overdue account	20

Required

(b) State **two** possible reasons why Mel has a credit balance on her account.

(2)

(c) Prepare the Trade Receivables Control Account for the month of April 2019.

(12)

During April 2019 there was a bad debt and a bad debt recovered. The details were as follows:

3 April 2019 Sanjay was declared bankrupt and Samantha received a cheque for £30. The balance of the debt was irrecoverable.

15 April 2019 Received a cheque for £200 from Westley for a bad debt that Samantha had written off as irrecoverable in a previous financial year.

Required

(d) Prepare the journal to include bank entries for the:

(i) bad debt of Sanjay on 3 April 2019

Narratives are **not** required.

(3)

(ii) bad debt recovered from Westley on 15 April 2019.

Narratives are **not** required.

(4)

(e) Evaluate the use of control accounts.

(12)

Samantha always applies the appropriate accounting concepts and conventions when preparing her financial statements.

(f) Explain the accounting concept or convention that Samantha applies to her financial statements for **each** of the following.

(1) She charges money taken for personal use to her drawings account and **not** to the general expenses account.

(2) She uses only one method to depreciate non-current assets.

(3) Non-current assets are recorded in the books at their purchase price until they are sold.

(4) Debts are considered irrecoverable when Samantha is informed that the debtor may be bankrupt.

(5) The financial statements do not contain any valuations for her skill and experience.

(6) She does not assume that profit is made until the goods are sold to a customer.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS