

ANSWERS

CHAPTER 1

Activities

1. No, Goliath Inc. should not include this claim amount in its financial statements as the outcome is uncertain and the information is thus unreliable. The court case is still pending and the information is not complete.
2.
 - (a) The business bank statement confirms the receipt of cash into the business account.
 - (b) Purchase invoices issued by AKEA Ltd will be used to record the purchases made.
 - (c) Sales invoices issued by Mr Chung will document the sales made.

Work Them Out

1. C	2. C	3. D	4. D	5. A	6. C	7. B	8. B	9. C	10. A
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Short Questions

1.
 - (a) A balance sheet is a statement of the financial position of the business entity at the end of an accounting period. For example, the accounting period can be from 1 January 20X0 to 31 December 20X0 and the balance sheet is to show the financial position of the business as at 31 December 20X0.
 - (b) An income statement is a statement of the income and the expenses of the entity during the specified accounting period, and the profit or loss (surplus or deficit) for the period. For example, the accounting period may be from 1 June 20X0 to 30 June 20X1 and the income statement is to show the results of operations of the business for the period from 1 June 20X0 to 30 June 20X1.
2. Financial accounting is addressed mainly to external users (e.g. shareholders) whereas management accounting is geared to the decision-making needs of the management team. Financial accounting preparation also needs to be made in compliance to specific rules and regulations (e.g. GAAP) whereas management accounting can be tailored to the needs of internal management.

Long Questions

1. Accounting is the process of collecting, recording, summarising and communicating financial information for decision making. The purpose of accounting can be summarised as follows:
 - preparing financial statements for decision making
 - calculation of profits and losses
 - exercising control over the use of resources
 - financial budgeting
 - financial forecasting and planning

Accounting information is required for a wide range of users both within and outside the business. Each of these groups of users of financial statements will have different information needs, which are explained below:

- **Shareholders:** They will want to assess how well the directors are managing the company. They will be particularly concerned with profitability and how much profit is paid out as dividend.
- **Potential investors:** They will want to know about the business operations, performance and potential of the company to help them assess the viability of investing in it.
- **Employees:** They will be concerned about the general financial situation of the business as their long-term careers and salaries depend upon it.
- **Managers:** They are concerned about the operational performance of the company and have to take corrective action if necessary.
- **Lenders:** They will be particularly concerned with the cash situation and liquidity issues. For example, if the bank has loaned money to the business, they will want to know that it can manage to pay interest when it falls due and repay the amount loaned when that is due.
- **Investment analysts:** They are financial experts who analyse, advise and recommend companies suitable for investments to clients.
- **Suppliers and customers:** Suppliers will be concerned with the ability of the business to pay amounts owing. Customers will be concerned with the long term stability of the business as a supplier of goods to them.
- **Government:** It is concerned with profitability for tax reasons and other financial information for national statistics.
- **Public:** The public may require information on the companies of their interest as potential investors, as part of an employment search or for general interest.

CHAPTER 2

Activities

1. By applying the business entity concept, this transaction would be treated as Mr Owen having purchased the chairs and

giving them to his friends in his private capacity. For the purpose of recording in the books of Owen Furniture, this should be regarded as a withdrawal from the capital; alternatively, Mr Owen should pay for the chairs from his own pocket and enter the amount into the cash register as sales. Otherwise, the business accounts will give a misleading picture if there are business transactions and also private transactions that go un-recorded.

2.
 - (a) Historical cost; prudence; going concern
 - (b) Materiality/Consistency

3.

	Assets \$	=	Liabilities \$	+	Capital \$
31 Jan					
Bank	5,000		Nil		5,000
1 Feb					
Bank	4,200				
Van	800				
	<u>5,000</u>		<u>Nil</u>		<u>5,000</u>
2 Feb					
Bank	4,200	P Sung	400		
Van	800	E Holmes	250		
Inventories	650				
	<u>5,650</u>		<u>650</u>		<u>5,000</u>
3 Feb					
Bank	4,200	P Sung	400	Original capital	5,000
Van	800	E Holmes	250	Profit earned	200
Inventories	250				
Cash	600				
	<u>5,850</u>		<u>650</u>		<u>5,200</u>
4 Feb					
Bank	4,400			Original capital	5,000
Van	800			Profit earned	200
Inventories	250	E Holmes	250		
	<u>5,450</u>		<u>250</u>		<u>5,200</u>
5 Feb					
Bank	4,400	E Holmes	250	Original capital	5,000
Van	800	P Sung	200	Profit earned	200
Inventories	750	A Tang	300		
	<u>5,950</u>		<u>750</u>		<u>5,200</u>

4.
 - (a) Capital expenditure
 - (b) Revenue expenditure
 - (c) Revenue expenditure
 - (d) Capital income
 - (e) Revenue income
 - (f) Capital expenditure
 - (g) Capital expenditure
 - (h) Revenue expenditure

Work Them Out

1. C	2. C	3. C	4. A	5. B	6. A	7. D	8. C	9. A	10. B
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Short Questions

1. Students may choose from any four of the following accounting principles.
 - **Prudence/Conservatism:** Given two options of reporting the value of an item, this concept states that the lower of the two values should be taken up. For example, the value of a particular inventory is normally estimated at either cost or market value, whichever is lower.
 - **Accrual:** This concept refers to the profit realised in a business as a revenue less expense (Profit = Revenue – Expense). Revenue relates to earning that is realised while expense relates to expenditure that is incurred. Bear in mind that revenue which is received but not yet earned cannot be recognised. This means that when money is received by a business before a product/service is delivered this revenue is not yet earned and hence should not be recorded as revenue in the books. However, this concept states that when as long as a product/service is delivered to a customer, this revenue is considered earned even before money is received. The same concept applies for expenses as well.

Expenses that have been spent on the production of a product/service are considered incurred and have to be included in the books.

- **Consistency:** A particular method of accounting applied in one period must be consistently applied in other periods as well. For instance, using a straight-line depreciation method on all company's computers in one accounting period should lead to the adoption of the same method in all future periods. This is to allow fair comparison of financial results between one accounting period and another.
- **Going concern:** This concept assumes that a business is a going concern and will continue to operate indefinitely. Assets owned by the business are also assumed to be used for an indefinite period of time. Therefore, market or realisable value of the assets is of no significant importance.
- **Accounting entity:** In accounting, a business is considered to be a separate entity from the business owner(s). Hence, a business owner's personal financial information will not be recorded and reported in the business' accounting books and vice versa. The only time that the business owner's financial information will be recorded in the books of his business is when he injects or withdraws financial resources into/from the business.
- **Dual aspect or duality:** In relation to any economic event, two aspects are recorded in the accounts. For example, a purchase of a van for cash results in an increase in one asset (van) and a decrease in another (cash). This double-entry system of recording the dual aspect of each transaction ensures the balance sheet equation will always balance.
- **Monetary measurement:** Financial transactions and reporting are represented using units of money (dollars and cents). Any asset/item that cannot be expressed in monetary terms will not be included in the accounting information. This includes satisfaction/stress levels of staff, or knowledge and skills that exist in the company.
- **Objectivity:** The process of accounting, which includes book-keeping and financial reporting, should be objective, based on impartiality and free of all bias and opinions. All financial transactions must be derived from facts based on source documents.
- **Historical cost:** All assets and liabilities of a business are shown and recorded at historic/original cost. Hence, assets that are purchased have to be recorded at the costs of acquisition and not future market value.
- **Realisation:** Revenue/expense is recognised only when it has been earned or incurred. Hence, for revenue to be recognised the product/service must have already been delivered to the recipient.
- **Materiality:** Items that have enough value to matter are material items. This principle states that in accounting, the significance of the value of an item will determine whether it should be disregarded or disclosed in the books. Hence, negligible items should be disregarded while major ones must be disclosed.
- **Substance over form:** To ensure that financial statements reflect the complete, relevant and accurate picture of transactions and events, it is important to appreciate and adhere to this concept called "substance over form". When an entity practises substance over form, it means that the financial statements reflect the commercial reality of the entity (substance) rather than the legal form of the transactions and events (form) which underlie them.
- **Matching:** It is assumed that there is a cause and effect relationship between revenue and expense for financial reporting purpose. This means that profit is determined by matching revenue earned for the period against the expenses incurred in earning that revenue. Hence any expenses incurred but not paid for or revenues earned but not received on balance day should be taken into account when determining the profit for the period.

2. The terms are defined as follows:

- Capital expenditure is expenditure which results in the acquisition of non-current assets or improvement in their earning capacity. An example is purchase of machinery for production plant.
- Revenue expenditure is incurred for the purpose of trade in the normal course of business or to maintain the existing capacity of the non-current assets. An example is the repair and maintenance of assembly machinery in the factory.

Long Question

1. Accounting principles are conventions, concepts, rules, practices or assumptions which apply generally to financial transactions. The four principles are explained below:
 - (a) **Objectivity:** Financial statements should be as objective as possible. Transactions are to be recorded objectively as historical events. In other words, it is the intention that financial statements should be free from bias. For example, the decision as to whether or not an allowance is to be made against a doubtful debt should not be influenced by its impact upon the company's ability to continue to operate.
 - (b) **Money measurement:** This concept states that only assets and liabilities that are capable of being measured in monetary terms will be included in the balance sheet of a company. For example, inherent goodwill, such as customer loyalty that has built up over a long period of time, is an asset to a company but it cannot be measured in monetary terms with any degree of reliability and is not included in the balance sheet as an asset.
 - (c) **Accruals:** This concept states that income should be matched with related expenditure and that both income and expenses should be included in the income statement in the period in which it is incurred. The period when items are paid or received is not relevant for the purpose of accounting. For example, electricity is billed in arrears so an accrual will be required at the end of an accounting period in order to account correctly for the amount that remains unbilled.
 - (d) **Consistency:** A business should be consistent in its accounting treatment of similar items, both within a particular accounting period and between one accounting period and the next. For example, the depreciation policy of a company regarding the way in which the cost of non-current assets is spread over their estimated useful lives should be consistent (the same each year) unless there is a very good reason for changing it.

CHAPTER 3

Activities

1.

Transaction	Effect	Ledger Entry
(a) 1 January: Started a trading business by putting \$28,000 into a business bank account	Increase cash at bank \$28,000 Increase capital \$28,000	Debit cash at bank \$28,000 Credit capital \$28,000
(b) 4 January: Bought equipment for \$3,000 paid by cheque	Increase equipment \$3,000 Reduce cash in bank \$3,000	Debit equipment \$3,000 Credit cash in bank \$3,000
(c) 5 January: Bought furniture from EKEA for \$800 on credit	Increase furniture \$800 Increase payables \$800 (EKEA)	Debit furniture \$800 Credit EKEA \$800
(d) 7 January: Purchased inventory for resale for \$2,000 paid by cheque	Increase inventory \$2,000 Decrease cash in bank \$2,000	Debit inventory \$2,000 Credit cash in bank \$2,000
(e) 10 January: Paid EKEA by cheque	Reduce EKEA \$800 Reduce cash in bank \$800	Debit EKEA \$800 Credit cash at bank \$800
(f) 18 January: Bought equipment from A Harvey for \$2,000 on credit	Increase equipment \$2,000 Increase payables (A Harvey) \$2,000	Debit equipment \$2,000 Credit A Harvey \$2,000
(g) 25 January: Purchased further inventory, on credit from J Golding, for \$1,500	Increase inventory \$1,500 Increase payables (J Golding) \$1,500	Debit inventory \$1,500 Credit J Golding \$1,500
(h) 28 January: Borrowed \$5,000 from Easi-Finance	Increase cash in bank \$5,000 Increase loan \$5,000	Debit cash in bank \$5,000 Credit loan \$5,000
(i) 31 January: Owner paid an additional \$2,000 into the business bank account	Increase cash in bank \$2,000 Increase capital \$2,000	Debit cash in bank \$2,000 Credit capital \$2,000

2 Write down the list of balances one by one and make sure the two columns agree.

Wah Shan
Trial balance as at 31 December 20X0

	Dr \$	Cr \$
Sales		47,140
Purchases	26,500	
Receivables	7,640	
Payables		4,320
General expenses	9,430	
Loan from grandfather		5,000
Plant and machinery	10,500	
Accumulated depreciation on plant and machinery		3,200
Delivery van	4,600	
Accumulated depreciation on delivery van		1,950
Drawings	7,500	
Rental	6,450	
Insurance	1,560	
Bank overdraft		2,570
Capital		10,000
	<u>74,180</u>	<u>74,180</u>

3.

Cash					
		\$			\$
1 Jan	Capital	6,000	Jan 3	Fixtures and fittings	2,000
13	Sales	300	10	David	900
14	JoJo	250	31	Balance c/d	2,650
		<u>6,550</u>			<u>5,550</u>
1 Feb	Balance b/d	2,650			
Capital					
		\$			\$
14 Jan	Balance c/d	<u>6,000</u>	1 Jan	Bank	<u>6,000</u>
				Balance b/d	6,000
Fixtures and Fittings					
		\$			\$
3 Jan	Bank	<u>2,000</u>	14 Jan	Balance c/d	<u>2,000</u>
	Balance b/d	2,000			

Purchases

7 Jan	David	\$ 1,000	14 Jan	Trading	\$ 1,000
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Purchases Returns

14 Jan	Trading	\$ 100	7 Jan	David	\$ 100
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Note: Purchases returns may alternatively be credited to the purchases account and the net amount transferred to the trading account.

David

7 Jan	Purchases returns	\$ 100	7 Jan	Purchases	\$ 1,000
10	Cash	900			
		<u>1,000</u>			<u>1,000</u>

Sales

14 Jan	Trading	\$ 600	11 Jan	JoJo	\$ 300
		<u>600</u>	13	Bank	300
					<u>600</u>

Sales Returns

12 Jan	JoJo	\$ 50	14 Jan	Trading	\$ 50
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Note: Sales returns may alternatively be debited to the sales revenue account and the net amount transferred to the trading account.

JoJo Trading

11 Jan	Sales	\$ 300	12 Jan	Sales returns	\$ 50
		<u>300</u>	14	Bank	250
					<u>300</u>

Work Them Out

1. B	2. B	3. A	4. B	5. A	6. A	7. A	8. C	9. C	10. C
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Short Questions

1.

	A/c To Dr	A/c To Cr
A	Tai Hong Co. \$180	Bank \$180
B	Bank \$2,000	Fixtures \$2,000
C	Cash \$500	Loan from James \$500
D	Drawing \$150	Cash \$150
E	City Finance \$200	Bank \$200
F	Cash \$1,050	Louis Kool \$1,050
G	Returns inwards \$75	Ah Mei \$75
H	T Ward \$85	Returns outwards \$85
I	Bank \$45	Motor expenses \$45
J	Rent \$35	Bank \$35
K	Cash \$450	Commission received \$450
L	Cash \$185	Stationery \$185

2.

	A/c To Dr	A/c To Cr
A	Office furniture	Bank
B	Bank	P Sung
C	Bank	Capital
D	Supplier	Office equipment
E	Loan — C Chin	Bank
F	Returns inwards	S Johnson
G	T Henry	Returns outwards
H	Van	Capital

Long Question

1.

Capital			
Balance c/d	<u>20,000</u>	Bank	<u>20,000</u>
		Balance b/d	<u>20,000</u>
Car			
Bank/loan	<u>8,000</u>	Balance c/d	<u>8,000</u>
Balance b/d	<u>8,000</u>		
Loan (See Note 2)			
Balance c/d	<u>5,000</u>	Car	<u>5,000</u>
		Balance b/d	<u>5,000</u>
Purchases			
Hall	6,350	Balance c/d	<u>8,245</u>
Dunn	<u>1,895</u>		
	<u>\$8,245</u>		
Balance b/d	<u>8,245</u>		
Receivables — White			
Sales	1,645	Bank	850
Sales	<u>600</u>	Balance c/d	<u>1,395</u>
	<u>\$2,245</u>		<u>\$2,245</u>
Balance b/d	<u>1,395</u>		
Payables — Hall			
Bank	5,500	Purchases	6,350
Balance c/d	<u>850</u>		
	<u>\$6,350</u>		<u>\$6,350</u>
		Balance b/d	<u>850</u>
Bank			
Capital	20,000	Car	3,000
Cash	2,995	Office	340
White	850	Insurance	195
Cash	400	Cash	600
		Hall	5,500
		Dunn	1,500
		Bal c/d	<u>13,110</u>
	<u>\$24,245</u>		<u>\$24,245</u>
Balance b/d	<u>13,110</u>		
Office Expense			
Bank	<u>340</u>	Balance c/d	<u>340</u>
Balance b/d	<u>340</u>		
Insurance			
Bank	<u>195</u>	Balance c/d	<u>195</u>
Balance b/d	<u>195</u>		
Wages			
Cash	250	Balance c/d	<u>500</u>
Cash	<u>250</u>		
	<u>\$500</u>		
Balance b/d	<u>500</u>		
Sales			
Balance c/d	<u>6,290</u>	Cash	2,345
		White	1,645
		Cash	300
		Cash	400
		White	600
		Black	750
		Cash	<u>250</u>
			<u>\$6,290</u>
			<u>\$6,290</u>
		Balance b/d	<u>6,290</u>
Receivables — Black			
Sales	<u>750</u>	Balance c/d	<u>750</u>
Balance b/d	<u>750</u>		
Payables — Dunn			
Bank	1,500	Purchases	1,895
Balance c/d	<u>395</u>		
	<u>\$1,895</u>		<u>\$1,895</u>
		Balance b/d	<u>395</u>
Cash			
Bank	600	Wages	250
Sales	2,345	Bank (1)	2,995
Sales	300	Wages	250
Sales	400	Bank (1)	400
Sales	<u>250</u>		
	<u>\$3,895</u>		<u>\$3,895</u>

Note 1: At this point, the cash account had to be totalled to identify the balance that was then paid into the bank.

Note 2: As the cost of the car was \$8,000 but only \$3,000 was paid in cash, the remaining \$5,000 is identified as loan.

2.

(a)

Bank				Bank			
		\$				\$	
1 Jan	Capital	5,000		2 Jan	Motor van	600	
4	Loan (Xing Fatt)	1,000		3	Purchases	1,300	
13	Sales	300		10	Motor van expenses	200	
	Sales	500		24	Storage expenses	150	
				27	Loan	350	
				30	Drawings	175	
				31	Balance c/d	4,025	
		<u>6,800</u>				<u>6,080</u>	
1 Feb	Balance b/d	4,025					

Capital					
31 Jan	Balance c/d	\$ 5,000	1 Jan	Bank	\$ 5,000
			1 Feb	Balance b/d	5,000
Delivery Van					
2 Jan	Bank	\$ 600	31 Jan	Balance c/d	\$ 600
1 Feb	Balance b/d	600			
Purchases					
3 Jan	Bank	\$ 1,300	31 Jan	Balance c/d	\$ 1,300
1 Feb	Balance b/d	1,300			
Loan — Xing Fatt Finance					
27 Jan	Bank	\$ 350	4 Jan	Bank	\$ 1,000
31	Balance c/d	650			
		1,000			1,000
Motor Van Expenses					
10 Jan	Bank	\$ 200	31 Jan	Balance c/d	\$ 200
1 Feb	Balance b/d	200			
Sales					
31 Jan	Balance c/d	\$ 800	13 Jan	Bank	\$ 300
			20	Bank	500
		800			800
			1 Feb	Balance b/d	800
General Expenses					
24 Jan	Bank	\$ 150	31 Jan	Balance c/d	\$ 150
1 Feb	Balance b/d	150			
Drawings					
30 Jan	Bank	\$ 175	31 Jan	Balance c/d	\$ 175
1 Feb	Balance b/d	175			

(b)

Wing Lung Ltd		
Trial Balance as at 31 January XXXX		
	Dr \$	Cr \$
Cash at bank	4,025	
Capital		5,000
Motor van	600	
Purchases	1,300	
Loan		650
Motor van expenses	200	
Revenue		800
Storage expenses	150	
Drawings	175	
	<u>6,450</u>	<u>6,450</u>

(c)

Wing Lung Ltd Statement of Comprehensive Income for the month ended 31 January XXXX		
	\$	\$
Revenue		800
<u>Cost of sales</u>		
Purchases	1,300	
Less: Closing inventory	(800)	(500)
Gross profit		300
Less: Expenses		
Delivery van	200	
General	150	(350)
Net loss		(50)

Wing Lung Ltd Statement of Financial Position as at 31 January XXXX		
	\$	\$
<u>Non-current assets</u>		
Motor van		600
<u>Current assets</u>		
Inventory	800	
Cash	4,025	4,825
Total assets		5,425
<u>Equity and Liabilities</u>		
Capital At 1 January		5,000
Less: Net loss for the month		(50)
		4,950
Less: Drawings		(175)
		4,775
<u>Current liability</u>		
Loan		650
Total equity and liabilities		5,425

CHAPTER 4

Activities

1.

Received	Date	Details	Voucher	Total	Stationery	Sundry expenses	Travelling expenses
\$				\$	\$	\$	\$
100	1 Mar	Cash book					
	2 Mar	Biscuits	1	10		10	
	8 Mar	Stationery	2	20	20		
	11 Mar	Bus fares	3	3			3
	16 Mar	Taxi fares	4	5			5
	25 Mar	Stationery	5	40	40		
				78	60	10	8
78	31 Mar	Cash					
		Balance c/d		100			
178				178			
100	1 Apr	Balance b/d					

2.

- Cash book
- Sales day book
- Petty cash book
- Purchases day book
- Cash book
- Sales returns day book
- Purchase returns day book
- Cash book

Work Them Out

1. A	2. B	3. B	4. B	5. A	6. D	7. C	8. C	9. C	10. B
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Short Questions

1.

Sales Returns			
2009		\$	
31 Jan	Total for month	3,000	

Company A			
2009		\$	
5 Jan	Sales Returns	2,000	

Company B			
2009		\$	
10 Jan	Sales Returns	1,000	

2.

- (a) Paid \$650 to purchase goods for sale
- (b) Purchased goods for \$7,200 from Ronaldo
- (c) Paid \$15,000 for a motor vehicle for business use
- (d) Received \$20,000 as a loan from Romario
- (e) Cash sales \$450
- (f) Repaid \$30 on return of cash sales
- (g) Returned to Ronaldo goods purchased for \$600
- (h) Repaid \$500 to Jim
- (i) Sold to Dave goods for \$9,000
- (j) Dave returned goods sold to him for \$450
- (k) Acquired office furniture for \$1,500 from City Traders

CB	PDB	PRDB	SDB	SRDB	GJ
✓					
	✓				
✓					
✓					
✓					
✓					
		✓			
✓					
			✓		
				✓	
					✓

Note on (k): Office furniture acquired on credit terms should be entered in the journal and cannot be entered in any of the books of prime entry stated in the question.

3.

(a)

Purchase Journal			
Date	Particulars	Invoice Details	Total
20X0			
1 Jul	Penta-Gun Pte Ltd		1,500,000
	Less trade discount 40%		(600,000)
31 Jul	Purchases (Dr)		900,000

Purchase Returns Journal			
Date	Particulars	Invoice Details	Total
20X0			
9 Jul	Penta-Gun Pte Ltd		100,000
31 Jul	Purchases returns (Cr)		100,000

Sales Journal			
Date	Particulars	Invoice Details	Total
20X0			
16 Jul	Art & Toy Inc.		1,250,000
	Less trade discount 20%		(250,000)
31 Jul	Sales (Cr)		1,000,000

Sales Returns Journal			
Date	Particulars	Invoice Details	Total
20X0			
28 Jul	Art & Toy Inc.		250,000
31 Jul	Sales Returns(Dr)		250,000

(b)

Purchase			
20X0		\$	
31 Jul	Total for month	900,000	
Purchase Returns			
20X0		\$	
31 Jul	Total for month	100,000	
Sales			
20X0		\$	
31 Jul	Total for month	1,000,000	
Sales Returns			
20X0		\$	
31 Jul	Total for month	250,000	
Penta-Gun			
20X0		\$	
9 Jul	Purchases Returns	100,000	
20X0		\$	
1 Jul	Purchases	900,000	
Art & Toy Inc.			
20X0		\$	
16 Jul	Sales	1,000,000	
20X0		\$	
28 Jul	Sales Returns	250,000	

4.

Kun Lun Ltd Cash Book (three-column)									
Date	Particulars	Discount Allowed	Cash	Bank	Date	Particulars	Discount Received	Cash	Bank
2009		\$	\$	\$	2009		\$	\$	\$
1 Mar	Balance b/f		16,000		1 Mar	Balance b/f			5,000
9	Mr Har Gow	360		11,640	5	Stanley	140		6,860
16	Tong Lok	500		11,500	13	Guo Zheng	200	4,800	
19	Mr Wing Chun	200	9,800		20	Chin Ltd	600		7,400
22	Sales		15,000		24	Utilities			700
26	Sales		18,000		28	Salaries			7,000
31	Cash			30,000	31	Bank		30,000	
						Balance c/f		24,000	26,180
		1,060	58,800	53,140			940	58,800	53,140

5.

(a) and (b)

Chen Zhen Petty Cash										
Date	Description	\$	Date	Description	Total	Cleaning	Motor Exp	Postage	Stationery	Travelling
20X8			20X8		\$	\$	\$	\$	\$	\$
1 May	Cash book	500	2 May	Postage	18			18		
			3	Travelling	12					12
			4	Cleaning	15	15				
			7	Petrol	22		22			
			8	Travelling	25					25
			9	Stationery	17				16	
			11	Cleaning	18	18				
			14	Postage	5			5		
			15	Travelling	8					8
			18	Stationery	9				9	
				Cleaning	23	23				
			20	Postage	13			13		
			24	Van service	43		43			
			26	Petrol	18		18			
			27	Cleaning	21	21				
			29	Postage	5			5		
			30	Petrol	14		14			
					285	77	97	41	25	45
				Balance c/d	215					
					500					
		500								
1 Jun	Balance b/d	215								
	Cash book	285								

CHAPTER 5

Activities

1. (b) **\$2,000:** The factory is put to use on 1 August 20X9, and after this date, revenue is generated by the renting of the factory space. According to the matching principle, expenses should be matched with revenue for the relevant period. Therefore, interest should be recognised from 1 August 20X9 to 31 December 20X9, that is, for five months only. The interest to be recorded in the statement of comprehensive income should be $\$400 \times 5 = \$2,000$.

2.

Inventory			
	\$		\$
Balance b/d	20,000	Transfer to SCI	20,000
Closing inventory to SCI	30,000	Balance c/d	30,000
	<u>50,000</u>		<u>50,000</u>

Purchases			
	\$		\$
Accounts payable	120,000	SCI	120,000

Trade Payables			
	\$		\$
Balance c/d	120,000	Purchases	120,000
	<u>120,000</u>		<u>120,000</u>

Statement Of Comprehensive Income			
	\$		\$
Opening inventory	20,000	Sales	180,000
Purchases	120,000	Closing inventory	30,000
Gross profit c/d	70,000		
	<u>210,000</u>		<u>210,000</u>
		Gross profit b/d	70,000

In statement format:

**Statement of Comprehensive Income
for the year ended [Date] (Extract)**

	\$	\$
Sales		180,000
Opening inventory	20,000	
Purchases	120,000	
	<u>140,000</u>	
Closing inventory	(30,000)	
Cost of sales		<u>(110,000)</u>
Gross profit		<u>70,000</u>

3.

Trade Receivables			
	\$		\$
Balance b/d	10,000	Bad debt — Mindy	500
	<u>10,000</u>	Balance c/d	9,500
			<u>10,000</u>

Bad Debt Expense			
	\$		\$
Accounts receivable	500	SCI	500

4.

Bad Debts Expense			
20X8	\$	20X8	\$
31 Dec Receivables	1,950	31 Dec SCI	1,950
	<u>1,950</u>		<u>1,950</u>

Allowance for Doubtful Debts			
20X8	\$	20X8	\$
31 Dec SCI-Decrease in allowance	80	1 Jan Balance b/d	1,680
Balance c/d	1,600		<u>1,680</u>
	<u>1,680</u>		

Note: The provision/allowance required at 31 Dec 20X8 is calculated by taking 5 per cent of the total receivables at 31 Dec 20X8 ($5\% \times \$32,000 = \$1,600$). As there is already an allowance of \$1,680, there will be a release of the allowance of \$80.

Work Them Out

1. D	2. C	3. D	4. B	5. A	6. A	7. A	8. B	9. C	10. B
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Short Questions

1.

Date	Accounts And Explanation	Debit	Credit
1 Jan	Ring-Ring Trader	10,000	
	Sales revenue		10,000
2 Jan	Drawings	5,000	
	Cash		5,000
10 Jan	Bull Seed Company	20,000	
	Sales revenue		20,000
15 Jan	Cash	10,000	
	Ring-Ring Trader		10,000
18 Jan	Cash	15,000	
	Bad debts	5,000	
	Bull Seed Company		20,000
25 Jan	Cash	5,000	
	Bad Debts Recovered		5,000
31 Jan	Salary expense	5,000	
	Cash		5,000

Cash

		\$			\$
15 Jan	Ring-Ring Trader	10,000	2 Jan	Drawings	5,000
18 Jan	Cash	15,000	31 Jan	Salary	5,000
25 Jan	Bad debts recovered	5,000			

Ring-Ring Trader

		\$			\$
1 Jan	Sales	10,000	15 Jan	Cash	10,000

Bull Seed Company

		\$			\$
10 Jan	Sales	20,000	18 Jan	Cash	15,000
			18 Jan	Bad debts	5,000

Bad Debts

		\$			
18 Jan	Bull Seed	5,000			

Salary Expense

		\$			
31 Jan	Cash	5,000			

Drawings

		\$			
2 Jan	Cash	5,000			

Sales Revenue

					\$
			1 Jan	Ring-Ring	10,000
			10 Jan	Bull Seed	20,000

Bad Debts Recovered

					\$
			25 Jan	Cash	5,000

2.

Office Rent

		\$			\$
20X8			20X8		
31 Mar	Cash	3,000	31 Dec	SCI	12,000
29 Jun	Cash	3,000			

Answers

2 Oct	Cash	3,000	
31 Dec	Balance c/d (accrual)	3,000	
		<u>12,000</u>	<u>12,000</u>

Note: The last quarter (1 October 20X8 to 31 December 20X8) must be added to the rent expense and shown as an amount owing in the SFP.

3.
(a)

Trade Receivables					
		\$		\$	
	Sales	1,300,000		Cash	1,180,000
				Bad debt	50,000
			31 Mar	Balance c/d	70,000
		<u>1,300,000</u>			<u>1,300,000</u>
1 Apr	Balance b/d	70,000		Cash (\$1600 + \$50)	1,650,000
	Sales	1,800,000		Bad debt	38,000
	Bad debt recovered	50,000	31 Mar	Balance c/d	232,000
		<u>1,920,000</u>			<u>1,920,000</u>

(b)

Allowance for Doubtful Debts					
		\$			\$
31 Mar	Balance c/d	<u>2,100</u>	31 Mar	SCI	<u>2,100</u>
			(\$70,000 × 3%)		
31 Mar	Balance c/d	11,600	1 Apr	Balance b/d	2,100
			31 Mar	SCI (\$232,000 × 5%	9,500
			– \$2,100)		
		<u>11,600</u>			<u>11,600</u>

(c)

Bad Debt					
		\$			\$
31 Mar	Trade receivables	50,000	31 Mar	SCI	50,000
31 Mar	Trade receivables	38,000	31 Mar	SCI	38,000

(d)

Bad Debt Recovered					
		\$			\$
31 Mar	SCI	<u>0</u>	31 Mar	Trade receivables	<u>0</u>
31 Mar	SCI	50.000	31 Mar	Trade receivables	50.000

CHAPTER 6

Activities

- Debit entries — cheques paid, \$8,500; discount received, \$500; purchase returns \$1,200; closing payables, \$3,800
Credit entries — opening payables, \$2,000; credit purchases \$12,000

2.

Payables Control			
	\$		\$
(a) Overcast PDB	80	Balance b/d	1,885
(b) Cash book error	27		
Balance c/d	1,778		
	<u>1,885</u>		<u>1,885</u>
		Balance b/d	1,778

Reconciliation of payables ledger control account and list of payables ledger balances at 31 Dec 20X8

	\$
Total of list of balances originally extracted	1,730
Add: Balance omitted	48
Adjusted list of balances/control account balance	<u>1,778</u>

3.

	\$
Original cash book balances	1,245
Less: amounts not yet entered	
Bank charges	(100)
Dishonoured cheque	(170)
Corrected cash book balance	<u>975</u>
Balance per bank statement	1,400
Add: outstanding lodgements	465
Less: unrepresented cheques	<u>(890)</u>
Balance as per corrected cash book	<u>975</u>

4.

Cash Book					
		\$			\$
1 Jan	Balance b/d	600	18 Jan	D Anderson	145
13 Jan	Umberto	224	28 Jan	R Patrick	72
31 Jan	L Bond	186	30 Jan	Parveen	109
			31 Jan	Standing Order	30
			31 Jan	Balance c/d	<u>654</u>
		<u>1,010</u>			<u>1,010</u>
Feb 1	Balance b/d	654			

Bank Reconciliation Statement as at 31 January

	\$
Balance as per bank statement	640
Add: Receipts not lodged	166
Less: Unpresented cheques (109 + 72)	<u>(181)</u>
Balance as per cash book	<u>654</u>

Work Them Out

1. A	2. C	3. D	4. D	5. D	6. D	7. A	8. A	9. B	10. D
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Short Questions

1.

Payables Control					
		\$			\$
28 Feb	Total cheques paid	7,979	1 Feb	Balances b/d	5,678
	Total discounts received	521	28	Total purchases	9,050
	Total returns outward	500			
	Balance c/d	<u>5,728</u>			<u>14,728</u>
		<u>14,728</u>			
			1 Mar	Balance b/d	<u>5,728</u>

2.

(a)

Cash Book			
	\$		\$
Balance b/d	19,620	Purchases	900
		(correction of error)	
		Balance c/d	<u>18,720</u>
	<u>19,620</u>		<u>19,620</u>
Balance b/d	18,720		

(b)

Bank Reconciliation Statement as at May 20XX			
	\$		\$
Cash (Credit) balance as per bank statement			16,900
Add Uncredited cheque: Company A	1,270		
Company B	<u>2,050</u>		<u>3,320</u>
			20,220
Less Unpresented cheque: Company C			<u>(1,500)</u>
Cash (debit) balance as per cash book			<u>18,720</u>

Long Question

1.

(a)

Statement to ascertain the revised total of sales ledger			
		\$	\$
Sales ledger balances before correction			
— Debit balances			128,000
— Credit balances			(24,000)
			<u>104,000</u>
Add: Sales omitted (1)	11,800		
Sales wrongly credited to sales ledger account (6)	6,400		
Sales ledger balance omitted (7)	<u>52,000</u>		
			<u>70,200</u>
			174,200
Less: Total of sales ledger overcast (2)			(12,900)
Sales ledger balances after correction			<u>161,300</u>

(b)

Sales Ledger Control			
	\$		\$
Balance b/f (by difference)	193,300	Discounts allowed (3)	5,300
Sales omitted (1)	11,800	Purchases ledger control set off (4)	4,200
		Sales return undercast (5)	6,300
		Cash sales (8)	28,000
		Balance c/f	<u>161,300</u>
	<u>205,100</u>		<u>205,100</u>

- (c) Maintaining a system of control accounts in the general ledger can provide an internal check on the accuracy of entries by comparing the balance in the control account with the total of individual balances in the ledger accounts, which will help locate errors more effectively. It also facilitates the summarising of the transactions of ledger accounts in order to provide an accounts receivable balance and accounts payable balance more easily. Moreover, control accounts provide an independent check when there is a segregation of duties.

CHAPTER 7

Activities

1. Items (a), (b), (c), (d), (e) and (g) are permitted to be included in cost of inventory. The rest are not considered part of cost of inventory and should not be included in determining cost of inventory.

2.

Items	Cost	Cost To Complete	Selling Cost	Selling Price	NRV \$	Valuation \$
A	1,000	0	50	1,500	1,450	1,000
B	2,000	500	100	2,400	1,800	1,800
C	3,000	800	200	3,800	2,800	2,800

3.

- (i) FIFO closing inventory $20 \times \$40 = \800

(ii) LIFO

	Received	Issued	Inventory After Each Transaction		
				\$	\$
Jan	10 @ \$30		10 @ \$30		300
Mar	10 @ \$34		10 @ \$30	300	
			10 @ \$34	340	640
Apr		8 @ \$34	10 @ \$30	300	
			2 @ \$34	68	368
Sep	20 @ \$40		10 @ \$30	300	
			2 @ \$34	68	
			20 @ \$40	800	1,168
Dec		12 @ \$40	10 @ \$30	300	
			2 @ \$34	68	
			8 @ \$40	320	688

(iii) AVCO

	Received	Issued	Average Cost Per Unit Of Inventory Held	Number Of Units In Inventory	Total Value In Inventory
Jan	10 @ \$30		\$ 30	10	\$ 300
Mar	10 @ \$34		32	20	640
Apr		8	32	12	384
Sep	20 @ \$40	12	37	32	1,184
Dec			37	20	740

4.

(a) FIFO

Date	Received	Issued	Stock After Each Transaction		
				\$	\$
1 Nov	Opening inventory		300 @ 12	3,600	
10 Nov	400 @ 12.5 = \$5,000		400 @ 12.5	5,000	8,600
14 Nov		300 @ 12 = \$3,600 200 @ 12.5 = \$2,500	200 @ 12.5		2,500
20 Nov	400 @ 14 = \$5,600		200 @ 12.5 400 @ 14	2,500 5,600	8,100
21 Nov		200 @ 12.5 = \$2,500 300 @ 14 = 4,200	100 @ 14		1,400
25 Nov	400 @ 15 = \$6,000		100 @ 14 400 @ 15	1,400 6,000	7,400
28 Nov		100 @ 14 = \$1,400	400 @ 15		6,000

Note:

Total cost of purchase is \$(5,000 + 5,600 + 6,000) = \$16,600

Cost of sales is \$(3,600 + 2,500 + 2,500 + 4,200 + 1,400) = \$14,200

(b) AVCO

Date	Received	Issued	Average Cost Per Unit Of Stock Held (a/b)	No. Of Units In Stock (b)	Total Value Of Stock (a)
			\$		\$
1 Nov	Opening inventory		12.00	300	3,600
10 Nov	400 @ 12.5 = \$5,000		12.286 *	700	8,600
14 Nov		500 @ 12.286 = \$6,143	12.286	200	2,457
20 Nov	400 @ 14 = \$5,600		13.428 **	600	8,057
21 Nov		500 @ 13.428 = \$6,714	13.428	100	1,343
25 Nov	400 @ 15 = \$6,000		14.686 ***	500	7,343
28 Nov		100 @ 14.686 = \$1,469	14.686	400	5,874

Note: Total cost of sales is \$(6,143 + 6,714 + 1,469) = \$14,326

Workings:

* \$5,000 + \$3,600 / 700 units = \$12.286

** \$5,600 + \$2,457 / 600 units = \$13.428

*** \$6,000 + \$1,343 / 500 units = \$14.686

Summary profit

	FIFO	AVCO
	\$	\$
Opening inventory	3,600	3,600
Cost of purchase	16,600	16,600
	20,200	20,200
Closing inventory	(6,000)	(5,874)
Cost of sales	14,200	14,326
Sales (1,100 x \$20)	22,000	22,000
Profit	7,800	7,674

5.

	\$
Inventory figure from controller	88,880
(a) Overstatement due to error in addition	(212)
(a) Understatement due to error in addition	74
(b) No change in value required (see explanation below)	—
(c) Reduction to cost (665 – 480) (see explanation below)	(185)
	88,477

Note to (b): Applying lower of cost and NRV comparison rule means \$460 < \$(800 – 270); thus no adjustment is required.

Note to (c): Goods on sale or return basis is regarded as inventory of supplier that should be value at cost and not selling price so as to avoid anticipating profit.

Work Them Out

1. D	2. A	3. C	4. A	5. A	6. C	7. C	8. A	9. A	10. B
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Short Questions

1. The perpetual inventory system records inventory movements in the inventory account with continuous updating. Inventory balance can be derived any time and interim financial statements can be prepared without having to conduct a physical stock take. This system is useful for medium and large organisation with huge quantities of inventory.

The periodic inventory system is useful for small organisations that hold small levels of inventory levels. Under this system, inventory is physically counted at the end of an accounting period. This procedure is called inventory counting or stock taking. A list of all items in inventory is prepared and accordingly the inventory is valued.

There is no attempt to keep track of the movements in the inventory account. The inventory balance shows only the beginning inventory balance until it is updated at the end of the accounting period.

- 2.
- (a) Selling price is not used for the valuation of inventory as this will reflect an element of profit in its value which has not yet been earned. Inventory should be valued at the lower of cost or net realisable value as required under HKAS 2.
- (b) The relevant accounting concept applied to inventory is the prudence or conservatism concept. This concept requires losses to be recognised as soon as they are foreseen, but only allows profits to be recognised when they are earned in the financial statements. Inventory should be included in the accounts at cost based on historical cost concept. However, if there is any uncertainty as to whether the cost can be recovered when the inventory items is sold, maybe due to damage or obsolescence, then the inventory should be valued at its net realisable value. In such a case, the possible loss is recognised immediately.
- (c) The valuation method used will have a relatively short-term effect on profits as the higher the value of inventory, the greater the profit in the first year. However, in the long run, there will be no difference as the higher value of closing inventory that reduces cost and increases profits in the first year will increase costs and reduce profits in the following year when the inventory is sold.
3. Closing inventory is total amount purchased less total sales = $234 - 166 = 68$
- (a) Under FIFO, the oldest items are always sold first. Thus, the closing inventory will be valued as follows:

Date of purchase	Kg	Price Per Kg \$	Total \$
10 Dec	24	50.00	1,200
29 Nov	28	37.50	1,050
15 Oct	16	35.20	563
	68		2,813

- (b) Weighted average

Date	Transaction	Units — Kg	\$ Per Kg	\$
1 Jul	Purchase	96	20.50	1,148
12 Aug	Purchase	42	24.00	1,008
30 Sep	Purchase	49	26	1,274
		147		3,430
10 Oct	Sale	(100)	$3,430/147 = 23.33$	(2,333)
		47		1,097
15 Oct	Purchase	35	35.20	1,232
29 Nov	Purchase	28	37.50	1,050
10 Dec	Purchase	24	50.00	1,200
		134		4,579
31 Dec	Sale	(66)	$4,579/134 = 34.17$	(2,255)
		68		2,324

Under FIFO, the closing inventory value is \$2,813.

Under AVCO, the closing inventory value is \$2,324.

CHAPTER 8

Activities

1. The type of non-current asset that loses a large proportion of its value in the early years of its life and a lesser proportion in later years is for example, a new car. It is also sometimes argued that assets that require little maintenance in the early years of their life but much more as they get older should be depreciated using the reducing balance method as the total

of depreciation and maintenance costs each year should then be evened out. However, depreciation is usually regarded as an allocation of cost, not an attempt to value the asset.

2.

(a) Straight-line method

$$\frac{\$12,000 - 2,000}{8} = \$1,250$$

(b) Reducing balance method

Year	NBV \$	Depreciation charge \$
1	12,000	(12,000 x 20%) = \$2,400
2	(12,000 - 2,400) = 9,600	(9,600 x 20%) = \$1,920

3.

Non-current Assets					
20X6		\$	20X9		\$
23 Mar	Cash	3,500	18 Jun	Non-current asset disposal	3,500
Accumulated Depreciation					
20X6		\$	20X6		\$
31 Dec	Balance c/d	825	31 Dec	SCI	825
20X7			20X7		
31 Dec	Balance c/d	1,650	1 Jan	Balance b/d	825
		1,650	31 Dec	SCI	825
					1,650
2008			20X8		
31 Dec	Balance c/d	2,475	1 Jan	Balance b/d	1,650
		2,475	31 Dec	SCI	825
					2,475
20X9			20X9		
18 Jan	Non-current asset disposal	2,475	1 Jan	Balance b/d	2,475
Non-current Asset Disposal					
20X9		\$	20X9		\$
18 Jan	Cost	3,500	18 Jan	Accumulated depreciation	2,475
31 Dec	Profit on disposal	275		Proceeds	1,300
		3,775			3,775

4.

Building			
	\$		\$
Balance b/d	1,000,000	Revaluation	1,000,000
Revaluation	2,000,000	Balance c/d	2,000,000
	3,000,000		3,000,000
Balance b/d	2,000,000		
Accumulated Depreciation Of Building			
	\$		\$
Revaluation account	60,000	Balance b/d	60,000
Revaluation			
	\$		\$
Building account	1,000,000	Accumulated depreciation	60,000
Revaluation reserve	1,060,000	Building account	2,000,000
(= balancing figure)	2,060,000		2,060,000
Revaluation Reserve			
	\$		\$
		Revaluation account	1,060,000

Work Them Out

1. D	2. C	3. B	4. B	5. D	6. C	7. C	8. A	9. A	10. D
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Short Questions

1.

Non-current Asset					
20X8		\$	20X8		\$
Dec 31	Balance b/d	9,000	Dec 31	Non-current asset disposal	9,000

Accumulated Depreciation					
20X8		\$	20X8		\$
Dec 31	Non-current asset disposal	5,000	Dec 31	Balance b/d	5,000

Non-current Asset Disposal					
20X8		\$	20X8		\$
Dec 31	Non-current asset	9,000	Dec 31	Accumulated	5,000
	Gain on sale of non-current asset	800		Depreciation	
				Bank	4,800
		<u>9,800</u>			<u>9,800</u>

Gain on Sale of Non-current Asset					
20X8		\$	20X8		\$
Dec 31	SCI	800	Dec 31	Non-current asset disposal	800

Statement of Comprehensive Income (Extract)			
		\$	
Gross profit		XX	
Add: Other income			
Gain on sale of non-current asset		800	

2.

- (a) The allocation of the cost of an asset over its estimated useful life.
- (b) In compliance with the matching principle, the cost of using the non-current asset in a particular year should be charged against the revenue earned in that year to get the true profit for that year.
- (c) The causes of depreciation are:
- physical deterioration of the non-current asset, which can be caused by wear and tear when it is used or exposed to the elements of nature
 - obsolescence or the process of becoming obsolete
 - depletion of the asset over time, such as mining land or a quarry
 - passage of time which will shorten the life of assets such as copyrights, patent rights, and leases on land

3.

(a)		Machinery			
20X3		\$	20X4		\$
1 Jul	Cash	450,000	31 Mar	Balance c/d	450,000
20X4			20X5		
1 Apr	Balance b/d	450,000	1 Feb	Disposal	450,000
20X5			31 Mar	Balance c/d	660,000
1 Feb	West India Co.	660,000			
		1,110,000			1,110,000

(b)

Accumulated Depreciation — Machinery					
20X4		\$	20X4		\$
31 Mar	Balance c/d	<u>67,500</u>	31 Mar	Balance b/d	<u>67,500</u>
20X5			20X4		
1 Feb	Disposal	142,500	1 Apr	Balance b/d	67,500
31 Mar	Balance c/d	27,500	20X5		
			1 Feb	SCI	75,000
			31 Mar	SCI	<u>27,500</u>
		<u>170,000</u>			170,000

(c)

Disposal of Machinery					
20X5		\$	20X5		\$
1 Feb	Machinery	450,000	1 Feb	Accumulated depreciation — machinery	142,500

	West India Co.	200,000
	Loss on disposal	107,500
		<u>450,000</u>

(d)

West India Company					
20X5		\$	20X5		\$
1 Feb	Disposal	200,000	1 Feb	Machinery	660,000
	Bank	460,000			
		<u>660,000</u>			<u>660,000</u>

CHAPTER 9

Activities

- Statement of comprehensive income and statement of financial position
 - To determine the gross profit or loss
 - Gross profit = Sales – Cost of goods sold
 - Lower of cost and net realisable value
 - \$100,000
 - Carriage inwards, customs duty and packaging expenses

2.

Anita Moi Statement of Comprehensive Income for the year ended 31 December 20X0			
	\$		\$
Sales			491,620
Less cost of sales			
Opening inventory	18,460		
Purchases	<u>387,936</u>		
	406,396		
Closing inventory	<u>(19,926)</u>		
			386,470
Gross profit			105,150
Discounts received			<u>1,175</u>
			106,325
Less expenses:			
Discounts allowed	1,304		
Electricity & water	6,184		
Motor vehicle expenses (2,862 + 218)	3,080		
Rent (8,841 – 680)	8,161		
Sundry expenses	7,413		
Depreciation (see note)	<u>13,146</u>		
			(39,288)
Net profit			<u>67,037</u>

Note: Depreciation charge: Motor vehicles: \$45,730 x 20% = \$9,146

Fixtures and fittings: 10% x \$(42,200 – 2,200) = \$4,000

Total: \$9,146 + \$4,000 = \$13,146

Anita Moi Statement of Financial Position as at 31 December 20X0			
	\$		\$
Non-current assets			
Fixtures and fittings: Cost	42,200		
Depreciation	<u>(6,200)</u>		
			36,000
Motor vehicles: Cost	45,730		
Depreciation	<u>(24,438)</u>		
			21,292
Current assets			
Inventory	19,926		
Trade receivables	42,737		
Prepayments	680		
Cash on hand	<u>1,411</u>		
			64,754
Total assets			<u>122,046</u>

Capital and liabilities

Capital	26,094	
Net profit for year	67,037	
Drawings	(26,568)	
		66,563

Current liabilities

Trade payables	35,404	
Accruals	218	
Bank overdraft	19,861	
		55,483
Total capital and liabilities		122,046

Work Them Out

1. A	2. C	3. B	4. A	5. D	6. A	7. C	8. A	9. B	10. C
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Short Questions

1.

**Florence Florist
Statement of Comprehensive Income
for the year ended 31 Dec 20X9**

	\$	\$
Sales:		
Cash sales	9,800	
Credit sales	3,200	
		13,000
Less: Cost of sales		(10,500)
Gross profit		2,500
Add: Other income – Rent		600
		3,100
Less: Expenses		
Salary	400	
Rental of shop	1,440	
Travelling	900	
Shop expenses	85	
		(2,825)
Net profit		275

2.

**Sean Van Beauty Salon
Statement of Financial Position as at 31 Mar 20X9**

	\$	\$
Non-current assets		
Equipment (8,800 – 1,400)	7,400	
Furniture and fittings (8,400 – 2,800)	5,600	
Computers (11,100 – 4,600)	6,500	
		19,500
Investment in finance company		58,000
Current assets		
Inventories	8,300	
Trade receivables	800	
Prepaid insurance	430	
Cash	2,110	
		11,640
Total assets		89,140
Capital		
As at 1 Apr 20X8	44,260	
Profit for the year	9,200	
Less drawings	(6,000)	
As at 31 Mar 20X9		47,460
Non-current liabilities		
Bank loan		30,000

Current liabilities

Bank overdraft	1,500	
Trade payables	1,150	
Bills payable	6,000	
Tax payable	2,350	
Outstanding shop rent	680	
		11,680
Total capital and liabilities		89,140

3.

Chun Lee
Statement of Comprehensive Income
for the year ended 30 June 20X9

	\$	\$
Sales		428,000
Less Sales returns		(2,000)
		426,000
Opening inventory at 1 July 20X8	15,000	
Purchases	302,000	
	317,000	
Less: Purchases returns	(1,000)	
	316,000	
Carriage inwards	500	
	316,500	
Less: Closing inventory at 30 June 20X9	(16,500)	
Cost of sales		(300,000)
Gross profit		126,000
Wages and salaries	64,000	
Rent (14,000 – Prepayment 700)	13,300	
Heating and lighting (5,000 + Accrual 400)	5,400	
Depreciation, equipment: (10% x \$102,000)	10,200	
Depreciation, motor vehicle: (20% x \$44,000)	8,800	
Carriage outwards	900	
Bad and doubtful debts (1,200 + (4,500 – 4,000))	1,700	
Sundry expenses	8,500	
		(112,800)
Net profit		13,200

Chun Lee
Statement of Financial Position as at 30 June 20X9

	Cost \$	Accumulated Dep'n \$	Net book value \$
Non-current assets			
Equipment	102,000	32,700	69,300
Motor vehicles	44,000	17,800	26,200
	146,000	50,500	95,500
Current assets:			
Inventory		16,500	
Trade receivables (51,000 – 1,200 bad debts)	49,800		
Less: Allowance for doubtful debts	(4,500)		
		45,300	
Prepayment (rent)		700	
Cash		500	
			63,000
Total assets			158,500
Capital			
At 1 July 20X8			121,600
Net profit			13,200
			134,800
Drawings			(22,000)
At 30 Jun 20X9			112,800
Current liabilities			
Bank overdraft (credit balance in bank)		3,300	
Trade payables		42,000	

Accrued heating and lighting	400	
		45,700
Total capital and liabilities		158,500

Balance sheet workings:

Accumulated depreciation = Opening figure in the trial balance + Depreciation charge for the year

- (i) Equipment: $\$(22,500 + 10,200) = \$32,700$
(ii) Motor vehicles: $\$(9,000 + 8,800) = \$17,800$

CHAPTER 10

Activities

1.

Appropriation Account for the year ended 31 December 20X0					
	\$	\$		\$	\$
<i>Interest on capital:</i>					
Mr Song	500		Net profit b/d		15,060
Mr Hong	400	900			
			<i>Interest on drawings:</i>		
<i>Salary:</i>			Mr Song	80	
Mr Song		700	Mr Hong	90	170
<i>Profit share:</i>					
Mr Song	8,178				
Mr Hong	5,452	13,630			
		15,230			15,230

2.

Capital					
	X	Y	Z		
	\$	\$	\$		
				Balance b/d	60,000
				Bank	40,000
Goodwill	6,000	6,000	3,000	Goodwill	10,000
Balance c/d	64,000	49,000	37,000		5,000
	70,000	55,000	40,000		

3.

Realisation					
	\$			\$	
Property	55,000		Coco — inventory		8,000
Equipment	5,000		Cash — property		52,500
Inventory	7,500		— equipment		6,000
Receivables	9,500		— receivables		8,000
			Payables — gain		500
			Coco — loss on realisation		1,500
			Chanel — loss on realisation		500
	77,000				77,000

Cash					
	\$			\$	
Realisation — property	52,500		Balance b/d		1,500
— equipment	6,000		Payables		4,500
— receivables	8,000		Capital — Coco		38,500
			— Chanel		22,000
	66,500				66,500

Capital					
	Coco	Chanel		Coco	Chanel
	\$	\$		\$	\$
Current		2,500	Balance b/d	45,000	25,000
Realisation — inventory	8,000		Current	3,000	
Loss on realisation	1,500	500			
Cash	38,500	22,000			
	58,000	25,000		58,000	25,000

Realisation			
	\$		\$
Property	50,000	Cash — property	45,000
Equipment	20,000	— equipment	10,000
Inventory	20,000	— inventory	15,000
Receivables	9,000	— receivables	8,000
Cash — expenses	1,000	Payables — gain	1,000
		June — loss on realisation	10,500
		Joseph — loss on realisation	7,000
		Jim — loss on realisation	3,500
	<u>100,000</u>		<u>100,000</u>

Cash			
	\$		\$
Balance b/d	1,000	Realisation — expenses	1,000
Realisation — property	45,000	Payables	22,000
— equipment	10,000	Capital — June	28,750
— inventory	15,000	— Joseph	27,250
— receivables	8,000		
	<u>79,000</u>		<u>79,000</u>

4.

Capital			
	June	Joseph	Jim
	\$	\$	\$
Current			3,000
Loss on			
Realisation	10,500	7,000	3,500
Balance c/d	29,500	28,000	
	<u>40,000</u>	<u>35,000</u>	<u>6,500</u>
Balance b/d			1,500
Contra	750	750	
Cash	28,750	27,250	
	<u>29,500</u>	<u>28,000</u>	<u>1,500</u>

	June	Joseph	Jim
	\$	\$	\$
Balance b/d	30,000	30,000	5,000
Current	10,000	5,000	
Balance c/d			1,500
	<u>40,000</u>	<u>35,000</u>	<u>6,500</u>
Balance b/d	29,500	28,000	
Contra			1,500
	<u>29,500</u>	<u>28,000</u>	<u>1,500</u>

The deficit of Jim is shared between the other two partners in proportion to their last agreed fixed capitals, those of the last balance sheet.

Work Them Out

1. B	2. A	3. B	4. B	5. C	6. C	7. A	8. C	9. B	10. C
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Short Questions

1.
(a)

XYZ			
Statement of Comprehensive Income and Appropriation Account			
for the year ended 31 March 20X9			
	\$		\$
Gross profit			250,000
Operating expenses (85,000 – 10,000 + 3,000)	78,000		
Depreciation (128,000 x 10%)	12,800		
Bad debt	5,000		
Interest on loan from X (50,000 x 10%)	5,000		
			(100,800)
Net profit			<u>149,200</u>
Appropriation:			
Interest on capital			
X	3,000		
Y	2,050		
Z	2,700		
			7,750
Share of remaining profit			
X	70,725		
Y	47,150		
Z	23,575		
			<u>141,450</u>
			<u>149,200</u>

(b)

Current				Current			
	X	Y	Z		X	Y	Z
	\$	\$	\$		\$	\$	\$
1 Apr X8				1 Apr X8			
Balance b/f	—	—	18,000	Balance b/f	4,000	8,000	—
				Interest on capital	3,000	2,050	2,700
				Interest on loan	5,000	—	—
31 Mar X9				Share of profit	70,725	47,150	23,575
Balance c/f	82,725	57,200	8,275				
	82,725	57,200	26,275		82,725	57,200	26,275

Capital				Capital			
	X	Y	Z		X	Y	Z
	\$	\$	\$		\$	\$	\$
Goodwill				1 Apr X8			
adjustment	105,000	70,000	35,000	Balance b/f	60,000	41,000	54,000
Revaluation				Revaluation			
— inventory	18,000	18,000	18,000	— PPE	20,000	20,000	20,000
31 Mar X9				Goodwill			
Balance c/f	27,000	43,000	91,000	adjustment	70,000	70,000	70,000
	150,000	131,000	144,000		150,000	131,000	144,000

An alternative answer for capital accounts if net effect of goodwill is calculated:

Capital				Capital			
	X	Y	Z		X	Y	Z
	\$	\$	\$		\$	\$	\$
Goodwill				1 Apr X8			
adjustment	35,000	—	—	Balance b/f	60,000	41,000	54,000
Revaluation				Revaluation			
— inventory	18,000	18,000	18,000	— PPE	20,000	20,000	20,000
31 Mar X9				Goodwill			
Balance c/f	27,000	43,000	91,000	adjustment	—	—	35,000
	80,000	61,000	109,000		80,000	61,000	109,000

Similarly, if the revaluation account is used to calculate the net effect of asset revaluation (i.e. inventory and property, plant and equipment) on capital accounts, an entry of \$2,000 will be entered to the credit side of the capital accounts of X, Y and Z.

2.

(a) (i)

Revaluation		Revaluation	
	\$		\$
Plant and machinery	25,000	Land and buildings	355,000
Motor vehicles	40,000	Goodwill	80,000
Trade receivables	10,000		
Profit on revaluation:			
Capital account — Ang	180,000		
Capital account — Chou	120,000		
Capital account — Hon	60,000		
	435,000		435,000
Goodwill	80,000	Goodwill adjustment:	
		Capital account — Ang	40,000
		Capital account — Hon	40,000
	80,000		80,000

(ii)

Capital — Au		Capital — Au	
	\$		\$
Goodwill adjustment	40,000	Balance b/d	700,000
Balance c/d	840,000	Profit on revaluation	180,000
	880,000		880,000

Capital — Cho			
	\$		\$
Motor vehicle taken	60,000	Balance b/d	500,000
Loan from Cho	250,000	Profit on revaluation	120,000
Cash	314,000	Current account	4,000
	<u>624,000</u>		<u>624,000</u>

Capital — Hon			
	\$		\$
Goodwill adjustment	40,000	Balance b/d	300,000
Balance c/d	840,000	Profit on revaluation	60,000
	<u>880,000</u>	Cash (difference)	520,000
			<u>880,000</u>

(b)

Ang and Hon Statement of Financial Position as at 1 December 20X9			
	\$		\$
Non-current assets			
Land and buildings			1,355,000
Plant and equipment			225,000
Motor vehicles			80,000
			<u>1,660,000</u>
Current assets			
Inventories	62,000		
Trade receivables	110,000		
Prepayments	500		
Cash at bank	207,800		
	<u>386,300</u>		
Less: Current liabilities			
Trade payables	108,000		
Accruals	3,300		
	<u>111,300</u>		
			<u>275,000</u>
			1,935,000
Less: Long-term liabilities			
Loan from Chou			(250,000)
			<u>1,685,000</u>
Capital accounts			
Ang			840,000
Hon			840,000
			<u>1,680,000</u>
Current accounts			
Ang	10,000		
Hon	(5,000)		
			<u>5,000</u>
			<u>1,685,000</u>

3.

(a)

Lai, Tat and Hon — Realisation			
	\$		\$
Land and buildings	4,870,000	Accumulated depreciation:	
Plant and equipment	800,000	Land and buildings	420,000
Motor vehicles	320,000	Plant and equipment	200,000
Inventories	180,000	Motor vehicles	120,000
Trade receivables	82,000	Assets taken by Lai:	
Bank:		Motor vehicles	60,000
Dissolution costs	48,000	Inventories	162,000
		Trade receivables	78,000
		Assets taken by Tat:	
		Motor vehicles	40,000
		Bank:	
		Land and buildings	3,600,000
		Plant and equipment	150,000

	Motor vehicles	80,000
	Trade payables:	
	Discounts received	10,000
	Loss on realisation:	
	Lai (3/6)	690,000
	Tat (2/6)	460,000
	Hon (1/6)	230,000
<u>6,300,000</u>		<u>6,300,000</u>

(b)

Capital — Lai			
	\$		\$
Loss on realisation	690,000	Balance b/d	2,800,000
Assets taken	300,000	Current account	25,000
Hon's deficit	36,000		
Bank	1,799,000		
	<u>2,825,000</u>		<u>2,825,000</u>

Capital — Tat			
	\$		\$
Loss on realisation	460,000	Balance b/d	2,300,000
Assets taken	40,000	Current account	13,000
Hon's deficit	36,000		
Bank	1,777,000		
	<u>2,313,000</u>		<u>2,313,000</u>

Capital — Hon			
	\$		\$
Current account	22,000	Balance b/d	180,000
Loss on realisation	230,000	Deficit taken by Lai and Tat	72,000
	<u>252,000</u>		<u>252,000</u>

(c)

Cash at Bank			
	\$		\$
Realisation:		Balance b/d	82,620
Land and buildings	3,600,000	Trade payables	119,580
Plant and equipment	150,000	Accrued expenses	3,800
Motor vehicles	80,000	Dissolution costs	48,000
		Capital:	
		Lai	1,799,000
		Tat	1,777,000
	<u>3,830,000</u>		<u>3,830,000</u>

CHAPTER 11

Activities

1. $800,000 \times 50 \text{ cents} \times 5\% = \$20,000$

2.

	\$
Profit after tax	8,400
Preference share dividend (7% x \$1 x 20,000)	(1,400)
Profit after tax available for distribution	7,000
Ordinary dividend (50% x 7000)	(3,500)
Retained earnings	<u>3,500</u>

The appropriation of profit would be shown as:

	\$	\$
Profit after tax		8,400
Dividends: Preference	1,400	
Ordinary	<u>3,500</u>	
		(4,900)
Retained earnings		<u>3,500</u>

3.

M-One Limited
Statement of Comprehensive Income
for the year ended 31 October 20X5

	\$'000	\$'000
Gross profit		2,100
<i>Less Expenses:</i>		
Administrative expenses	400	
Debenture interest	50	
Directors' fees and salaries	350	
	<u> </u>	(800)
Net profit before tax		1,300
Corporation tax		(130)
Net profit after tax		1,170
Transfer to general reserves		(500)
		<u> </u>
		670
<i>Dividend proposed:</i>		
Preference	6	
Ordinary	80	
	<u> </u>	(86)
Profit for the year		584
Retained profits b/f		880
Retained profits c/f		<u> </u>
		1,464

M-One Limited
Statement of Financial Position at 31 October 20X5

	\$'000	\$'000	\$'000
Non-current assets			
Office machinery (NBV)			3,000
Current assets			
Inventory	200		
Receivables	350		
Bank and cash	600		
	<u> </u>	1,150	
Less Current liabilities			
Payables	300		
Directors' fees accrued	150		
Debenture interest accrued	50		
Dividends proposed	86		
	<u> </u>	(586)	
Net current assets			564
			<u> </u>
			3,564
Less Non-current liabilities			
10% debentures, repayable 20X8			(500)
			<u> </u>
			3,064
Financed by:			
Ordinary shares of \$1			1,000
Preference shares of \$1			100
Share premium			200
General reserves			300
Retained profits			1,464
			<u> </u>
			3,064

Work Them Out

1. D	2. B	3. D	4. B	5. A	6. B	7. C	8. A	9. B	10. D
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Short Questions

1.

(a)

Hang Seng Ltd
Statement of Comprehensive Income
for the year ended 31 December 20X9

	\$	\$
Sales revenue		24,200

Opening inventory	4,800	
Purchases	22,000	
	<u>26,800</u>	
Closing inventory	(5,200)	
Cost of goods sold		<u>21,600</u>
Gross profit		2,600
Expenses:		
Salary	2,400	
Insurance	600	
Interest	800	
Depreciation (W1)	700	
Loss on sale of machinery (W2)	100	
Bad debts	<u>100</u>	
		<u>(4,700)</u>
Loss for year		<u>(2,100)</u>

Working:
(W1)

Depreciation		
	Cost	Dep'n
	\$	\$
Opening balances	12,000	4,500
Sale	<u>(1,200)</u>	<u>(700)</u>
	10,800	3,800
	<u>(3,800)</u>	
NBV	<u>7,000</u>	
Depreciation charge 10% x \$7,000 = \$700		
Balance after sale	10,800	3,800
Depreciation charge for year		<u>700</u>
	<u>10,800</u>	<u>4,500</u>

(W2)

Loss on sale of machinery		\$
Cost		1,200
Depreciation		<u>(700)</u>
		500
Sold for		<u>(400)</u>
Loss		<u><u>100</u></u>

(b)

Hang Seng Ltd			
Statement of Financial Position as at 31 December 20X9			
	Cost	Dep'n	NBVI
	\$	\$	\$
Non-current assets			
Land	2,000		2,000
Machinery (W1)	<u>10,800</u>	<u>4,500</u>	<u>6,300</u>
	<u>12,800</u>	<u>4,500</u>	<u>8,300</u>
Current assets			
Inventory		5,200	
Trade Receivables (\$8,300-600)		7,700	
Cash		<u>500</u>	
			<u>13,400</u>
			<u>21,700</u>
Capital and reserves			
Share capital			10,000
Retained profit (\$5,900-2,100)			<u>3,800</u>
			<u>13,800</u>
Current liabilities			
Bank overdraft		4,300	
Trade payables		<u>3,600</u>	
			<u>7,900</u>
			<u>21,700</u>

2.
(a)

Altec Global Limited
Statement of Comprehensive Income
for the year ended 31 October 20X8

	\$	\$	\$
Sales			1,125,000
Less: Returns inward			<u>(6,000)</u>
			1,119,000
Less: Cost of goods sold			
Opening inventories		34,800	
Add: Purchases	450,000		
Less: Returns outward	<u>(5,000)</u>		
		445,000	
Carriage inwards		<u>2,000</u>	
		481,800	
Closing inventories (56,000 – 3,000)		<u>(53,000)</u>	
			<u>(428,800)</u>
Gross profit			690,200
Discounts received			<u>5,400</u>
			695,600
Less: Operating expenses			
Carriage outwards (12,800 – 2,000)		10,800	
Depreciation			
— Office equipment [(280,800 – 95,200) x 10%]		18,560	
— Motor vehicles (412,000 x 20%)		82,400	
Electricity (42,300 + 8,500)		50,800	
Allowance for doubtful debts (3,000 – 2,000)		1,000	
Rent and rates (243,000 + 20,000 – 4,100)		258,900	
Repairs and maintenance		21,700	
Salaries (126,700 + 2,600)		129,300	
Telephone		<u>21,000</u>	
			<u>(594,460)</u>
Net profit before taxation			<u>101,140</u>
Taxation			<u>(16,000)</u>
Profit after taxation			85,140
Appropriation:			
Interim dividend			<u>(45,000)</u>
Retained profit for the year			40,140
Retained profit brought forward			<u>36,000</u>
Retained profit carried forward			<u>76,140</u>

(b)

Altec Global Limited
Statement of Financial Position as at 31 October 20X8

	\$	\$	\$
Non-current assets			
Motor vehicles, at cost		412,000	
Less: Accumulated depreciation		<u>(184,400)</u>	
			227,600
Office equipment, at cost		280,800	
Less: Accumulated depreciation		<u>(113,760)</u>	
			<u>167,040</u>
			394,640
Current assets			
Inventories		53,000	
Trade receivables	65,000		
Less: Allowance for doubtful debts	<u>(3,000)</u>		
		62,000	
Prepayments		<u>4,100</u>	
		119,100	
Less: Current liabilities			
Trade payables	42,000		
Accruals (2,600 + 20,000 + 8,500)	<u>31,100</u>		

Taxation payable	16,000	
Bank overdraft	48,500	
		(137,600)
Net current liabilities		(18,500)
Total net assets		376,140
Financed by:		
Ordinary share capital		300,000
Retained profit		76,140
		376,140

3.
(a)

Waterworld Limited
Statement of Comprehensive Income
for the year ended 31 March 20X9

	\$'000	\$'000
Sales (59,400 – 1,200)		58,200
Cost of sales		
Inventory, at 1 April 2008	8,200	
Purchases	40,900	
Inventory, at 31 March 2009	(9,600)	
		(39,500)
Gross profit		18,700
Other income		
Discount received		200
Distribution costs (5,260 – 400 + 200)		(5,060)
Administrative expenses		
Depreciation expenses (W1)	1,540	
Impairment loss of trade receivables (680 – 600)	80	
Discount allowed	400	
Operating costs (4,820 + 120)	4,940	
Audit fee	85	
		(7,045)
Finance costs (debenture interest)		(600)
Profit before tax		6,195
Income tax expense		(1,120)
Profit for the year		5,075
(W1) Depreciation:		\$'000
For plant and machinery: (39,000 – 15,000) x 5%		1,200
For motor vehicles: (2,360 – 1,000) x 25%		340
		1,540

(b)

Waterworld Limited
Statement of Financial Position as at 31 March 20X9

	\$'000
Non-current assets	
Plant and machinery (39,000 – 15,000 – 1,200)	22,800
Motor vehicles (2,360 – 1,000 – 340)	1,020
Available-for-sale financial assets	39,340
	63,160
Current assets	
Inventory	9,600
Trade receivables (10,400 – 600 – 80)	9,720
Prepaid expenses	400
Bank	6,060
	25,780
Total assets	88,940
Equity and liabilities	
Equity	
12% non-redeemable preference shares of \$10 each	9,000
Ordinary shares of \$1 each	45,000
Share premium	7,000
Retained earnings (5,940 + 5,075 – 1,125 – 1,080)	8,810
Proposed dividend (1,125 + 1,080)	2,205
	72,015

Non-current liabilities	
8% debentures, 2017	7,500
Current liabilities	
Trade payables	7,600
Accrued expenses (200 + 120 + 85 + 300)	705
Tax payable	1,120
	9,425
Total liabilities	16,925
Total equity and liabilities	88,940

CHAPTER 12

Activities

1.

Deep Water Bay Golf Club
Bar Trading Account for the year end 30 June 20X1

	\$	\$
Sales		12,300
Less cost of sales		
Inventory at 1/7/X0	840	
Purchases (8210+180-400)	7,990	
	8,830	
Less inventory at 30/6/X1	(620)	(8,210)
Profit to income and expenditure account		4,090

2.

Subscription

20X7	\$	20X7	\$
Dec 31		Dec 31	
Subscription in arrears	200	Subscriptions in advance	50
Subscription income (Income & expenditure account)		20X8	
		Dec 31	
20X8		Cash	2,600
Dec 31		Subscriptions owing (4 x \$20)	80
Subscriptions in advance c/d	130		
	2,730		2,730

3.

Special Fund Bank

	\$		\$
Jan 1		Balance c/d	
Balance b/d	17,000		23,503
Subscriptions (\$3 x 1,500)	4,500		
Interest received	1,828		
Interest received	175		
	23,503		23,503

The special fund account balance will equal the net assets transferred to it.

4.

(a)

Victoria Toastmasters' Club
Bar Trading Account for the year ended 31 March 20X8

	\$	\$
Bar takings		310,000
Less: Cost of sales		
Opening inventory	62,000	
Add: Purchases	250,000	
	312,000	
Less: Closing inventory	(54,000)	258,000
Gross profit		52,000
Less: Bar wages (\$88,000 – \$1,000)		(87,000)
Net loss		(35,000)

(b)

Victoria Toastmasters' Club

Income and Expenditure Account for the year ended 31 March 20X8

	\$	\$
Income		
Subscriptions – Ordinary members (\$256,000 + \$56,000 + \$123,000 – \$109,000 – \$72,000)	254,000	
Subscriptions – Life members (\$95,000 x 1/10)	9,500	
Donations	36,900	300,400
Expenditure		
Net loss from bar trading	35,000	
Loss on disposal of office furniture (\$35,000 – \$26,000 + \$1,000)	10,000	
General expenses	20,500	
Electricity & water (\$105,200 + \$8,700 – \$9,000)	104,900	
Depreciation – furniture [(135,000 – 35,000) x 10%]	10,000	(180,400)
Surplus for the year		<u>120,000</u>

Work Them Out

1. B	2. B	3. B	4. A	5. A	6. B	7. C	8. B	9. B	10. B
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Short Questions

1. The accumulated fund can be calculated using the accounting equation:

Accumulated fund = Assets – Liabilities

Assets of Imperial Recreation Club as at 1 Jan 20X8:

	\$	\$
Cash at bank		3,350
Furniture		800
Sports equipment		2,500
Club house		25,000
Accrued locker rental		15
Subscriptions in arrears — 1 Jan 20X8		75
		<u>31,740</u>
Less: Liabilities		
Payables for newspapers	40	
Accrued rent	400	
		<u>(440)</u>
Accumulated fund as at 1 Jan 20X8		<u>31,300</u>

Note:

- Subscriptions received for the year 20X7, \$75 represents the amount received in respect of subscriptions in arrears of \$75 as at 1 Jan 20X8. This is an asset and ought to be added to other assets in the calculation of accumulated fund.
- The value of the club house is \$25,000 as at 1 Jan 20X8. The 3,500 is not included because the extension was done after during the year 20X8.

2.

(a)

Wembley Tennis Club

Bar Trading Account for the year ended 31 December 20X9

	\$	\$
Sales		148,200
Less: Cost of sales		
Opening inventory	25,000	
Purchases (100,200 + 86,000 – 65,000)	121,200	
	<u>146,200</u>	
Less: Closing inventory	(50,000)	
		<u>(96,200)</u>
		52,000
Less: Bar wages	48,000	
Insurance [(12,000 + 12,000 – 9,000) x 30%]	4,500	
General expenses [(16,500 + 5,000 – 8,000) x 30%]	4,050	
		<u>(56,550)</u>
Loss from bar trading		<u>4,550</u>

(b)

Subscription			
	\$		\$
Balance (in arrears) b/d	108,000	Balance (in advance) b/d	102,000
Income and expenditure	435,000	Bank	450,000
Balance (in advance) c/d	92,000	Balance (in arrears) c/d	83,000
	<u>635,000</u>		<u>635,000</u>

(c)

Income and Expenditure Account for the year ended 31 December 20X9			
	\$		\$
Income:			
Subscriptions			435,000
Bar sales			148,200
Sales of tournament tickets			<u>68,500</u>
			651,700
Expenditure:			
Bar cost of sales	96,200		
Bar wages	48,000		
Insurance (12,000 + 12,000 – 9,000)	15,000		
General expenses (16,500 + 5,000 – 8,000)	13,500		
Tournament expenses	68,000		
Salaries	89,250		
Repairs	26,280		
Depreciation on equipments [(54,600 + 120,000) x 10%]	17,460		
Depreciation on motor vehicles [(180,000 + 280,000 – 42,000) x 15%]	<u>62,700</u>		
			<u>(436,390)</u>
Surplus of income over expenditure			<u>215,310</u>

Note: Hong Kong Accounting Standard 1 Presentation of Financial Statements states that income and expenses shall normally not be offset.

(d)

Statement of Financial Position as at 31 December 20X9			
	\$		\$
Non-current assets			
Motor vehicles, at cost	460,000		
Less: Accumulated depreciation	<u>(104,700)</u>		
			355,300
Equipment, at cost	174,600		
Less: Accumulated depreciation	<u>(41,460)</u>		
			<u>133,140</u>
			488,440
Current assets			
Bar inventory	50,000		
Members' subscriptions in arrears	83,000		
Insurance prepaid	9,000		
Cash and bank	<u>171,870</u>		
	<u>313,870</u>		
Less: Current liabilities			
Bar accounts payables	86,000		
Members' subscriptions in advance	92,000		
Accrued general expenses	<u>5,000</u>		
	<u>183,000</u>		
Net current assets			<u>130,870</u>
			<u>619,310</u>
Financed by:			
Accumulated fund at 1 January 20X9 (W1)			404,000
Surplus of income over expenditure for the year			<u>215,310</u>
			<u>619,310</u>

Working (W1)

	\$
Accumulated fund at 1 January 20X9:	
Assets:	
Motor vehicles	280,000
Accumulated for depreciation on motor vehicles	(42,000)
Equipment	120,000
Accumulated depreciation on equipments	(24,000)
Bar inventory	25,000
Insurance prepaid	12,000
Members' subscriptions in arrears	108,000
Cash and bank	100,000
Liabilities:	
Bar accounts payables	(65,000)
Members' subscriptions in advance	(102,000)
Accrued general expenses	(8,000)
	<u>404,000</u>

3.
(a)

Shao Lin Snooker Club		
Accumulated Fund as at 31 December 20X7		
	\$	\$
Non-current asset:		
Pavilion		1,450
Current assets:		
Bar inventory	131	
Prepayment	12	
Bank:		
Deposit account	617	
Current account	159	
Cash	7	
	<u>926</u>	
Current liabilities:		
Payables and accrued expenses (40 + 15 + 5)	(60)	
		<u>866</u>
		<u>2,316</u>

(b)

Income and Expenditure Account		
for the year ended 31 December 20X8		
	\$	\$
Income:		
Bar profit (see note)		290
Members' subscriptions		453
Donations		10
Surplus on dances		193
Bank deposit interest		28
		<u>974</u>
Expenditure:		
Wages	641	
Rent (100 – 5 + 6)	101	
Pavilion:		
Repairs	69	
Depreciation	150	
Payment of snooker equipment	34	
Insurance (48 + 12 – 8)	52	
Sundry expenses (47 – 15 + 17)	49	
	<u>1,096</u>	
Excess of expenditure over income		<u>(122)</u>

Bar Trading Account		
for the year ended 31 December 20X8		
	\$	\$
Bar sales		1,828
Less: Cost of sales:		
Opening inventory	131	

Purchases (1,524 – 40 + 33)	1,517
	1,648
Less: Closing inventory	(110)
	1,538
Bar gross profit	290

Note: The bar trading account has been shown as part of the solution as it shows important information relevant to the users of the accounts e.g. club members. It is, after all, the same information displayed in a statement of comprehensive income for a business.

(c)

Statement of Financial Position as at 31 December 20X8

	Cost \$	Depreciation \$	NBV \$
Non-current asset:			
Pavilion	3,200	1,900	1,300
Current assets:			
Bar inventory		110	
Prepayments		8	
Bank:			
Deposit account		251	
Current account		11	
Cash		15	
		495	
Current liabilities:			
Payable and accrued expenses (33 + 17 + 6)		(56)	
			439
			1,739
Assets of "Best Player Fund":			
8% Government inventory			455
			2,194
Accumulated fund:			
Balance 1 January 20X8			2,316
Less: Excess of expenditure over income for the year		122	
Transfer to "Best Player Fund"		455	
			(577)
			1,739
"Best Player" Fund:			
Transfer from accumulated fund			455
			2,194

Note: The workings are similar to all other incomplete records questions. Bank and cash transactions have already been written up (i.e. the receipts and payments account). Sales and purchases control accounts may be required to determine the sales and purchases of the trading part of the organisation i.e. the bar. However, as bars do not often give credit, sales merely represent the cash takings.

CHAPTER 13

Activities

1.

**Sino Engineering
Manufacturing Account for the year ended 30 Jun 20X1**

	\$'000	\$'000
Raw materials consumed:		
Inventory on 1 July 20X0	1,560	
Purchases	12,650	
Less: Inventory on 30 Jun 20X1	(1,500)	12,710
Productive wages		6,250
Royalty paid		1,300
Prime cost		20,260

Unused raw materials would be reported at \$1,500,000 under current assets in the statement of financial position.

2.

Cadbury Manufacturing Account & Statement of Comprehensive Income for the year ended 31 March 20X9			
	\$	\$	\$
Raw materials at 1 Apr 20X8			4,500
Add purchases			20,670
			25,170
Less Raw materials at 31 Mar 20X9			(4,670)
Cost of raw materials consumed			20,500
Add direct labour			18,535
Prime cost			39,035
Add factory overheads			
Indirect labour		2,200	
Heat and light		7,682	
Power		4,035	
Rent		2,816	
Rates and insurance		3,640	
Loose tools consumed (2,356 + 1,230 – 2,145)		1,441	
Depreciation of plant		5,500	
Hire of humidifiers		358	
			27,672
			66,707
Add work in progress at 1 Apr 20X8			5,100
			71,807
Less work in progress at 31 Mar 20X9			(6,800)
Cost of goods produced			65,007
Sales			
Less cost of sales			97,660
Finished goods at 1 Apr 20X8		8,340	
Add cost of goods produced		65,007	
		73,347	
Less Finished goods at 31 March 20X9		(9,500)	
Gross profit			33,813
Administration expenses			
Wages	10,540		
Rates and insurance	1,560		
Heat and light	854		
Rent	704		
Sundry administration expenses	4,379	18,037	
Selling and distribution expenses			
Wages	22,568		
Sundry selling expenses	6,350		
Bad debts	800		
Allowance for doubtful debts	1,000		
Depreciation — salesmen's vehicles	3,075	33,793	
Financial expenses			
Accountancy fees		500	(52,330)
Net loss			(18,517)

Cadbury Statement of Financial Position as at 31 Mar 20X9			
	\$	\$	\$
Non-current assets			
Plant and machinery at cost		27,500	
Less: Accumulated depreciation		(13,750)	13,750
Motor vehicles at cost		12,300	
Less: Accumulated depreciation		(7,165)	5,135
Loose tools at valuation			2,145
			21,030
Current assets			
Inventory: Raw materials		4,670	
Work in progress		6,800	
Finished goods		9,500	
Trade receivables	16,920		

Less: Allowance for doubtful debts	(3,300)	13,620	
Prepayments		750	
Cash		1,325	36,665
			57,695
Less Current liabilities			
Trade payables		15,640	
Accruals		1,346	
Bank overdraft		4,591	(21,577)
			36,118
Equity			
Balance at 1 Apr 20X8			54,635
Less: Net loss			(18,517)
			36,118

Work Them Out

1. A	2. C	3. C	4. A	5. B	6. B	7. A	8. A	9. D	10. D
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Short Questions

1. Cost of goods manufactured is as follows:

	\$
Opening inventories of raw materials	10,000
Purchases of raw materials	50,000
Less: Closing inventories of raw materials	(11,000)
	49,000
Direct wages	40,000
Prime cost	89,000
Production overheads	60,000
	149,000
Less: Increase in work in progress	(2,000)
Cost of goods manufactured	147,000

- 2.

Legend Manufacturing Co.
Manufacturing Account & Statement of Comprehensive Income
for the year to 30 September 20X9

	\$	\$
Raw materials:		
Opening inventory	8,000	
Purchases	202,000	
Available for use	210,000	
Less: Closing inventory	(10,000)	
		200,000
Direct wages		40,000
Prime cost		240,000
Indirect factory expenses:		
Depreciation	7,000	
Heat	15,000	
Indirect materials	5,000	
Insurance	1,000	
Power	20,000	
Salaries	25,000	
		73,000
		313,000
Work-in-progress:		
Opening balance		12,000
Less: Closing balance		(9,000)
Factory cost of finished goods produced		316,000
Sales		512,400
Cost of finished goods sold		
Opening inventory	24,000	
Manufactured goods	316,000	
Less: Closing inventory	(30,000)	
		310,000
Gross profit c/d		202,400

Gross profit b/d		202,400
Office expenses:		
Advertising (\$2,000 + 1,000)	3,000	
Depreciation	4,000	
Electricity (\$15,000 – 1,500)	13,500	
General expenses	9,000	
Postage and telephones	2,900	
Salaries	70,000	
		(102,400)
Profit for the year		100,000

3.
(a)

Orange Company Limited
Manufacturing & Statement of Comprehensive Income
for the year ended 31 May 20X9

	\$'000	\$'000
Raw materials at 1 June 20X8		108
Purchase of raw materials		720
Carriage inwards		16
		844
Less: Raw materials at 31 May 20X9		(100)
Raw materials consumed		744
Direct labour costs		265
Prime cost		1,009
Factory overhead expenses:		
Electricity (W1)	20	
Indirect labour costs	75	
Insurance (W2)	52	
Depreciation of land and buildings (W3)	72	
Depreciation of plant and equipment (W4)	140	
		359
		1,368
Add: Work in progress at 1 June 20X8		80
		1,448
Less: Work in progress at 31 May 20X9		(68)
Factory cost of goods produced		1,380
Manufacturing profit (20%)		276
Transfer price of finished goods produced		1,656
Sales		1,950
Less: Cost of goods sold:		
Finished goods at 1 June 20X8	660	
Add: Value of goods produced	1,656	
	2,316	
Less: Finished goods at 31 May 20X9	(480)	
		(1,836)
Gross profit on trading		114
Manufacturing profit		276
Decrease in provision for unrealised profit (W5)		30
		420
Less: Operating expenses:		
Electricity (W6)	5	
Insurance (W7)	28	
Salaries	288	
Sales commission (W8)	95	
Depreciation of land and buildings (W9)	48	
Depreciation of plant and equipment (W10)	60	
		(524)
Net loss for the year		(104)

Working:

- (W1) \$25,000 × 80%
(W2) \$(86,000 – 6,000) × 65%
(W3) \$3,000,000 × 4% × 60%
(W4) \$(1,200,000 – 200,000) × 20% × 70%

- (W5) $\$110,000 - \$480,000 \times 20\% \div 120\%$
(W6) $\$25,000 \times 20\%$
(W7) $\$(86,000 - 6,000) \times 35\%$
(W8) $\$(82,000 + 13,000)$
(W9) $\$3,000,000 \times 4\% \times 40\%$
(W10) $\$(1,200,000 - 200,000) \times 20\% \times 30\%$

(b)

Orange Company Limited
Statement of Financial Position as at 31 May 20X9

	\$'000	\$'000
Non-current assets		
Land and buildings, at cost	3,000	
Less: Accumulated for depreciation	<u>(720)</u>	
		2,280
Plant and equipment, at cost	1,200	
Less: Accumulated for depreciation	<u>(400)</u>	
		800
		<u>3,080</u>
Current assets		
Inventory:		
Raw materials	100	
Work in progress	68	
Finished goods $(480 \times 100 \div 120)$	400	
Trade receivables	120	
Prepaid insurance	6	
Cash on hand	10	
	<u>704</u>	
Less Current liabilities		
Trade payables	180	
Accrued sales commission	13	
Bank overdraft	<u>125</u>	
	<u>318</u>	
Net current assets		<u>386</u>
		<u>3,466</u>
Equity & Reserves:		
Ordinary share capital		3,780
Retained loss $(210 + 104)$		<u>(314)</u>
		<u>3,466</u>

CHAPTER 14

Activities

1.

- (a) Error of commission
(b) Error of principle

	Journal	Dr	Cr
		\$	\$
1 Jan	John Tan	150	
	Joan Tan		150
	Being correction of invoice entered in wrong personal account		
1 Jan	Factory building	6,000	
	Wages		6,000
	Being wages paid which relate to improvement to factory building		

2.

	Journal	Dr	Cr
		\$	\$
(a)	Purchases	250	
	Trade payables		250
	A transaction previously omitted		

Answers

(b)	Repairs	150	
	Non-current asset (machinery)		150
	Correction of an error of principle: Repairs costs incorrectly added to non-current asset costs		
(c)	Withdrawals on account	280	
	Sales		280
	An error of principle, in which sales were reduced to compensate for cash withdrawals not accounted for		
		540	
(d)	Telephone expenses		
	Electricity expenses		540
	Correction of an error of commission: Telephone expenses wrongly charged to the electricity account		
		400	
(e)	Trade receivables		400
	Sales		
	Correction of a casting error in the sales day book (\$28,825 – \$28,425 = \$400)		

3.

- (a) Compensating error
- (b) Complete reversal of entries
- (c) Error in the subsidiary book

Journal		Dr	Cr
		\$	\$
2 Jan	Sales	100	
	Vehicles		100
	Being correction of overcasting of sales day book and wrong debit to vehicles		
2 Jan	A Cole*	50	
	Cash		50
	Being correction of payment of cash incorrectly recorded as a receipt		
2 Jan	Purchases	9	
	M Ballack		9
	Being correction due in error of original entry in purchases book		

* You need to double the amount of original entry. This is needed to cancel out the original entry and replace it with the correct entry.

4.

(a)

Journal		Dr	Cr
		\$	\$
(i)	Suspense	1,000	
	Sales		1,000
(ii)	Plant	240	
	Delivery cost		240
(iii)	Cash discount received	150	
	JW		150
(iv)	Inventory of stationery	240	
	Stationery expense		240
(v)	Suspense	500	
	Purchases		500
(vi)	Purchase returns	230	
	Sales returns	230	
	Suspense		460

(b)

		Suspense	
		\$	\$
(i)	Sales	1,000	
(v)	Purchases	500	
		<u>1,500</u>	
			End-of-year balance
			1,040
			(vi) Purchase returns/sales returns
			<u>460</u>
			<u>1,500</u>

(c)	\$
Gross profit originally reported	35,750
Sales omitted	1,000
Plant costs wrongly allocated	240
Incorrect recording of purchases	500
Sales credit note wrongly allocated	(460)
Adjusted gross profit	<u>37,030</u>
Net profit originally reported	18,000
Adjustments to gross profit \$(37,030 – 35,750)	1,280
Cash discount incorrectly taken	(150)
Stationery inventory	<u>240</u>
Adjusted net profit	<u>19,370</u>

Note: It has been assumed that the delivery and installation costs on plant have been included in purchases.

Work Them Out

1. D	2. D	3. B	4. C	5. A	6. A	7. B	8. D	9. D	10. C
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Short Questions

1. The journal entry and resulting entries in the suspense account are as follows:

Journal		Dr	Cr
		\$	\$
(a)	Blondie	150	
	Suspense		150
	(Being correction of an error whereby only one entry was posted)		
(b)	Purchases	20	
	Suspense		20
	(Being correction of an error of addition in the purchases account)		
(c)	Suspense	98	
	Gerrard		98
	(Being correction of an error whereby only one entry was posted)		

Suspense			
	\$		\$
From trial balance	77	Blondie	150
Gerrard	93	Purchases	20
	<u>170</u>		<u>170</u>

- 2.

Journal		Dr	Cr
		\$	\$
(i)	Suspense	180	
	Motor vans		180
(ii)	Purchases	90	
	Suspense		90
(iii)	Drawings	140	
	Wages		140
(iv)	Sam Hung (trade payables)	25	
	Suspense		25

Suspense			
	\$		\$
Motor van	180	Balance b/f	65
		Purchases	90
		Trade payables	25
	<u>180</u>		<u>180</u>

Trial Balance as at 31 March 20X1			
	Dr	Cr	
	\$	\$	
Premises	50,000		
Motor vans	7,220		
Trade receivables	1,680		

Trade payables		2,360
Purchases	160,350	
Sales		200,490
Wages	11,860	
Drawings	1,740	
Capital		30,000
	<u>232,850</u>	<u>232,850</u>

3.

Journal		Dr	Cr
		\$	\$
(i)	Receivables — Ashley Wong	6,300	
	Receivables — Steven Wong		6,300
	Adjustment for incorrect entry in individual receivables account		
(ii)	Machinery	45,000	
	Repair and maintenance expenses (SCI)		45,000
	Depreciation expense — machinery (SCI)	3,750	
	Accumulated depreciation — machinery		3,750
	Adjustment for purchase of machinery wrongly treated as repair and maintenance as well as depreciation charges provided for the year (\$45,000 x 20% x 5/12)		
(iii)	Cash	32,800	
	Sales (SCI)		32,800
	Adjustment for cash sales omitted from the books		
(iv)	Suspense	800	
	Purchases (SCI)		800
	Adjustment for purchases for February 2006 overstated		
(v)	Rates (SCI)	8,800	
	Suspense		8,800
	Adjustment for prepaid rates not brought down in the books during the year		
(vi)	Motor expenses (SCI)	5,200	
	Electricity expenses (SCI)	5,200	
	Suspense		10,400
	Adjustment for motor expenses erroneously credited to electricity expenses account		
(vii)	Accounts payable — XY Limited	1,800	
	Suspense		1,800
	Adjustment for discounts received entry omitted in the purchases ledger		

CHAPTER 15

Activities

- Capital = Total Assets – Total Liabilities = \$35,700 – \$15,900 = \$19,800
Alternatively, closing capital may be obtained by preparing a statement of affairs as follows:

Statement of Affairs as at 31 December 20X9					
	\$	\$		\$	\$
Non-current assets			Owner's equity		
Motor vehicle	20,000		Capital		19,800
Equipment	6,650				
Furniture & fittings	<u>2,000</u>		Long-term liability		
		28,650	Loan from DBX Bank		10,000
Current assets			Current liabilities		
Inventory	2,000		Trade payables	5,750	
Trade receivables	1,500		Accrued electricity	<u>150</u>	
Prepaid insurance	350				5,900
Cash at bank	2,800				
Cash on hand	<u>400</u>				
		7,050			
		35,700			35,700

Note: Total assets and liabilities have to incorporate Balance Day adjustments such as prepayments, accruals, bad debts written off, allowance for doubtful debts and depreciation of non-current assets.

2.

	\$	
Sales		1,000
Cost of goods sold		800
Gross profit		200
Gross profit margin = $200 / 1,000 = 20\%$		
Mark-up = $200 / 800 = 25\%$		

3.

	\$	
Total sales		250,000
Less: gross profit (see W1)		55,000
Cost of goods sold		195,000

W1:

Gross profit = Gross profit ratio x Sales
 = $22\% \times 250,000$
 = \$55,000

Place the value of the cost of goods sold in the inventory account and we will get the opening inventory.

Inventory			
	\$		\$
Balance b/d (balancing figure)	40,000	Cost of goods sold	195,000
Purchases during year	215,000	Balance c/d	60,000
	255,000		255,000

4.

(a)

Working

Trade Receivables Control			
	\$		\$
Balance b/d	23,000	Cash received from customers	175,000
Sales	172,000	Discount allowed (balancing figure)	5,000
	195,000	Balance c/d	15,000
			195,000

5.

Trade Receivables Control			
	\$		\$
Balance b/d	53,000	Cash received	315,000
Credit sales (balancing figure)	317,500	Discount allowed	3,000
		Bad debts	1,500
		Balance c/d	51,000
	370,000		370,000

Work Them Out

1. D	2. D	3. A	4. A	5. C	6. C	7. B	8. B	9. D	10. D
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Short Questions

1.

(i) Determining total purchases

Credit purchases are determined as the balancing item in the total payables account constructed from the information given, as shown below:

Total Payables					
20X7		\$	20X7		\$
Dec 31	Bank	60,000	Dec 31	Purchases	64,760
31	Returns outwards	500			
31	Discount received	860			
31	Balance c/d	3,400			
		64,760			64,760
			20X8		
			Jan 1	Balance b/d	3,400

Total purchases = Credit purchases (as there are no cash purchases) = \$64,760

(ii) Determining total sales

$$\begin{aligned}\text{Total sales} &= \text{Sales receipts banked} + \text{Sales receipts used for payments} \\ &= \$78,900 + \$550 + \$9,800 + \$230 + \$100 \\ &= \$89,580\end{aligned}$$

(iii) Determining net profit or loss by preparing the statement of comprehensive income

Wang Fei Hong Limited
Statement of Comprehensive Income
for the year ended 31 December 20X9

	\$	\$	\$
Sales			89,580
Cost of sales			
Purchases		64,760	
Less Purchases returns		(500)	
		64,260	
Add Carriage inwards		100	
Wages on purchases *		880	
Total cost of purchases		65,240	
Less Closing inventory		(6,500)	
Cost of sales			58,740
Gross profit			30,840
Interest received			220
Discount received			860
			31,920
Less expenses:			
General expenses		550	
* Wages (\$8,800 – \$880)		7,920	
* Rent (\$10,000 + \$2,000)		12,000	
* Insurance (\$3,800 – \$380)		3,420	
Lighting and heating		2,600	
Wrapping materials		230	
* Depreciation of motor vehicles (10% x \$25,000)		2,500	
Depreciation of furniture & fittings (10% x \$3,000)		300	
			(29,520)
Profit for the year			2,400

Wang Fei Hong Limited
Statement of Financial Position as at 31 December 20X9

	Cost \$	Depreciation \$	NBV \$
Non-current sssets			
Motor vehicle	25,000	2,500	22,500
Furniture & fittings	3,000	300	2,700
	28,000	2,800	25,200
Current sssets			
Inventories		6,500	
* Prepaid insurance		380	
# Cash at bank		15,920	
			22,800
Total sssets			48,000
Owner's equity			
Capital at 1 Jan 20X7		50,000	
Net profit		2,400	
		52,400	
Less Drawings		(9,800)	
			42,600
Current liabilities			
Trade payables		3,400	
* Accrued rent		2,000	
			5,400
Total equities and liabilities			48,000

* Items with Balance Day adjustments

Bank balance = \$50,000 + Receipts – Payments

$$= \$50,000 + \$78,900 + \$220 - \$60,000 - \$3,000 - \$25,000 - \$10,000 - \$8,000 - \$3,800 - \$2,600 = \$15,920$$

2.

DKHK
Statement of Comprehensive Income
for the year ended 31 March 20X2

	\$	\$
Sales revenue (W1)		300,000
Less: Cost of sales		
Opening inventory	28,500	
Purchases (W2)		220,830
	249,330	
Less: Closing inventory	<u>(37,100)</u>	
	<u>212,230</u>	
Gross profit		87,770
Less: Expenses		
Staff wages	25,870	
Insurance (800 + 2,000 – 1,000)	1,800	
Miscellaneous expenses		
(2,180 + 1,300 + 2,100 – 1,800)	3,780	
Amortisation of lease (W3)	5,000	
Depreciation of shop fittings (W4)	<u>10,000</u>	
		<u>(51,910)</u>
Net profit		<u>35,860</u>

Working:
(W1)

Trade Receivables

	\$		\$
Balance b/d	1,380	Cash received	300,880
Refunds to customers	960	(299,580 + 1,300)	
Sales (balancing figure)	<u>300,000</u>	Balance c/d	1,460
	<u>302,340</u>		<u>302,340</u>

(W2)

Trade Payables

	\$		\$
Cash paid	211,830	Balance b/d	39,000
Balance c/d	<u>48,000</u>	Purchases (balancing figure)	220,830
	<u>259,830</u>		<u>259,830</u>

(W3) Amortisation of lease

$$\frac{\$200,000}{40} = \$5,000$$

(W4) Depreciation of shop fittings

	\$
Cost at 1 April 20X0	28,000
Depreciation @ 15%	<u>4,200</u>
Cost at 1 April 20X1	28,000
Additions in year	<u>8,400</u>
	<u>36,400</u>
Depreciation @ 15%	<u>5,460</u>

3.

(a)

Ivory Limited
Statement of Comprehensive Income
for the year ended 31 March 20X7

	\$	\$
Sales (\$2,466,000 + \$1,454,600)	3,920,600	
Sales return	<u>(120,500)</u>	
Net sales		3,800,100
Cost of goods sold		
Inventories b/d	1,200,000	
Purchases	1,800,500	
Purchases return	<u>(240,400)</u>	
Inventories c/d	<u>(1,090,000)</u>	
		<u>(1,670,100)</u>
Gross profit		2,130,000

General and administrative expenses

Salaries	400,000	
General expenses	155,400	
Rental [$\$150,000 + \$450,000 - \$50,000$]	550,000	
Bad debt	6,000	
Depreciation		
— Furniture and fixtures [$(\$780,000 + \$100,000) \times 10\%$]	88,000	
— Motor vehicle [$(\$560,000 - \$320,000) \times 20\%$]	48,000	
Impairment loss of trade receivables	32,975	
Insurance [$\$2,300 + \$5,550 - \$1,650$]	6,200	
Bank loan interest	65,500	
		(1,352,075)
Profit for the year		777,925

(b)

Ivory Limited

Statement of Financial Statement as at 31 March 20X7

	\$	\$
Non-current assets		
Furniture and fixtures		
— Cost [$\$780,000 + \$100,000$]	880,000	
— Accumulated depreciation [$\$468,000 + \$88,000$]	(556,000)	
		324,000
Motor vehicle		
— Cost	560,000	
— Accumulated depreciation [$\$320,000 + \$48,000$]	(368,000)	
		192,000
		<u>516,000</u>
Current assets		
Inventories		1,090,000
Prepaid insurance		1,650
Trade receivables		1,789,325
[$\$1,162,800 + \$2,466,000 - \$6,000 - \$1,680,000 - \$120,500 - \$32,975$]		1,462,350
Cash and bank (W1)		<u>4,343,325</u>
		<u>4,859,325</u>
Total assets		<u>4,859,325</u>
Equity		
Share capital		1,000
Retained earnings [$\$166,000 + \$777,925$]		<u>943,925</u>
		<u>944,925</u>
Non-current liabilities		
Bank loan		1,386,000
Current liabilities		
Accrued rental expenses	450,000	
Trade payables	<u>2,078,400</u>	
[$\$1,108,800 - \$590,500 + \$1,800,500 - \$240,400$]		2,528,400
		<u>3,914,400</u>
Total liabilities		<u>3,914,400</u>
Total equity and liabilities		<u>4,859,325</u>
W1:		\$
Bank overdraft at 1 April 20X6		(85,300)
Bank loan interest paid		(65,500)
Cash paid to suppliers		(590,500)
Cash received from customers		1,680,000
Cash sales		1,454,600
General expenses paid		(155,400)
Insurance premium paid		(5,550)
Repayment of bank loan		(120,000)
Purchases of furniture and fixtures		(100,000)
Rental paid up to 30 June 20X6		(150,000)
Salaries paid		<u>(400,000)</u>
Cash and bank at 31 March 20X7		<u>1,462,350</u>

CHAPTER 16

Activities

1.

$$\text{Current ratios: } E = \frac{90,000}{30,000} = 3 : 1 ; F = \frac{60,000}{30,000} = 2 : 1$$

$$\text{Acid test ratios: } E = \frac{60,000}{30,000} = 2 : 1 ; F = \frac{10,000}{30,000} = 0.33 : 1$$

2.

(a) $(100,000 / 450,000) \times 100\% = 22.2\%$

(b) $(450,000 / 400,000) = 1.125 \text{ times}$

(c) $(100,000 / 400,000) \times 100\% = 25\%$

3. The dividend per share is $7.4 + 8.6 = 16 \text{ cents}$
 $16 / 315 \times 100 = 5.1\%$

4.

(a) $\$3,000 (4,000 - 1,000)$

(b) $4 (4,000 / 1,000)$

(c) $2 (2,000 / 1,000)$

(d) $\$28,000 (20,000 + 10,000 - 2,000)$

(e) $\$25,000 (20,000 + 5,000)$

5.

(a)	Ratio	Year 20X9	Year 20X8
(i)	Gross profit ratio = (Gross profit / Sales) x 100%	$(\$5,310 / \$14,220) \times 100\%$ = 37.3%	$(\$2,690 / \$9,300) \times 100\%$ = 28.9%
(ii)	Net profit to sales = (Net profit / Sales) x 100%	$(\$3,250 / \$14,220) \times 100\%$ = 22.9%	$(\$1,370 / \$9,300) \times 100\%$ = 14.7%
(iii)	Return on capital employed = (Net profit / Shareholders' equity) x 100%	$(\$3,250 / \$6,820) \times 100\%$ = 47.7%	$(\$1,370 / \$3,570) \times 100\%$ = 38.4%
(iv)	Current ratio = (Current assets / Current liabilities)	$(\$1,400 / \$845)$ = 1.7:1	$(\$2,158 / \$570)$ = 3.8:1
(v)	Quick ratio = (Current assets – inventory / Current liabilities)	$(\$1,400 - \$980) / \$845$ = 0.5:1	$(\$2,158 - \$1,420) / \$570$ = 1.3:1
(vi)	Inventory turnover period (in days) = (Average inventory / Cost of sales) x 365 days	$[(\$1,420 + \$980) / 2] /$ $\$8,910 \times 365 \text{ days}$ = 49.2 days	$[(\$2,950 + \$1,420) / 2] /$ $\$6,610 \times 365 \text{ days}$ = 120.7 days
(vii)	Trade receivables collection period (in days) = (Trade receivables / Sales) x 365 days	$(\$420 / \$14,220) \times 365 \text{ days}$ = 10.8 days	$(\$680 / \$9,300) \times 365 \text{ days}$ = 26.7 days

- (b) Gross profit ratio, net profit ratio and return on capital employed in 20X9 were all higher than in 20X8. It appears that sales were better and/or cost of goods sold decreased substantially, thus reflecting efficiency in generating profit in 20X9.

However, the current ratio and quick ratio decreased, indicating that the company's ability to meet its current liabilities had weakened, although these ratios are still acceptable. Accounts payable increased substantially in 20X9 from the previous year; this may indicate a slowdown in payment that needs investigation. The company is already in an overdraft situation. Management needs to address this problem to bring in fresh funds as soon as possible.

Lastly, the inventory turnover period and trade receivables collection period were shorter than in 20X8, indicating that the company took less time to sell its inventories and collect money from trade receivables. However, the faster collection did not improve its liquidity position. Management needs to analyse the situation for action and improvement.

Work Them Out

1. A	2. C	3. D	4. A	5. C	6. D	7. A	8. C	9. D	10. D
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Short Questions

1. (all in \$'000)

(a)	Acid test ratio:	(Current assets – Inventories) / Current liabilities	
	20X8	(3,880 – 2,500) / 2,080	= 0.66 : 1
	20X7	(3,000 – 2,100) / 1,800	= 0.5 : 1
(b)	Net asset turnover ratio:	Sales / (Total assets – Current liabilities)	
(c)	Current ratio:	Current assets / Current liabilities	
	20X8	3,880 / 2,080	= 1.87
	20X7	3,000 / 1,800	= 1.67
(d)	Receivable collection period (in days):	(Accounts receivable / Sales) x 365 days	
	20X8	(1,080 / 6,000) x 365	= 65.7 days
	20X7	(800 / 4,800) x 365	= 60.83 days
(e)	Gross profit margin:	(Gross profit / Sales) x 100%	
	20X8	(3,200 / 6,000) x 100%	= 53.33%
	20X7	(2,160 / 4,800) x 100%	= 45%
(f)	Net profit (after taxation) margin:	(Profit after taxation / Sales) x 100%	
	20X8	(1,600 / 6,000) x 100%	= 26.67%
	20X7	(928 / 4,800) x 100%	= 19.33%
(g)	Return (after taxation) on owners' equity:	(Profit after taxation / Owners' equity) x 100%	
	20X8	(1,600 / 6,800) x 100%	= 23.53%
	20X7	(928 / 5,200) x 100%	= 17.85%

2.

(a)		(All in \$)	
(i)	Gross profit margin:	Gross profit / Sales	
	20X9	772,433 / 2,743,000 x 100%	28.2%
	20X8	608,928 / 2,038,000 x 100%	29.9%
(ii)	Net profit margin (before tax):	Profit before tax / Sales	
	20X9	332,644 / 2,743,000 x 100%	12.1%
	20X8	266,186 / 2,038,000 x 100%	13.1%
(iii)	Return on capital employed (before interest and tax):	Profit before interest and tax / (Owner's equity + Non-current liabilities)	
	20X9	371,244 / 1,316,000 x 100%	28.2%
	20X8	301,886 / 1,149,540 x 100%	26.3%
(iv)	Current ratio:	Current assets / Current liabilities	
	20X9	2,938,310 / 3,157,460	0.9
	20X8	3,038,520 / 2,486,911	1.2
(v)	Quick asset ratio:	(Current assets – Inventories) / Current liabilities	
	20X9	(2,938,310 – 1,346,000) / 3,157,460	0.5
	20X8	(3,038,520 – 1,094,000) / 2,486,911	0.8
(vi)	Receivable collection period:	(Trade receivables / Sales) x 365 days	
	20X9	868,000 / 2,743,000 x 365 days	116 days
	20X8	412,000 / 2,038,000 x 365 days	74 days
(vii)	Payable payment period:	(Trade payables / Purchases) x 365 days	
	20X9	(1,670,784 / 2,222,567) x 365 days	274 days
	20X8	(1,161,642 / 1,399,000) x 365 days	303 days

(viii)	Inventory turnover period:	(Average inventory / Cost of goods sold) x 365 days	
	20X9	$[(1,094,000 + 1,346,000)/2] / 1,970,567 \times 365 \text{ days}$	226 days
	20X8	$[(1,124,072 + 1,094,000)/2] / 1,429,072 \times 365 \text{ days}$	283 days
(ix)	Earnings per share:	(Profit after tax / Number of ordinary shares issued)	
	20X9	$222,354 / 100,000$	\$2.2
	20X8	$178,906 / 100,000$	\$1.8

(b) **Profitability**

Sales increased significantly from \$2,038,000 to \$2,743,000 (+35 per cent) but gross profit margin and net profit margin decreased from 29.9 per cent to 28.2 per cent and from 13.1 per cent to 12.1 per cent respectively. These indicate that the company reduced its selling price to boost sales.

Short-term liquidity

The current ratio decreased from 1.2 to 0.9 while the quick asset ratio decreased from 0.8 to 0.5. These imply a liquidity problem, which may be caused by overtrading and financing the purchases of property, plant and equipment through current liabilities.

Besides, payables' payment period decreased from 303 days to 274 days. The requirement of faster payment may have been due to the company's need to maintain a good relationship with and stable supply from suppliers. However, this made the company's liquidity problem even worse.

Receivables' collection period increased from 74 to 116 days. This may have been caused by more generous credit terms granted to customers.

The inventory turnover period fell from 283 days to 226 days, which may have been caused by price cuts during the year.

3.

(a)

	20X9		20X8	
Gross profit ratio	$\frac{2,000}{4,000} = 31.25\%$		$\frac{2,000}{5,000} = 40\%$	
Net profit ratio	$\frac{800}{6,400} = 12.5\%$		$\frac{1,500}{5,000} = 30\%$	
Current ratio	$\frac{3,600}{2,740} = 1.31$		$\frac{3,520}{860} = 4.09$	
Acid-test ratio	$\frac{2,200}{2,740} = 0.8$		$\frac{2,620}{860} = 3.05$	
Trade receivables collection period	$\frac{2,100}{6,400} \times 365 = 120 \text{ days}$		$\frac{1,200}{5,000} \times 365 = 88 \text{ days}$	
Inventory turnover period	$\frac{* 1,150}{4,400} \times 365 = 95 \text{ days}$		$\frac{** 700}{3,000} \times 365 = 85 \text{ days}$	

* $1/2 \times (1,400,000 + 900,000) = 1,150,000$

** $1/2 \times (500,000 + 900,000) = 700,000$

(b) (i) **Profitability**

Decrease in gross profit ratio and net profit ratio although sales have improved in current year. Decrease in net profit ratio may be due to inefficient control on cost of sales and operating expenses, which have increased by 1.4 times.

Two reasons for the decrease in gross profit ratio are:

- Selling price was reduced to boost sales or as the result of a competitive market.
- Cost of goods sold increased by 47 per cent, which may be due to the increase in purchase cost from suppliers.

(ii) **Liquidity**

Deterioration in both current ratio and acid-test ratio. These may be due to the rapid increase in inventories and trade receivables, and the bank overdraft resulting from the large amount of drawings by the owner, Frank Han.

To improve the liquidity problem:

- The company should review its inventory level and try to cut down on purchases of excessive inventory.
- It can borrow long-term loans to improve the bank overdraft situation.
- It can actively call back the receivables or introduce cash discounts to induce fast payment from customers.

CHAPTER 17

1.
 - (a+b) To edit and delete accounts, click on "Setup" in the menu bar, select "Easy Setup Assistant" and then choose "Accounts".
 - (d) Click on "Reports" in the menu bar, select "Index to Reports", click on "Accounts" sub-page, choose "Accounts List Detail", and then click on "Customise" button.
 In the sub-page of **Advanced filters** — as of: 1/3/2010
 In the sub-page of **Finishing** — select "Include \$0.00 balances"
 — select "Include Inactive Accounts"

Kowloon Electronics Ltd						
Accounts List [Detail]						
As of 1/3/2010						
Account #	Account	Type	Dr/Cr	Header/Detail	Level	Balance
1-0000	Assets	Asset	Debit	Header	1	HK\$0.00
1-1000	Current Assets	Asset	Debit	Header	2	HK\$0.00
1-1100	Cash and Bank	Asset	Debit	Header	3	HK\$0.00
1-1101	HSBC Current Account	Bank	Debit	Detail	4	HK\$0.00
1-1102	Cash	Bank	Debit	Detail	4	HK\$0.00
1-1103	Payroll Cheque Account	Bank	Debit	Detail	4	HK\$0.00
1-1104	Undeposited Funds	Bank	Debit	Detail	4	HK\$0.00
1-1105	Electronic Clearing Account	Bank	Debit	Detail	4	HK\$0.00
1-1200	Trade Receivables	Accounts Receivable	Debit	Detail	3	HK\$0.00
1-1300	Inventory	Other Current Asset	Debit	Detail	3	HK\$0.00
1-2000	Non-current Assets	Asset	Debit	Header	2	HK\$0.00
1-2100	Office Equipment	Asset	Debit	Header	3	HK\$0.00
1-2101	Office Equipment - Cost	Fixed Asset	Debit	Detail	4	HK\$0.00
1-2102	Office Equipment - Acc. Deprn.	Other Asset	Debit	Detail	4	HK\$0.00
2-0000	Liabilities	Liability	Credit	Header	1	HK\$0.00
2-1000	Current Liabilities	Liability	Credit	Header	2	HK\$0.00
2-1100	Trade Payables	Accounts Payable	Credit	Detail	3	HK\$0.00
2-3300	Sales Tax Payable	Other Liability	Credit	Detail	3	HK\$0.00
2-4000	Payroll Liabilities	Liability	Credit	Header	3	HK\$0.00
2-4410	Payroll Deductions Payable	Other Liability	Credit	Detail	4	HK\$0.00
2-4420	Payroll Salary Payable	Other Liability	Credit	Detail	4	HK\$0.00
3-0000	Equity	Equity	Credit	Header	1	HK\$0.00
3-2000	Paid Up Capital	Equity	Credit	Detail	2	HK\$0.00
3-8000	Retained Earnings	Equity	Credit	Detail	2	HK\$0.00
3-9000	Current Earnings	Equity	Credit	Detail	2	HK\$0.00
3-9999	Historical Balancing Account	Equity	Credit	Detail	2	HK\$0.00
4-0000	Income	Income	Credit	Header	1	HK\$0.00
5-0000	Cost of Sales	Cost of Sales	Debit	Header	1	HK\$0.00
6-0000	Expenses	Expense	Debit	Header	1	HK\$0.00
6-5100	Wages & Salaries	Expense	Debit	Detail	2	HK\$0.00
6-5200	Employment Expenses	Expense	Debit	Detail	2	HK\$0.00
8-0000	Other Income	Other Income	Credit	Header	1	HK\$0.00
9-0000	Other Expenses	Other Expense	Debit	Header	1	HK\$0.00

2. Click on "Reports" in the menu bar, select "Index to Reports", click on "Accounts" sub-page, choose "Accounts List Summary", and then click on the "Customise" button.
 In the sub-page of **Finishing** — select "Include Inactive Accounts"
 — select "Include Account Numbers"

Teddy Ltd		
Accounts List [Summary]		
		Page 1
Account		Current Balance
1-0000	Assets	\$0.00
1-1000	Fixed Assets	\$0.00
1-1200	Lease Improvements	\$0.00
1-1210	Lease Improvement at Cost	\$0.00
1-1220	Lease Improvements Accum Dep	\$0.00
1-1300	Buildings and Improvements	\$0.00
1-1310	Bldgs. & Imprvmnts at Cost	\$0.00
1-1320	Bldgs & Imprvmnts Accum Dep	\$0.00
1-1500	Office Equipment	\$0.00
1-1510	Office Equip at Cost	\$0.00
1-1520	Office Equip Accum Dep	\$0.00
1-1600	Machinery	\$0.00
1-1610	Machinery at Cost	\$0.00
1-1620	Machinery Accum Dep	\$0.00
1-1700	Motor Vehicles	\$0.00
1-1710	Motor Vehicles at Cost	\$0.00
1-1720	Motor Vehicles Accum Dep	\$0.00
1-2000	Current Assets	\$0.00
1-2100	Cash and Bank Balances	\$0.00
1-2110	Bank	\$0.00
1-2120	Payroll Cheque Account	\$0.00
1-2130	Cash Drawer	\$0.00
1-2140	Petty Cash	\$0.00
1-2160	Undeposited Funds	\$0.00
1-2200	Trade Debtors	\$0.00
1-2210	Less Provis for Doubtful Debts	\$0.00
1-2300	Inventory	\$0.00
1-2400	Prepaid Insurance	\$0.00
1-2500	Prepaid Interest	\$0.00
1-2600	Deposits Paid	\$0.00
2-0000	Liabilities	\$0.00
2-1000	Long Term Liabilities	\$0.00
2-1100	Bank Loans	\$0.00
2-1200	Other Long Term Liabilities	\$0.00

Teddy Ltd		
Accounts List [Summary]		
Page 2		
Account		Current Balance
2-2000	Current Liabilities	\$0.00
2-2100	Credit Cards	\$0.00
2-2110	Bankcard	\$0.00
2-2120	Diners Club	\$0.00
2-2130	MasterCard	\$0.00
2-2140	Visa	\$0.00
2-2200	Trade Creditors	\$0.00
2-2210	Accruals	\$0.00
2-2350	Bank Loans - current portion	\$0.00
2-2360	Accrued Interest	\$0.00
2-2400	Payroll Liabilities	\$0.00
2-2410	Payroll Deductions Payable	\$0.00
2-2420	PAYE Tax Payable	\$0.00
2-2600	Customer Deposits	\$0.00
2-2900	Other Current Liabilities	\$0.00
3-0000	Equity	\$0.00
3-1000	Owner/Shareholder's Equity	\$0.00
3-1100	Ordinary shares of \$1 each	\$0.00
3-1200	Share premium	\$0.00
3-2000	General Reserve	\$0.00
3-8000	Retained Earnings	\$0.00
3-9000	Current Year Earnings	\$0.00
3-9999	Historical Balancing	\$0.00
4-0000	Income	\$0.00
4-1000	Sales	\$0.00
4-1100	Sales	\$0.00
4-1200	Small Appliance Sales	\$0.00
4-1300	Audio/Video Sales	\$0.00
4-2000	Sales Returns	\$0.00
4-5000	Freight Collected	\$0.00
4-6000	Late Fees Collected	\$0.00
4-8000	Miscellaneous Income	\$0.00
5-0000	Cost of Sales	\$0.00
5-1000	Purchases	\$0.00
5-1100	Purchases	\$0.00
5-1200	Small Appliance Purchases	\$0.00
5-1300	Audio/Video Purchases	\$0.00
5-2000	Purchase Returns & Allowance	\$0.00
5-3000	Discounts Given	\$0.00
5-4000	Delivery Expenses	\$0.00
5-5000	Inventory Adjustment	\$0.00
6-0000	Expenses	\$0.00
6-1000	General & Administrative Exp	\$0.00
6-1050	Accounting Fees	\$0.00
6-1100	Legal & Professional Fees	\$0.00
6-1200	Bank Charges	\$0.00

Teddy Ltd		
Accounts List [Summary]		
Page 3		
Account		Current Balance
6-1300	Depreciation	\$0.00
6-1400	Dues & Subscriptions	\$0.00
6-1500	Office Supplies	\$0.00
6-1600	Discounts Allowed	\$0.00
6-1700	Bad Debts	\$0.00
6-1800	Insurance	\$0.00
6-1900	Shrinkage/Spoilage	\$0.00
6-3000	Advertising & Promotion Exp	\$0.00
6-3100	Advertising	\$0.00
6-3110	In-store Promotions	\$0.00
6-3120	Cooperative Adv Allowance	\$0.00
6-4000	Operating Expenses	\$0.00
6-4100	Cleaning	\$0.00
6-4200	Postage	\$0.00
6-4300	Printing	\$0.00
6-4400	Rent	\$0.00
6-4500	Store Supplies	\$0.00
6-4600	Telephone	\$0.00
6-4700	Water	\$0.00
6-5100	Employment Expenses	\$0.00
6-5105	Fringe Benefits Tax	\$0.00
6-5110	Staff Amenities	\$0.00
6-5130	Wages & Salaries	\$0.00
6-5140	Workers' Compensation	\$0.00
6-5150	Other Employer Expenses	\$0.00
8-0000	Other Income	\$0.00
8-1000	Discounts Received	\$0.00
8-2000	Gain on Disposal of Assets	\$0.00
9-0000	Other Expenses	\$0.00
9-1000	Interest Expense	\$0.00
9-2000	Loss on Disposal of Assets	\$0.00

3.

Charles Lam		
Accounts List [Summary]		
		Page 1
Account		Current Balance
1-0000	Assets	\$0.00
1-1000	Fixed Assets	\$0.00
1-1100	Business Equipment	\$0.00
1-1110	Business Equip at Cost	\$0.00
1-1120	Business Equip Accum Dep	\$0.00
1-1200	Furniture & Fixtures	\$0.00
1-1210	Furniture & Fixtures at Cost	\$0.00
1-1220	Furniture & Fixtures Accum Dep	\$0.00
1-1300	Motor Vehicles	\$0.00
1-1310	Motor Vehicles at Cost	\$0.00
1-1320	Motor Vehicles Accum Dep	\$0.00
1-2000	Current Assets	\$0.00
1-2100	Cash On Hand	\$0.00
1-2110	Cheque Account	\$0.00
1-2120	Payroll Cheque Account	\$0.00
1-2130	Cash Drawer	\$0.00
1-2140	Undeposited Cash & Cheque	\$0.00
1-2150	Petty Cash	\$0.00
1-2160	Undeposited Funds	\$0.00
1-2200	Trade Debtors	\$0.00
1-2210	Less Prov'n for Doubtful Debts	\$0.00
1-2300	Inventory	\$0.00
1-3000	Other Assets	\$0.00
1-3100	Deposits Paid	\$0.00
1-3200	Prepayments	\$0.00
2-0000	Liabilities	\$0.00
2-1000	Long-Term Liabilities	\$0.00
2-1100	Bank Loans	\$0.00
2-1200	Other Long-Term Liabilities	\$0.00

Charles Lam		
Accounts List [Summary]		
		Page 2
Account		Current Balance
2-2000	Current Liabilities	\$0.00
2-2100	Credit Cards	\$0.00
2-2110	Bankcard	\$0.00
2-2120	Diners Club	\$0.00
2-2130	MasterCard	\$0.00
2-2140	Visa	\$0.00
2-2200	Trade Creditors	\$0.00
2-2210	Accruals	\$0.00
2-2350	Other Payable	\$0.00
2-2360	Import Duty Payable	\$0.00
2-2400	Payroll Liabilities	\$0.00
2-2410	Payroll Deductions Payable	\$0.00
2-2420	PAYE Tax Payable	\$0.00
2-2600	Accrued Taxes	\$0.00
2-2700	Customer Advance Deposits	\$0.00
2-2800	Other Current Liabilities	\$0.00
3-0000	Equity	\$0.00
3-1000	Owner's Equity	\$0.00
3-1100	Capital	\$0.00
3-1200	Drawings	\$0.00
3-8000	Retained Earnings	\$0.00
3-9000	Current Year Earnings	\$0.00
3-9999	Historical Balancing	\$0.00
4-0000	Income	\$0.00
4-1000	Gross Receipts or Sales	\$0.00
4-1100	Sales	\$0.00
4-1200	Sales Type 2	\$0.00
4-1300	Sales Type 3	\$0.00
4-2000	Sales Returns	\$0.00
4-3000	Other Income	\$0.00
4-3100	Shipping Collected	\$0.00
4-3200	Late Fees Collected	\$0.00
4-3300	Miscellaneous Income	\$0.00
5-0000	Cost of Sales	\$0.00
5-1000	Purchases	\$0.00
5-1100	Purchases	\$0.00
5-1200	Purchases Returns	\$0.00
5-1300	Inventory adjustment	\$0.00
5-2000	Cost of Labour	\$0.00
5-3000	Materials & Supplies	\$0.00
5-4000	Other Costs	\$0.00
5-5000	Freight	\$0.00
6-0000	Expenses	\$0.00
6-1000	Advertising	\$0.00
6-1050	Bank Charges	\$0.00
6-1100	Bad Debt from Sales	\$0.00
6-1200	Car & Truck Expenses	\$0.00

Charles Lam		
Accounts List [Summary]		
Account		Page 3 Current Balance
6-1300	Commissions & Fees	\$0.00
6-1500	Depreciation	\$0.00
6-1800	Insurance	\$0.00
6-1900	Carriage Outwards	\$0.00
6-2000	Rent and Rates	\$0.00
6-2100	Maintenance & Repairs	\$0.00
6-2200	Pension & Profit Sharing	\$0.00
6-2250	Shrinkage/Spoilage	\$0.00
6-2300	Employment Expenses	\$0.00
6-2310	Staff Amenities	\$0.00
6-2330	Wages & Salaries	\$0.00
6-2340	Workers' Compensation	\$0.00
6-2350	Other Employer Expenses	\$0.00
6-2400	Rent or Lease	\$0.00
6-2410	Vehicles, Mach. & Equipment	\$0.00
6-2420	Other Business Property	\$0.00
6-2500	Supplies	\$0.00
6-2600	Taxes & Licenses	\$0.00
6-2700	Telephone	\$0.00
6-2800	Travel, Meals & Entertainment	\$0.00
6-2810	Travel	\$0.00
6-2820	Meals & Entertainment	\$0.00
6-2900	Services	\$0.00
6-2910	Gas	\$0.00
6-2920	Electricity	\$0.00
6-2930	Water	\$0.00
6-3000	Discounts	\$0.00
6-3010	Discounts Allowed	\$0.00
6-3020	Discounts Taken	\$0.00
8-0000	Other Income	\$0.00
8-1000	Discount Received	\$0.00
9-0000	Other Expenses	\$0.00
9-1000	Interest Expense	\$0.00
9-2000	Suspense	\$0.00
9-1200	Other Interest Expense	\$0.00

CHAPTER 18

1.
(b)

Hong Kong Electronics Ltd Room 2506, World Trade Centre, Causeway Bay, Hong Kong.			
Accounts List [Summary]			
Page 1			
Account		Current Balance	
1-0000	Assets	✓	HK\$0.00
1-1000	Fixed Assets	✓	HK\$0.00
1-1200	Lease Improvements	✓	HK\$0.00
1-1210	Lease Improvement at Cost	✓	HK\$0.00
1-1220	Lease Improvements Accum Dep	✓	HK\$0.00
1-1300	Buildings and Improvements	✓	HK\$0.00
1-1310	Bldgs. & Improvmts at Cost	✓	HK\$0.00
1-1320	Bldgs & Improvmts Accum Dep	✓	HK\$0.00
1-1500	Office Equipment	✓	HK\$0.00
1-1510	Office Equip at Cost	✓	HK\$0.00
1-1520	Office Equip Accum Dep	✓	HK\$0.00
1-1600	Store Equipment	✓	HK\$0.00
1-1610	Store Equipment at Cost	✓	HK\$0.00
1-1620	Store Equipment Accum Dep	✓	HK\$0.00
1-1700	Motor Vehicles	✓	HK\$0.00
1-1710	Motor Vehicles at Cost	✓	HK\$0.00
1-1720	Motor Vehicles Accum Dep	✓	HK\$0.00
1-2000	Current Assets	✓	HK\$0.00
1-2100	Cash On Hand	✓	HK\$0.00
1-2110	Cheque Account	✓	HK\$0.00
1-2120	Payroll Cheque Account	✓	HK\$0.00
1-2130	Cash Drawer	✓	HK\$0.00
1-2140	Petty Cash	✓	HK\$0.00
1-2160	Undeposited Funds	✓	HK\$0.00
1-2170	Electronic Clearing Account	✓	HK\$0.00
1-2200	Trade Debtors	✓	HK\$0.00
1-2210	Less Provn for Doubtful Debts	✓	HK\$0.00
1-2300	Inventory	✓	HK\$0.00
1-2400	Prepayments	✓	HK\$0.00
1-2500	Prepaid Interest	✓	HK\$0.00
1-2600	Deposits Paid	✓	HK\$0.00
2-0000	Liabilities	✓	HK\$0.00
2-1000	Long Term Liabilities	✓	HK\$0.00
2-1100	Bank Loans	✓	HK\$0.00
2-1200	Other Long Term Liabilities	✓	HK\$0.00
2-2000	Current Liabilities	✓	HK\$0.00
2-2100	Credit Cards	✓	HK\$0.00
2-2110	Bankcard	✓	HK\$0.00
2-2120	Diners Club	✓	HK\$0.00
2-2130	MasterCard	✓	HK\$0.00
2-2140	Visa	✓	HK\$0.00

Hong Kong Electronics Ltd
 Room 2506, World Trade Centre
 Causeway Bay,
 Hong Kong.

Accounts List [Summary]

Page 2

Account		Current Balance
2-2200	Trade Creditors	HK\$0.00
2-2210	Accruals	HK\$0.00
2-2350	Sales Tax Payable	HK\$0.00
2-2360	Import Duty Payable	HK\$0.00
2-2400	Payroll Liabilities	HK\$0.00
2-2410	Payroll Deductions Payable	HK\$0.00
2-2415	Payroll Salary Payable	HK\$0.00
2-2420	PAYE Tax Payable	HK\$0.00
2-2600	Customer Deposits	HK\$0.00
2-2900	Other Current Liabilities	HK\$0.00
3-0000	Equity	HK\$0.00
3-1000	Owner/Shareholder's Equity	HK\$0.00
3-1100	Ordinary Shares of \$1 each	HK\$0.00
3-1200	Share Premium	HK\$0.00
3-8000	Retained Earnings	HK\$0.00
3-9000	Current Year Earnings	HK\$0.00
3-9999	Historical Balancing	HK\$0.00
4-0000	Income	HK\$0.00
4-1000	Sales	HK\$0.00
4-1100	Sales	HK\$0.00
4-1200	Sales Returns	HK\$0.00
4-1300	Audio/Video Sales	HK\$0.00
4-8000	Miscellaneous Income	HK\$0.00
5-0000	Cost of Sales	HK\$0.00
5-1000	Purchases	HK\$0.00
5-1100	Purchases	HK\$0.00
5-1200	Purchases Returns	HK\$0.00
5-1300	Audio/Video Purchases	HK\$0.00
5-4000	Delivery Expenses	HK\$0.00
6-0000	Expenses	HK\$0.00
6-1000	General & Administrative Exp	HK\$0.00
6-1050	Accounting Fees	HK\$0.00
6-1100	Legal & Professional Fees	HK\$0.00
6-1200	Bank Charges	HK\$0.00
6-1300	Depreciation	HK\$0.00
6-1400	Dues & Subscriptions	HK\$0.00
6-1500	Office Supplies	HK\$0.00
6-1700	Freight Paid	HK\$0.00
6-1800	Late Fees Paid	HK\$0.00
6-1900	Shrinkage/Spoilage	HK\$0.00
6-2000	Discounts Allowed	HK\$0.00
6-3000	Advertising & Promotion Exp	HK\$0.00
6-3100	Advertising	HK\$0.00
6-3110	In-store Promotions	HK\$0.00
6-3120	Cooperative Adv Allowance	HK\$0.00

<p>Hong Kong Electronics Ltd Room 2506, World Trade Centre, Causeway Bay, Hong Kong.</p> <p>Accounts List [Summary]</p> <p>Page 3</p>			
Account		Current Balance	
6-4000	Operating Expenses	↕	HK\$0.00
6-4100	Cleaning	↕	HK\$0.00
6-4200	Postage	↕	HK\$0.00
6-4300	Printing	↕	HK\$0.00
6-4400	Rent	↕	HK\$0.00
6-4500	Store Supplies	↕	HK\$0.00
6-4600	Telephone	↕	HK\$0.00
6-4700	Water	↕	HK\$0.00
6-5100	Employment Expenses	↕	HK\$0.00
6-5105	Fringe Benefits Tax	↕	HK\$0.00
6-5110	Staff Amenities	↕	HK\$0.00
6-5130	Wages & Salaries	↕	HK\$0.00
6-5140	Workers' Compensation	↕	HK\$0.00
6-5150	Other Employer Expenses	↕	HK\$0.00
8-0000	Other Income	↕	HK\$0.00
8-1000	Interest Income	↕	HK\$0.00
8-1100	Discounts Received	↕	HK\$0.00
8-1200	Late Fees Collected	↕	HK\$0.00
8-1300	Freight Collected	↕	HK\$0.00
9-0000	Other Expenses	↕	HK\$0.00
9-1000	Interest Expense	↕	HK\$0.00
9-2000	Income Tax Expense	↕	HK\$0.00

- (d) Click on "Reports" in the menu bar, select "Index to Reports", click on "Card File" sub-page, choose "Card List Summary", and then click on the "Customise" button.

In the sub-page of **Report Fields**

— select "Name", "Phone", "Type" and "Card ID"

<p>Hong Kong Electronics Ltd Room 2506, World Trade Centre, Causeway Bay, Hong Kong.</p> <p>Card List [Summary]</p>			
Name	Phone	Type	Card ID
Bright Trading Company	2386 1234	Customer	C001
Fortune Trading Company	2872 3131	Customer	C002
Global Company		Supplier	S004
Man Lee Company	2745 8080	Customer	C003
Planet Electronics Limited	2423 1010	Supplier	S003
Shun Tin Company		Customer	C004
Star Limited	2367 1122	Supplier	S002
Turbo Electronics Limited	2585 6789	Supplier	S001
Wing Shing Trading Company		Customer	C005

2.

- (b) Click on "Reports" in the menu bar, select "Index to Reports", click on "Card File" sub-page, choose "Card List Detail", and then select "Customise".

In the sub-page of **Report Fields** — select "Name", "Type", "Card ID" and "Terms"

Teddy Ltd			
Card List [Detail]			
Arrow Ltd	Customer	Card ID: C01	Terms: Net90
Big Head Co.	Supplier	Card ID: S01	Terms: Net60
Shoot Ltd	Customer	Card ID: C02	Terms: 5% 30 Net60
Square Plc	Supplier	Card ID: S03	Terms: 2% 15 Net30
Target Ltd	Customer	Card ID: C03	Terms: Net30
Trunk Ltd	Supplier	Card ID: S02	Terms: Net90

3.
(b)

Charles Lam			
Card List [Detail]			
Bristol Company	Customer	Card ID: TD02	Terms: Net 60
Cargo Transport	Customer	Card ID: TD03	Terms: 2% 15 Net 30
Copper Ltd	Supplier	Card ID: TC03	Terms: 5% 30 Net 60
Diamond Ltd	Supplier	Card ID: TC01	Terms: Net 90
Silver Ltd	Supplier	Card ID: TC02	Terms: Net 30

CHAPTER 19

1.

Teddy Ltd						
Summary Trial Balance						
1/1/2008 to 1/1/2008						
Page 1						
Acct#	Account Name	Beginning Balance	Total Debit	Total Credit	Net Activity	Ending Balance
1-1210	Lease Improvement at Cost	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-1220	Lease Improvements Accum Dep	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-1310	Bldgs. & Improvements at Cost	HK\$1,800,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$1,800,000.00
1-1320	Bldgs & Improvements Accum Dep	HK\$540,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$540,000.00cr
1-1510	Office Equip at Cost	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-1520	Office Equip Accum Dep	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-1610	Machinery at Cost	HK\$90,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$90,000.00
1-1620	Machinery Accum Dep	HK\$46,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$46,000.00cr
1-1710	Motor Vehicles at Cost	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-1720	Motor Vehicles Accum Dep	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-2110	Bank	HK\$40,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$40,000.00cr
1-2120	Payroll Cheque Account	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-2130	Cash Drawer	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-2140	Petty Cash	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-2160	Undeposited Funds	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-2170	Electronic Clearing Account	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-2200	Trade Debtors	HK\$224,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$224,000.00
1-2210	Less Provn for Doubtful Debts	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-2300	Inventory	HK\$35,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$35,000.00
1-2400	Prepaid Insurance	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-2500	Prepaid Interest	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
1-2600	Deposits Paid	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-1100	Bank Loans	HK\$200,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$200,000.00cr
2-1200	Other Long Term Liabilities	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-2110	Bankcard	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-2120	Diners Club	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-2130	MasterCard	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-2140	Visa	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-2200	Trade Creditors	HK\$228,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$228,000.00cr
2-2210	Accruals	HK\$20,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$20,000.00cr
2-2350	Bank Loans - current portion	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-2360	Accrued Interest	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-2410	Payroll Deductions Payable	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-2415	Payroll Salary Payable	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-2420	PAYE Tax Payable	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-2600	Customer Deposits	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
2-2900	Other Current Liabilities	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
3-1100	Ordinary shares of \$1 each	HK\$500,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$500,000.00cr
3-1200	Share premium	HK\$100,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$100,000.00cr
3-2000	General Reserve	HK\$200,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$200,000.00cr
3-8000	Retained Earnings	HK\$275,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$275,000.00cr
3-9999	Historical Balancing	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
4-1100	Sales	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
4-1200	Small Appliance Sales	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
4-1300	Audio/Video Sales	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
4-2000	Sales Returns	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
4-8000	Miscellaneous Income	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
5-1100	Purchases	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
5-1200	Small Appliance Purchases	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
5-1300	Audio/Video Purchases	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
5-2000	Purchase Returns & Allowance	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
5-4000	Delivery Expenses	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
5-5000	Inventory Adjustment	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00

Teddy Ltd.							
Summary Trial Balance							
1A/2008 To 1A/2008							
Page 2							
Acct#	Account Name	Beginning Balance	Total Debit	Total Credit	Net Activity	Ending Balance	
6-1050	Accounting Fees	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-1100	Legal & Professional Fees	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-1200	Bank Charges	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-1300	Depreciation	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-1400	Dues & Subscriptions	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-1500	Office Supplies	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-1600	Discounts Allowed	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-1700	Bad Debts	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-1800	Insurance	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-1900	Shrinkage/Spoilage	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2000	Discounts Given	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-3100	Advertising	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-3110	In-store Promotions	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-3120	Cooperative Adv Allowance	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-4100	Cleaning	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-4200	Postage	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-4300	Printing	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-4400	Rent	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-4500	Store Supplies	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-4600	Telephone	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-4700	Water	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-5105	Fringe Benefits Tax	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-5110	Staff Amenities	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-5130	Wages & Salaries	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-5140	Workers' Compensation	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-5150	Other Employer Expenses	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
8-1000	Discounts Received	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
8-2000	Gain on Disposal of Assets	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
9-1000	Interest Expense	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
9-2000	Loss on Disposal of Assets	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Total:			HK\$0.00	HK\$0.00			

Teddy Ltd							
Aged Receivables [Detail]							
14/2/008							
	ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Arrow Ltd	C01						
Net90	00080122	15/1/2007	HK\$45,000.00				HK\$45,000.00
		Total:	HK\$45,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$45,000.00
Shoot Ltd	C02						
5% 30 Net60	00090220	20/2/2008	HK\$85,000.00		HK\$85,000.00		
	00090312	10/3/2008	HK\$31,000.00	HK\$31,000.00			
		Total:	HK\$116,000.00	HK\$31,000.00	HK\$85,000.00	HK\$0.00	HK\$0.00
Target Ltd	C03						
Net30	00090324	20/3/2008	HK\$63,000.00	HK\$63,000.00			
		Total:	HK\$63,000.00	HK\$63,000.00	HK\$0.00	HK\$0.00	HK\$0.00
		Grand Total:	HK\$224,000.00	HK\$94,000.00	HK\$85,000.00	HK\$0.00	HK\$45,000.00
		Ageing Percent		42%	38%	0%	20%

Teddy Ltd							
Aged Payables [Detail]							
14/2/008							
	ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Big Head Co.	S01						
Net60	B334	12/2/2008	HK\$82,000.00		HK\$82,000.00		
		Total:	HK\$82,000.00	HK\$0.00	HK\$82,000.00	HK\$0.00	HK\$0.00
Square Plc	S03						
2% 15 Net30	S488	23/3/2008	HK\$65,000.00	HK\$65,000.00			
	S490	27/3/2008	HK\$46,000.00	HK\$46,000.00			
		Total:	HK\$111,000.00	HK\$111,000.00	HK\$0.00	HK\$0.00	HK\$0.00
Trunk Ltd	S02						
Net90	T890	20/3/2008	HK\$35,000.00	HK\$35,000.00			
		Total:	HK\$35,000.00	HK\$35,000.00	HK\$0.00	HK\$0.00	HK\$0.00
		Grand Total:	HK\$228,000.00	HK\$146,000.00	HK\$82,000.00	HK\$0.00	HK\$0.00
		Ageing Percent		64%	36%	0%	0%

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Charles Lam							
Summary Trial Balance							
1/8/2009 To 1/8/2009							
Page 1							
Acct#	Account Name	Beginning Balance	Total Debit	Total Credit	Net Activity	Ending Balance	
1-1110	Business Equip at Cost	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-1120	Business Equip Accum Dep	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-1210	Furniture & Fixtures at Cost	HK\$42,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$42,000.00	
1-1220	Furniture & Fixtures Accum Dep	HK\$8,400.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$8,400.00cr	
1-1310	Motor Vehicles at Cost	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-1320	Motor Vehicles Accum Dep	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-2110	Cheque Account	HK\$20,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$20,000.00	
1-2120	Payroll Cheque Account	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-2130	Cash Drawer	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-2140	Undeposited Cash & Cheque	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-2150	Petty Cash	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-2160	Undeposited Funds	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-2170	Electronic Clearing Account	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-2200	Trade Debtors	HK\$73,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$73,000.00	
1-2210	Less Provn for Doubtful Debts	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-2300	Inventory	HK\$135,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$135,000.00	
1-3100	Deposits Paid	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
1-3200	Prepayments	HK\$5,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$5,000.00	
2-1100	Bank Loans	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-1200	Other Long-Term Liabilities	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2110	Bankcard	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2120	Diners Club	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2130	MasterCard	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2140	Visa	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2200	Trade Creditors	HK\$94,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$94,000.00cr	
2-2210	Accruals	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2350	Other Payable	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2380	Import Duty Payable	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2410	Payroll Deductions Payable	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2415	Payroll Salary Payable	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2420	PAYE Tax Payable	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2600	Accrued Taxes	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2700	Customer Advance Deposits	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
2-2800	Other Current Liabilities	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
3-1100	Capital	HK\$310,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$310,000.00cr	
3-1200	Drawings	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
3-8000	Retained Earnings	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
3-9999	Historical Balancing	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
4-1100	Sales	HK\$328,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$328,000.00cr	
4-1200	Sales Type 2	HK\$5,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$5,000.00	
4-1300	Sales Type 3	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
4-2000	Sales Returns	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
4-3300	Miscellaneous Income	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
5-1100	Purchases	HK\$375,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$375,000.00	
5-1200	Purchases Returns	HK\$2,000.00cr	HK\$0.00	HK\$0.00	HK\$0.00	HK\$2,000.00cr	
5-1300	Inventory Adjustment	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
5-2000	Cost of Labour	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
5-3000	Materials & Supplies	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
5-4000	Other Costs	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
5-5000	Freight	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
6-1000	Advertising	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
6-1050	Bank Charges	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
6-1100	Bad Debt from Sales	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	
6-1200	Car & Truck Expenses	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	

Charles Lam						
Summary Trial Balance						
1/8/2009 To 1/8/2009						
Page 2						
Acct#	Account Name	Beginning Balance	Total Debit	Total Credit	Net Activity	Ending Balance
6-1300	Commissions & Fees	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-1500	Depreciation	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-1800	Insurance	HK\$2,500.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$2,500.00
6-1900	Carriage Outwards	HK\$3,500.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$3,500.00
6-2000	Rent and Rates	HK\$45,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$45,000.00
6-2100	Maintenance & Repairs	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2200	Pension & Profit Sharing	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2250	Shrinkage/Spoilage	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2310	Staff Amenities	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2330	Wages & Salaries	HK\$27,500.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$27,500.00
6-2340	Workers' Compensation	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2350	Other Employer Expenses	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2410	Vehicles, Mach. & Equipment	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2420	Other Business Property	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2500	Supplies	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2600	Taxes & Licenses	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2700	Telephone	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2810	Travel	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2820	Meals & Entertainment	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2910	Gas	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-2920	Electricity	HK\$4,800.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$4,800.00
6-2930	Water	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
6-3010	Discounts Allowed	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
8-1000	Interest Income	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
8-1100	Discounts Received	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
8-1200	Late Fees Collected	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
8-1300	Shipping Collected	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
9-1100	Mortgage Expense	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
9-1200	Other Interest Expense	HK\$4,100.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$4,100.00
9-2000	Suspense	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Total			HK\$0.00	HK\$0.00		

Charles Lam						
Aged Receivables [Detail]						
1/8/2009						
ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Bristol Company						
TD02						
Net60						
610-09	5/6/2009	HK\$13,000.00		HK\$13,000.00		
621-09	12/6/2009	HK\$8,000.00		HK\$8,000.00		
711-09	9/7/2009	HK\$12,000.00	HK\$12,000.00			
720-09	15/7/2009	HK\$5,000.00	HK\$5,000.00			
	Total:	HK\$38,000.00	HK\$17,000.00	HK\$21,000.00	HK\$0.00	HK\$0.00
Cargo Transport						
TD03						
2% 15 Net30						
725-09	24/7/2009	HK\$25,000.00	HK\$25,000.00			
733-09	28/7/2009	HK\$10,000.00	HK\$10,000.00			
	Total:	HK\$35,000.00	HK\$35,000.00	HK\$0.00	HK\$0.00	HK\$0.00
	Grand Total:	HK\$73,000.00	HK\$52,000.00	HK\$21,000.00	HK\$0.00	HK\$0.00
	Ageing Percent		71%	29%	0%	0%

Charles Lam						
Aged Payables [Detail]						
1/8/2009						
ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Copper Ltd						
TC03						
5% 30 Net60						
CL7788	13/7/2009	HK\$25,000.00	HK\$25,000.00			
CL7798	22/7/2009	HK\$12,000.00	HK\$12,000.00			
	Total:	HK\$37,000.00	HK\$37,000.00	HK\$0.00	HK\$0.00	HK\$0.00
Diamond Ltd						
TC01						
Net90						
DL201	15/6/2009	HK\$37,000.00		HK\$37,000.00		
	Total:	HK\$37,000.00	HK\$0.00	HK\$37,000.00	HK\$0.00	HK\$0.00
Silver Ltd						
TC02						
Net30						
SL3334	6/7/2009	HK\$20,000.00	HK\$20,000.00			
	Total:	HK\$20,000.00	HK\$20,000.00	HK\$0.00	HK\$0.00	HK\$0.00
	Grand Total:	HK\$94,000.00	HK\$57,000.00	HK\$37,000.00	HK\$0.00	HK\$0.00
	Ageing Percent		61%	39%	0%	0%

CHAPTER 20

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<p style="text-align: center;">Hong Kong Electronics Ltd Room 2506, World Trade Centre Causeway Bay Hong Kong</p> <p style="text-align: center;">Aged Receivables [Detail] 31/3/2010</p>							
	ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Bright Trading Company							
Mr. Kobe Koo 2386 1234 2% 10 Net30	C001						
	10000432	3/1/2010	HK\$15,000.00			HK\$15,000.00	
	10000451	8/3/2010	HK\$13,500.00	HK\$13,500.00			
	10000453	22/3/2010	HK\$41,000.00	HK\$41,000.00			
	CN11212	26/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$69,500.00	HK\$54,500.00	HK\$0.00	HK\$15,000.00	HK\$0.00
Cash Sales							
	CS						
C.O.D.							
	10000452	10/3/2010	HK\$0.00	HK\$0.00			
	10000455	24/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Fortune Trading Company							
Mr. Ken Lee 2872 3131 5% 10 Net60	C002						
	10000386	21/12/2009	HK\$0.00				HK\$0.00
	SJ000005	31/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Man Lee Company							
Ms. Ruby Yam 2745 8080 2% 10 Net30	C003						
	10000222	13/9/2009	HK\$0.00				HK\$0.00
	SJ000002	15/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Shun Tin Company							
Mr. Thomas Wong 2% 5 Net30	C004						
	10000401	28/12/2009	HK\$7,200.00				HK\$7,200.00
	10000454	22/3/2010	HK\$22,850.00	HK\$22,850.00			
	CN11211	12/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$30,050.00	HK\$22,850.00	HK\$0.00	HK\$0.00	HK\$7,200.00
Grand Total:			HK\$99,550.00	HK\$77,350.00	HK\$0.00	HK\$15,000.00	HK\$7,200.00
Ageing Percent:				78%	0%	15%	7%

<p>Hong Kong Electronics Ltd Room 2506, World Trade Centre, Causeway Bay, Hong Kong.</p> <p>Aged Payables (Detail) 31/3/2010</p>							
ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+	
Cash Purchases							
CP							
C.O.D.							
	00003267	3/3/2010	HK\$0.00	HK\$0.00			
	00003270	20/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Planet Electronics Limited							
S003							
Ms. Jenny Leung 2423 1010 Net 30							
	00003265	27/2/2010	HK\$13,500.00	HK\$13,500.00			
	DN00561	5/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$13,500.00	HK\$0.00	HK\$13,500.00	HK\$0.00	HK\$0.00
Star Limited							
S002							
Mr. Fred Chau 2367 1122 2% 15 Net 45							
	00003258	12/2/2010	HK\$17,000.00	HK\$17,000.00			
	00003269	16/3/2010	HK\$30,000.00	HK\$30,000.00			
	DN00562	18/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$47,000.00	HK\$30,000.00	HK\$17,000.00	HK\$0.00	HK\$0.00
Turbo Electronics Limited							
S001							
Ms. Amy Chiu 2585 6789 3% 5 Net 60							
	00003268	1/3/2010	HK\$7,250.00	HK\$7,250.00			
	00003268	10/3/2010	HK\$21,700.00	HK\$21,700.00			
	00003241	30/5/2010	HK\$23,000.00	HK\$23,000.00			
	Total:		HK\$51,950.00	HK\$51,950.00	HK\$0.00	HK\$0.00	HK\$0.00
Grand Total:			HK\$112,450.00	HK\$81,950.00	HK\$30,500.00	HK\$0.00	HK\$0.00
Ageing Percent				73%	27%	0%	0%

2
(b)

Teddy Ltd							
Aged Receivables [Detail]							
30/6/2008							
	ID#	Date	Total Due	0-30	31-60	61-90	90+
Arrow Ltd							
	C01						
Net90	00080122	15/1/2007	HK\$45,000.00				HK\$45,000.00
		Total:	HK\$45,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$45,000.00
Carrot Retail							
	C04						
Net90	00090402	24/2008	HK\$70,000.00			HK\$70,000.00	
		Total:	HK\$70,000.00	HK\$0.00	HK\$0.00	HK\$70,000.00	HK\$0.00
Shoot Ltd							
	C02						
5% 30 Net60	00090220	20/2/2008	HK\$85,000.00				HK\$85,000.00
	00090312	10/3/2008	HK\$31,000.00				HK\$31,000.00
		Total:	HK\$116,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$116,000.00
Target Ltd							
	C03						
Net30	00090324	20/3/2008	HK\$53,000.00				HK\$53,000.00
	00090401	24/2008	HK\$50,000.00			HK\$50,000.00	
	00090601	10/6/2008	HK\$75,000.00	HK\$75,000.00			
	CN090401	13/5/2003	HK\$0.00		HK\$0.00		
		Total:	HK\$188,000.00	HK\$75,000.00	HK\$0.00	HK\$50,000.00	HK\$63,000.00
Grand Total:			HK\$419,000.00	HK\$75,000.00	HK\$0.00	HK\$120,000.00	HK\$224,000.00
Ageing Percent				18%	0%	29%	54%

Teddy Ltd							
Aged Payables (Detail)							
30/6/2008							
	ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Big Head Co.	S01						
Net60	B334	12/2/2008	HK\$82,000.00				HK\$82,000.00
	BH123	4/5/2008	HK\$59,000.00		HK\$59,000.00		
	BH123CN	1/6/2008	HK\$0.00	HK\$0.00			
	Total:		HK\$141,000.00	HK\$0.00	HK\$59,000.00	HK\$0.00	HK\$82,000.00
Circle Game Ltd	S04						
Net90	CG633	4/5/2008	HK\$55,000.00		HK\$55,000.00		
	Total:		HK\$55,000.00	HK\$0.00	HK\$55,000.00	HK\$0.00	HK\$0.00
Square Plc	S03						
2% 15 Net30	S488	23/3/2008	HK\$65,000.00				HK\$65,000.00
	S490	27/3/2008	HK\$46,000.00				HK\$46,000.00
	Total:		HK\$111,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$111,000.00
Trunk Ltd	S02						
Net90	T890	20/3/2008	HK\$35,000.00				HK\$35,000.00
	Total:		HK\$35,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$35,000.00
	Grand Total:		HK\$342,000.00	HK\$0.00	HK\$114,000.00	HK\$0.00	HK\$228,000.00
	Ageing Percent:			0%	33%	0%	67%

CHAPTER 21

- 1.
- (b)

Hong Kong Electronics Ltd Room 2506, World Trade Centre, Causeway Bay, Hong Kong.									
Aged Receivables [Detail]									
31/3/2010									
	ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+		
Bright Trading Company									
C001									
Mr. Kobe Koo 2386 1234 2% 10 Net30									
	10000432	3/1/2010	HK\$15,000.00			HK\$15,000.00			
	10000451	8/3/2010	HK\$13,500.00	HK\$13,500.00					
	10000453	22/3/2010	HK\$41,000.00	HK\$41,000.00					
	CN11212	26/3/2010	HK\$0.00	HK\$0.00					
	Total:		HK\$69,500.00	HK\$54,500.00	HK\$0.00	HK\$15,000.00			HK\$0.00
Cash Sales									
CS									
C.O.D.									
	10000452	10/3/2010	HK\$0.00	HK\$0.00					
	10000455	24/3/2010	HK\$0.00	HK\$0.00					
	Total:		HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00			HK\$0.00
Fortune Trading Company									
C002									
Mr. Ken Lee 2872 3131 5% 10 Net60									
	10000386	21/12/2009	HK\$0.00						HK\$0.00
	SJ000003	31/3/2010	HK\$0.00	HK\$0.00					
	Total:		HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00			HK\$0.00
Man Lee Company									
C003									
Ms. Ruby Yam 2745 8080 2% 10 Net30									
	10000222	15/1/2010	HK\$7,000.00						HK\$7,000.00
	Total:		HK\$7,000.00	HK\$0.00	HK\$0.00	HK\$0.00			HK\$7,000.00
Shun Tin Company									
C004									
Mr. Thomas Wong 2% 5 Net30									
	10000401	28/12/2009	HK\$7,200.00						HK\$7,200.00
	10000454	22/3/2010	HK\$22,850.00	HK\$22,850.00					
	CN11211	12/3/2010	HK\$0.00	HK\$0.00					
	Total:		HK\$30,050.00	HK\$22,850.00	HK\$0.00	HK\$0.00			HK\$7,200.00
Grand Total:			HK\$106,550.00	HK\$77,350.00	HK\$0.00	HK\$15,000.00			HK\$14,200.00
Ageing Percent				73%	0%	14%			13%

Hong Kong Electronics Ltd Room 2506, World Trade Centre, Causeway Bay, Hong Kong.							
Aged Payables [Detail]							
31/3/2010							
	ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Cash Purchases	CP						
C.O.D.							
	00003267	3/3/2010	HK\$0.00	HK\$0.00			
	00003270	20/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Planet Electronics Limited	S003						
Ms. Jenny Leung 2423 1010 Net 30							
	00003265	27/2/2010	HK\$13,500.00		HK\$13,500.00		
	DN00561	5/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$13,500.00	HK\$0.00	HK\$13,500.00	HK\$0.00	HK\$0.00
Star Limited	S002						
Mr. Fred Chau 2367 1122 2% 15 Net 45							
	00003258	12/2/2010	HK\$17,000.00		HK\$17,000.00		
	00003269	16/3/2010	HK\$30,000.00	HK\$30,000.00			
	DN00562	18/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$47,000.00	HK\$30,000.00	HK\$17,000.00	HK\$0.00	HK\$0.00
Turbo Electronics Limited	S001						
Ms. Amy Chiu 2585 6789 3% 5 Net 60							
	00003266	1/3/2010	HK\$7,250.00	HK\$7,250.00			
	00003268	16/3/2010	HK\$21,700.00	HK\$21,700.00			
	00003241	30/5/2010	HK\$23,000.00	HK\$23,000.00			
	Total:		HK\$51,950.00	HK\$51,950.00	HK\$0.00	HK\$0.00	HK\$0.00
	Grand Total:		HK\$112,450.00	HK\$81,950.00	HK\$30,500.00	HK\$0.00	HK\$0.00
	Ageing Percent			73%	27%	0%	0%

CHAPTER 22

1.
(b)

Hong Kong Electronics Ltd Room 2506, World Trade Centre, Causeway Bay, Hong Kong.							
Aged Receivables [Detail]							
31/3/2010							
	ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Bright Trading Company							
Mr. Kobe Koo 2386 1234 2% 10 Net30	C001						
	*10000453	22/3/2010	HK\$41,000.00	HK\$41,000.00			
	*10000432	3/1/2010	HK\$0.00			HK\$0.00	
	*10000451	8/3/2010	HK\$0.00	HK\$0.00			
	CN11212	26/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$41,000.00	HK\$41,000.00	HK\$0.00	HK\$0.00	HK\$0.00
Cash Sales							
	CS						
C.O.D.							
	*10000452	10/3/2010	HK\$0.00	HK\$0.00			
	*10000455	24/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Fortune Trading Company							
Mr. Ken Lee 2872 3131 5% 10 Net60	C002						
	*10000386	21/12/2009	HK\$0.00				HK\$0.00
	SJ000005	31/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Man Lee Company							
Ms. Ruby Yam 2745 8080 2% 10 Net30	C003						
	*10000222	15/3/2009	HK\$0.00				HK\$0.00
	SJ000002	15/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Shun Tin Company							
Mr. Thomas Wong 2% 5 Net30	C004						
	*10000454	22/3/2010	HK\$22,850.00	HK\$22,850.00			
	*10000401	28/12/2009	HK\$0.00				HK\$0.00
	CN11211	12/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$22,850.00	HK\$22,850.00	HK\$0.00	HK\$0.00	HK\$0.00
Grand Total:			HK\$63,850.00	HK\$63,850.00	HK\$0.00	HK\$0.00	HK\$0.00
Ageing Percent				100%	0%	0%	0%

<p>Hong Kong Electronics Ltd Room 2506, World Trade Centre Causeway Bay, Hong Kong</p> <p>Aged Payables [Detail] 31/3/2010</p>							
	ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Cash Purchases	CP						
C.O.D.							
	00003267	3/3/2010	HK\$0.00	HK\$0.00			
	00003270	20/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Planet Electronics Limited	S003						
Ms. Jenny Leung 2423 1010 Net 30							
	00003265	27/2/2010	HK\$7,000.00		HK\$7,000.00		
	DN00561	5/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$7,000.00	HK\$0.00	HK\$7,000.00	HK\$0.00	HK\$0.00
Star Limited	S002						
Mr. Fred Chau 2367 1122 2% 15 Net 45							
	00003269	16/3/2010	HK\$30,000.00	HK\$30,000.00			
	00003258	12/2/2010	HK\$0.00		HK\$0.00		
	DN00562	18/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$30,000.00	HK\$30,000.00	HK\$0.00	HK\$0.00	HK\$0.00
Turbo Electronics Limited	S001						
Ms. Amy Chiu 2585 6789 3% 5 Net 60							
	00003268	16/3/2010	HK\$21,700.00	HK\$21,700.00			
	00003241	5/2/2010	HK\$0.00		HK\$0.00		
	00003266	1/3/2010	HK\$0.00	HK\$0.00			
	Total:		HK\$21,700.00	HK\$21,700.00	HK\$0.00	HK\$0.00	HK\$0.00
	Grand Total:		HK\$58,700.00	HK\$51,700.00	HK\$7,000.00	HK\$0.00	HK\$0.00
	Ageing Percent			88%	12%	0%	0%

Hong Kong Electronics Ltd
Room 2506, World Trade Centre,
Causeway Bay,
Hong Kong

Bank Register

1/3/2010 To 31/3/2010

ID#	Src	Date	Memo/Payee	Deposit	Withdrawal	Balance
1-2110	Cheque Account					
3	CD	2/3/2010	Star Limited		HK\$17,000.00	HK\$18,020.00
CR000005	CR	2/3/2010	Rental income received from tenant	HK\$20,000.00		HK\$38,020.00
7	CD	3/3/2010	Cash Purchases		HK\$850.00	HK\$37,170.00
CR000003	CR	5/3/2010	Payment Bright Trading Company	HK\$15,000.00		HK\$52,170.00
8	CD	6/3/2010	Turbo Electronics Limited		HK\$30,032.50	HK\$22,137.50
100001	CD	8/3/2010	Planet Electronics Limited		HK\$6,500.00	HK\$15,637.50
CR000001	CR	10/3/2010	Cash Sales for 10000452	HK\$400.00		HK\$16,037.50
CR000006	CR	10/3/2010	Payment Shun Tin Company	HK\$7,200.00		HK\$23,237.50
CR000004	CR	12/3/2010	Payment Bright Trading Company	HK\$13,230.00		HK\$36,467.50
100002	CD	15/3/2010	Hi-Tech Ltd		HK\$20,000.00	HK\$16,467.50
2	CD	20/3/2010	Cash Purchases		HK\$1,200.00	HK\$15,267.50
CR000002	CR	24/3/2010	Cash Sales for 10000455	HK\$1,500.00		HK\$16,767.50
100003	CD	25/3/2010	Watsons Water		HK\$4,000.00	HK\$12,767.50
100004	CD	25/3/2010	Talent Advertising Co.		HK\$2,490.00	HK\$10,277.50
100005	CD	25/3/2010	Cash		HK\$8,500.00	HK\$1,777.50
5	CD	28/3/2010	Bell Telecom		HK\$2,310.00	(HK\$532.50)
6	CD	30/3/2010	Hong Kong Land		HK\$36,500.00	(HK\$37,032.50)
CR000007	CR	31/3/2010	Received interest income	HK\$215.00		(HK\$36,817.50)
				HK\$57,545.00	HK\$129,382.50	

2.
(b)

Teddy Ltd							
Aged Receivables [Detail]							
30/6/2008							
	ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Arrow Ltd							
	C01						
Net90							
	00080122	15/1/2007	HK\$0.00				HK\$0.00
	080122C	15/6/2008	HK\$0.00	HK\$0.00			
		Total:	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Carrot Retail							
	C04						
Net90							
	00090402	2/4/2008	HK\$70,000.00			HK\$70,000.00	
		Total:	HK\$70,000.00	HK\$0.00	HK\$0.00	HK\$70,000.00	HK\$0.00
Shoot Ltd							
	C02						
5% 30 Net60							
	00090220	20/2/2008	HK\$0.00				HK\$0.00
	00090312	10/3/2008	HK\$0.00				HK\$0.00
		Total:	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$0.00
Target Ltd							
	C03						
Net30							
	00090324	20/3/2008	HK\$5,000.00				HK\$5,000.00
	00090401	2/4/2008	HK\$50,000.00			HK\$50,000.00	
	00090601	1/6/2008	HK\$75,000.00	HK\$75,000.00			
	CN090401	1/3/2008	HK\$0.00		HK\$0.00		
		Total:	HK\$130,000.00	HK\$75,000.00	HK\$0.00	HK\$50,000.00	HK\$5,000.00
		Grand Total:	HK\$200,000.00	HK\$75,000.00	HK\$0.00	HK\$120,000.00	HK\$5,000.00
		Ageing Percent:		37.5%	0.0%	60.0%	2.5%

Tidily Ltd						
Aged Payables [Detail]						
30/6/2008						
ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Big Head Co.						
S01						
Net60						
B334	12/2/2008	HK\$82,000.00				HK\$82,000.00
BH123	4/5/2008	HK\$59,000.00		HK\$59,000.00		
BH123CN	1/6/2008	HK\$0.00	HK\$0.00			
	Total:	HK\$141,000.00	HK\$0.00	HK\$59,000.00	HK\$0.00	HK\$82,000.00
Circle Game Ltd						
S04						
Net90						
CG633	4/5/2008	HK\$55,000.00		HK\$55,000.00		
	Total:	HK\$55,000.00	HK\$0.00	HK\$55,000.00	HK\$0.00	HK\$0.00
Square Plc						
S03						
2% 15 Net30						
S490	27/3/2008	HK\$46,000.00				HK\$46,000.00
S488	23/3/2008	HK\$0.00				HK\$0.00
	Total:	HK\$46,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$46,000.00
Trunk Ltd						
S02						
Net90						
T890	20/3/2008	HK\$35,000.00				HK\$35,000.00
	Total:	HK\$35,000.00	HK\$0.00	HK\$0.00	HK\$0.00	HK\$35,000.00
	Grand Total:	HK\$277,000.00	HK\$0.00	HK\$114,000.00	HK\$0.00	HK\$163,000.00
	Ageing Percent		0%	41%	0%	59%

Teale Ltd.								
Bank Register								
1/4/2008 To 30/6/2008								
	ID#	Src	Date	Memo/Payee	Deposit	Withdrawal	Balance	
1-2110	Bank							
	360001	CD	6/4/2008	Square Plc		* HK\$63,700.00	?(HK\$103,700.00)	
	360002	CD	6/4/2008	Telecom Ltd		* HK\$1,500.00	?(HK\$105,200.00)	
	360003	CD	6/4/2008	Cash		* HK\$18,500.00	?(HK\$123,700.00)	
	R401	CR	9/4/2008	Payment Shoot Ltd	* HK\$114,450.00		?(HK\$9,250.00)	
	R402	CR	9/4/2008	Payment Target Ltd	* HK\$58,000.00		?(HK\$48,750.00)	
	360004	CD	30/4/2008	Cash		* HK\$20,000.00	?(HK\$28,750.00)	
	360005	CD	30/4/2008	Management Ltd		* HK\$5,000.00	?(HK\$23,750.00)	
	360006	CD	31/5/2008	Cash		* HK\$20,000.00	?(HK\$3,750.00)	
	360007	CD	31/5/2008	Management Ltd		* HK\$5,000.00	?(HK\$1,250.00)	
	Auto-Dr	CD	31/5/2008	Bank overdraft interest		* HK\$232.00	?(HK\$1,482.00)	
	R403	CR	15/6/2008	Payment Arrow Ltd	* HK\$40,000.00		?(HK\$38,518.00)	
	360008	CD	30/6/2008	Cash		* HK\$20,000.00	?(HK\$18,518.00)	
	360009	CD	30/6/2008	Management Ltd		* HK\$5,000.00	?(HK\$13,518.00)	
	360010	CD	30/6/2008	Safe Insurance Co. Ltd		* HK\$12,000.00	?(HK\$1,518.00)	
					* HK\$212,450.00	* HK\$170,932.00		

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CHAPTER 23

1.
(b)

Teddy Ltd				
Reconciliation Report				
	ID#	Date	Memo/Payee	
Cheque Account	1-2110		Bank	
Date of Bank Statement	30/6/2008			
Reconciled Cheques				
	360007	31/5/2008	Management Ltd	* HK\$5,000.00
	360008	30/6/2008	Cash	* HK\$20,000.00
	360009	30/6/2008	Management Ltd	* HK\$5,000.00
	SC300608	30/6/2008	Bank charge in June 2008	* HK\$500.00
		Total:		* HK\$0.00 * HK\$30,500.00
Reconciled Deposits				
	CR000001	4/6/2008	Payment Carrot Retail	* HK\$70,000.00
	R403	15/6/2008	Payment Arrow Ltd	* HK\$40,000.00
	IE300608	30/6/2008	Interest income in June 2008	* HK\$12.80
		Total:		HK\$110,012.80 * HK\$0.00
Outstanding Cheques				
	360006	31/5/2008	Cash	* HK\$20,000.00
	360010	30/6/2008	Safe Insurance Co. Ltd	* HK\$12,000.00
		Total:		* HK\$0.00 * HK\$32,000.00
Reconciliation				
		MYOB Balance on 30/6/2008:		* HK\$71,030.80
		Add: Outstanding Cheques:		* HK\$32,000.00
		Subtotal:		HK\$103,030.80
		Deduct: Outstanding Deposits:		* HK\$0.00
		Expected Balance on Statement		HK\$103,030.80

CHAPTER 24

- 1.
- (b) <Reports> → <Accounts> → <Transaction Journal — General Journal> → [Customise]
Advanced filters: Dated From: 31/3/2010 To: 31/3/2010

<p style="text-align: center;">Hong Kong Electronics Ltd Room 2506, World Trade Centre, Causeway Bay, Hong Kong</p> <p style="text-align: center;">General Journal 31/3/2010 To 31/3/2010</p>						
	ID#	Acct#	Account Name	Debit	Credit	Job No.
GJ	31/3/2010	Accrued part-time s:				
		GJ000001	6-5130 Wages & Salaries	HK\$3,460.00		
		GJ000001	2-2210 Accruals		HK\$3,460.00	
GJ	31/3/2010	Closing inventory adj				
		GJ000002	5-5000 Inventory Adjustments	HK\$6,620.00		
		GJ000002	1-2300 Inventory		HK\$6,620.00	
GJ	31/3/2010	Accrued expenses				
		GJ000003	6-1050 Accounting Fees	HK\$25,000.00		
		GJ000003	6-1100 Legal & Professional Fees	HK\$20,000.00		
		GJ000003	6-4100 Cleaning	HK\$3,000.00		
		GJ000003	2-2210 Accruals		HK\$48,000.00	
GJ	31/3/2010	Dpreciation expense				
		GJ000004	6-1300 Depreciation	HK\$63,000.00		
		GJ000004	1-1520 Office Equip Accum Dep		HK\$63,000.00	
		GJ000004	6-1300 Depreciation	HK\$2,000.00		
		GJ000004	1-1620 Store Equipment Accum Dep		HK\$2,000.00	
		GJ000004	6-1300 Depreciation	HK\$100,000.00		
		GJ000004	1-1720 Motor Vehicles Accum Dep		HK\$100,000.00	
			Grand Total	HK\$223,080.00	HK\$223,080.00	

2.

(b) <Reports> → <Accounts> → <Transaction Journal — General Journal> → [Customise]

Advanced filters: Dated From: 30/6/2008 To: 30/6/2008

Source Journals: ALL

Teddy Ltd.						
All Journals						
30/6/2008 To 30/6/2008						
	ID#	Acct#	Account Name	Debit	Credit	Job No.
CD	30/6/2008	Cash				
		360008 1-2110	Bank		HK\$20,000.00	
		360008 6-5130	Wages & Salaries	HK\$20,000.00		
CD	30/6/2008	Management Ltd				
		360009 1-2110	Bank		HK\$5,000.00	
		360009 6-4400	Rent	HK\$5,000.00		
CD	30/6/2008	Safe Insurance Co. Ltd				
		360010 1-2110	Bank		HK\$12,000.00	
		360010 6-1800	Insurance	HK\$1,000.00		
		360010 1-2400	Prepaid Insurance	HK\$11,000.00		
GJ	30/6/2008	Closing inventory adjustment				
		GJ000001 1-2300	Inventory	HK\$9,000.00		
		GJ000001 5-5000	Inventory Adjustment		HK\$9,000.00	
GJ	30/6/2008	Machinery trade-in				
		GJ000002 1-1610	Machinery at Cost	HK\$25,000.00		
		GJ000002 2-2900	Other Current Liabilities		HK\$15,000.00	
		GJ000002 1-1610	Machinery at Cost		HK\$10,000.00	
GJ	30/6/2008	Depreciation charge for the year				
		GJ000003 6-1300	Depreciation	HK\$22,500.00		
		GJ000003 1-1320	Bldgs & Improvements Accum Dep		HK\$22,500.00	
		GJ000003 6-1300	Depreciation	HK\$2,625.00		
		GJ000003 1-1620	Machinery Accum Dep		HK\$2,625.00	
GJ	30/6/2008	Interest accrual				
		GJ000004 9-1000	Interest Expense	HK\$5,000.00		
		GJ000004 2-2210	Accruals		HK\$5,000.00	
CD	30/6/2008	Two Brothers Bank				
		360011 1-2110	Bank		HK\$10,000.00	
		360011 2-1100	Bank Loans	HK\$10,000.00		
GJ	30/6/2008	Adjustment of current portion of bank loan				
		GJ000005 2-1100	Bank Loans	HK\$40,000.00		
		GJ000005 2-2350	Bank Loans - current portion		HK\$40,000.00	
			Grand Total:	HK\$151,125.00	HK\$151,125.00	

3.
(b)

Charles Lam						
Aged Receivables [Detail]						
30/09/2009						
ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Angel Ltd.						
T001						
Net30						
802-09	5/08/2009	\$9,000.00		\$9,000.00		
	Total:	\$9,000.00	\$0.00	\$9,000.00	\$0.00	\$0.00
Bristol Company						
T002						
Net60						
711-09	9/07/2009	\$8,000.00			\$8,000.00	
720-09	15/07/2009	\$4,500.00			\$4,500.00	
801-09	5/08/2009	\$5,500.00		\$5,500.00		
	Total:	\$18,000.00	\$0.00	\$5,500.00	\$12,500.00	\$0.00
Cargo Transport						
T003						
2% 15 Net30						
803-09	5/08/2009	\$6,000.00		\$6,000.00		
	Total:	\$6,000.00	\$0.00	\$6,000.00	\$0.00	\$0.00
Mr T.Chan						
T004						
Net00						
731-09	1/08/2009	\$4,000.00		\$4,000.00		
	Total:	\$4,000.00	\$0.00	\$4,000.00	\$0.00	\$0.00
	Grand Total:	\$37,000.00	\$0.00	\$24,500.00	\$12,500.00	\$0.00
	Ageing Percent:		0.0%	66.2%	33.8%	0.0%

Charles Lam						
Aged Payables [Detail]						
30/09/2009						
ID#	Date	Total Due	0 - 30	31 - 60	61 - 90	90+
Copper Ltd						
TC03						
5% 30 Net60						
CL7798	22/07/2009	\$12,000.00			\$12,000.00	
Total:		\$12,000.00	\$0.00	\$0.00	\$12,000.00	\$0.00
Diamond Ltd						
TC01						
Net90						
DL201	15/06/2009	\$37,000.00				\$37,000.00
DL588	15/09/2009	\$29,350.00	\$29,350.00			
Total:		\$66,350.00	\$29,350.00	\$0.00	\$0.00	\$37,000.00
Silver Ltd						
TC02						
Net30						
SL3334	6/07/2009	\$20,000.00			\$20,000.00	
SL3378	15/09/2009	\$15,000.00	\$15,000.00			
Total:		\$35,000.00	\$15,000.00	\$0.00	\$20,000.00	\$0.00
Grand Total:		\$113,350.00	\$44,350.00	\$0.00	\$32,000.00	\$37,000.00
Ageing Percent			39.1%	0.0%	28.2%	32.6%

Charles Lam						
General Journal						
1/08/2009 To 30/09/2009						
ID#	Acct#	Account Name	Debit	Credit	Job No.	
GJ	1/08/2009	Correction of errors				
GJ000001	3-1200	Drawings	\$1,000.00			
GJ000001	5-1100	Purchases		\$1,000.00		
GJ	1/08/2009	Correction of errors				
GJ000002	9-2000	Suspense	\$700.00			
GJ000002	4-1100	Sales		\$700.00		
GJ	1/08/2009	Correction of errors				
GJ000003	6-2100	Maintenance & Repairs	\$800.00			
GJ000003	9-2000	Suspense		\$800.00		
GJ	9/09/2009	Purchase of a second-hand car				
GJ000004	1-1310	Motor Vehicles at Cost	\$20,000.00			
GJ000004	2-2350	Other Payable		\$20,000.00		
* GJ	30/09/2009	Inventory adjustment				
GJ000005	5-1300	Inventory adjustment	\$135,000.00			
GJ000005	1-2300	Inventory		\$135,000.00		
GJ000005	1-2300	Inventory	\$323,000.00			
GJ000005	5-1300	Inventory adjustment		\$323,000.00		
GJ	30/09/2009	Insurance from April to Sept 2009				
GJ000006	6-1800	Insurance	\$5,000.00			
GJ000006	1-3200	Prepayments		\$5,000.00		
GJ	30/09/2009	Prepayment for Oct to Dec 2009				
GJ000007	1-3200	Prepayments	\$1,250.00			
GJ000007	6-1800	Insurance		\$1,250.00		
GJ	30/09/2009	Wages accrued for Sept 2009				
GJ000008	6-2330	Wages & Salaries	\$4,000.00			
GJ000008	2-2210	Accruals		\$4,000.00		
GJ	30/09/2009	Depreciation for the year				
GJ000009	6-1500	Depreciation	\$10,720.00			
GJ000009	1-1220	Furniture & Fixtures Accum Dep		\$6,720.00		
GJ000009	1-1320	Motor Vehicles Accum Dep		\$4,000.00		
Grand Total:			\$501,470.00	\$501,470.00		

* net amount of \$188,000 is the alternative answer

Charles Lam						
Bank Register						
1/08/2009 To 30/09/2009						
ID#	Src	Date	Memo/Payee	Deposit	Withdrawal	Balance
1-2110	Cheque Account					
CR01	CR	3/08/2009	Payment Bristol Company	\$15,000.00		\$35,000.00
CR02	CR	7/08/2009	Payment Cargo Transport	\$24,500.00		\$59,500.00
567891	CD	10/08/2009	Copper Ltd		\$23,750.00	\$35,750.00
Contra	CD	25/08/2009	Money received by the owner - inv.733-09		\$10,000.00	\$25,750.00
Contra	CR	25/08/2009	Payment Cargo Transport	\$10,000.00		\$35,750.00
567892	CD	31/08/2009	Landlord Ltd		\$2,000.00	\$33,750.00
567893	CD	31/08/2009	CPP Ltd		\$800.00	\$32,950.00
567894	CD	31/08/2009	Cash		\$3,000.00	\$29,950.00
CR03	CR	1/09/2009	Payment Bristol Company	\$10,000.00		\$39,950.00
567895	CD	30/09/2009	Landlord Ltd		\$2,000.00	\$37,950.00
567896	CD	30/09/2009	CPP Ltd		\$752.00	\$37,198.00
				\$59,500.00	\$42,302.00	

CHAPTER 25

1.
(a)

Teddy Ltd			
Profit & Loss Statement			
April 2008 through June 2008			
Income			
Sales			
Sales	\$200,000.00		
Total Sales		\$200,000.00	
Sales Returns		(\$5,000.00)	
Total Income			\$195,000.00
Cost Of Sales			
Purchases			
Purchases	\$115,000.00		
Total Purchases		\$115,000.00	
Purchase Returns & Allowance		(\$1,000.00)	
Inventory Adjustment		(\$9,000.00)	
Total Cost Of Sales			\$105,000.00
Gross Profit			\$90,000.00
Expenses			
General & Administrative Exp			
Depreciation	\$25,125.00		
Discounts Allowed	\$1,550.00		
Bad Debts	\$5,000.00		
Insurance	\$1,000.00		
Total General & Administrative Exp		\$32,675.00	
Operating Expenses			
Rent	\$15,000.00		
Total Operating Expenses		\$15,000.00	
Employment Expenses			
Wages & Salaries	\$60,000.00		
Total Employment Expenses		\$60,000.00	
Total Expenses			\$107,675.00
Operating Profit			(\$17,675.00)
Other Income			
Discounts Received		\$1,300.00	
Gain on Disposal of Assets		\$1,000.00	
Total Other Income			\$2,300.00
Other Expenses			
Interest Expense		\$5,232.00	
Total Other Expenses			\$5,232.00
Net Profit/(Loss)			(\$20,607.00)

Teddy Ltd

Balance Sheet

As at June 2008

Assets**Fixed Assets**

Buildings and Improvements

Bldgs. & Imprvmnts at Cost

\$1,800,000.00

Bldgs & Imprvmnts Accum Dep

(\$562,500.00)

Total Buildings and Improvements

\$1,237,500.00

Machinery

Machinery at Cost

\$105,000.00

Machinery Accum Dep

(\$38,625.00)

Total Machinery

\$66,375.00

Total Fixed Assets

\$1,303,875.00

Current Assets

Cash and Bank Balances

Bank

(\$8,482.00)

Total Cash and Bank Balances

(\$8,482.00)

Trade Debtors

\$200,000.00

Inventory

\$44,000.00

Prepaid Insurance

\$11,000.00

Total Current Assets

\$246,518.00

Total Assets

\$1,550,393.00

Liabilities

Long Term Liabilities

Bank Loans

\$150,000.00

Total Long Term Liabilities

\$150,000.00

Current Liabilities

Trade Creditors

\$277,000.00

Bank Loans - current portion

\$40,000.00

Accrued Interest

\$5,000.00

Other Current Liabilities

\$24,000.00

Total Current Liabilities

\$346,000.00

Total Liabilities

\$496,000.00

Net Assets

\$1,054,393.00

Equity

Owner/Shareholder's Equity

Ordinary shares of \$1 each

\$500,000.00

Share premium

\$100,000.00

Total Owner/Shareholder's Equity

\$600,000.00

General Reserve

\$200,000.00

Retained Earnings

\$275,000.00

Current Year Earnings

(\$20,607.00)

Total Equity

\$1,054,393.00

Teddy Ltd.							
Cash Disbursements Journal							
4/1/2008 To 6/30/2008							
	ID#		Acct#	Account Name	Debit	Credit	Job No.
GD		4/8/2008	Square Plc.				
	360001		1-2110	Bank		\$63,700.00	
	360001		2-2200	Trade Creditors	\$63,700.00		
CD		4/8/2008	Telcom Ltd.				
	360002		1-2110	Bank		\$1,500.00	
	360002		2-2210	Accruals	\$1,500.00		
GD		4/6/2008	Cash cheque				
	360003		1-2110	Bank		\$18,500.00	
	360003		2-2210	Accruals	\$18,500.00		
CD		4/30/2008	Cash cheque				
	360004		1-2110	Bank		\$20,000.00	
	360004		6-5130	Wages & Salaries	\$20,000.00		
CD		4/30/2008	Management Ltd.				
	360005		1-2110	Bank		\$5,000.00	
	360005		6-4400	Rent	\$5,000.00		
CD		5/31/2008	Cash cheque				
	360006		1-2110	Bank		\$20,000.00	
	360006		6-5130	Wages & Salaries	\$20,000.00		
CD		5/31/2008	Management Ltd.				
	360007		1-2110	Bank		\$5,000.00	
	360007		6-4400	Rent	\$5,000.00		
CD		5/31/2008	Bank statement				
	Auto-Dr		1-2110	Bank		\$232.00	
	Auto-Cr		9-1000	Interest Expense	\$232.00		
CD		6/30/2008	Cash cheque				
	360008		1-2110	Bank		\$20,000.00	
	360008		6-5130	Wages & Salaries	\$20,000.00		
CD		6/30/2008	Management Ltd.				
	360009		1-2110	Bank		\$5,000.00	
	360009		6-4400	Rent	\$5,000.00		
CD		6/30/2008	Safe Insurance Co. Ltd.				
	360010		1-2110	Bank		\$12,000.00	
	360010		6-1800	Insurance	\$1,000.00		
	360010		1-2400	Prepaid Insurance	\$11,000.00		
GD		6/30/2008	Two Brothers Bank				
	360011		1-2110	Bank		\$10,000.00	
	360011		2-1100	Bank Loans	\$10,000.00		
Grand Total:					\$180,932.00	\$180,932.00	

2.
(a)

Charles Lam								
General Ledger [Summary]								
108/2009 To 30.09/2009								
Acct#	Account Name	Beginning Balance		Total Debit	Total Credit	Net Activity		Ending Balance
1-1220	Furniture & Fixtures Accum Dep	\$8,400.00	cr	\$0.00	\$6,720.00	\$6,720.00	cr	\$15,120.00
1-1310	Motor Vehicles at Cost	\$0.00		\$20,000.00	\$0.00	\$20,000.00		\$20,000.00
1-1320	Motor Vehicles Accum Dep	\$0.00		\$0.00	\$4,000.00	\$4,000.00	cr	\$4,000.00
1-2110	Cheque Account	\$20,000.00		\$59,500.00	\$42,302.00	\$17,198.00		\$37,198.00
1-2200	Trade Debtors	\$73,000.00		\$25,000.00	\$61,000.00	\$36,000.00	cr	\$37,000.00
1-2300	Inventory	\$135,000.00		\$323,000.00	\$135,000.00	\$188,000.00		\$323,000.00
1-3200	Prepayments	\$5,000.00		\$1,250.00	\$5,000.00	\$3,750.00	cr	\$1,250.00
2-2200	Trade Creditors	\$94,000.00	cr	\$26,300.00	\$45,650.00	\$19,350.00	cr	\$113,350.00
2-2210	Accruals	\$0.00		\$0.00	\$4,000.00	\$4,000.00	cr	\$4,000.00
2-2350	Other payable	\$0.00		\$0.00	\$20,000.00	\$20,000.00	cr	\$20,000.00
3-1200	Drawings	\$0.00		\$11,000.00	\$0.00	\$11,000.00		\$11,000.00
4-1100	Sales	\$328,000.00	cr	\$0.00	\$21,200.00	\$21,200.00	cr	\$349,200.00
4-2000	Sales Returns	\$5,000.00		\$500.00	\$0.00	\$500.00		\$5,500.00
5-1100	Purchases	\$375,000.00		\$45,000.00	\$1,000.00	\$44,000.00		\$419,000.00
5-1200	Purchases Returns	\$2,000.00	cr	\$0.00	\$650.00	\$650.00	cr	\$2,650.00
5-1300	Inventory adjustment	\$0.00		\$135,000.00	\$323,000.00	\$188,000.00	cr	\$188,000.00
6-1500	Depreciation	\$0.00		\$10,720.00	\$0.00	\$10,720.00		\$10,720.00
6-1800	Insurance	\$2,500.00		\$5,000.00	\$1,250.00	\$3,750.00		\$6,250.00
6-2000	Rent and Rates	\$45,000.00		\$4,000.00	\$0.00	\$4,000.00		\$49,000.00
6-2100	Maintenance & Repairs	\$0.00		\$800.00	\$0.00	\$800.00		\$800.00
6-2330	Wages & Salaries	\$27,500.00		\$7,000.00	\$0.00	\$7,000.00		\$34,500.00
6-2920	Electricity	\$4,800.00		\$1,552.00	\$0.00	\$1,552.00		\$6,352.00
6-3010	Discounts Allowed	\$0.00		\$500.00	\$0.00	\$500.00		\$500.00
8-1000	Discount Received	\$0.00		\$0.00	\$1,250.00	\$1,250.00	cr	\$1,250.00
9-2000	Suspense	\$4,100.00		\$700.00	\$4,800.00	\$4,100.00	cr	\$0.00
Total:				\$676,822.00	\$676,822.00			

Charles Lam			
Balance Sheet			
As at September 2009			
Assets			
Fixed Assets			
Furniture & Fixtures			
Furniture & Fixtures at Cost	\$42,000.00		
Furniture & Fixtures Accum Dep	(\$15,120.00)		
Total Furniture & Fixtures		\$26,880.00	
Motor Vehicles			
Motor Vehicles at Cost	\$20,000.00		
Motor Vehicles Accum Dep	(\$4,000.00)		
Total Motor Vehicles		\$16,000.00	
Total Fixed Assets			\$42,880.00
Current Assets			
Cash On Hand			
Cheque Account	\$37,198.00		
Total Cash On Hand		\$37,198.00	
Trade Debtors		\$37,000.00	
Inventory		\$323,000.00	
Total Current Assets			\$397,198.00
Other Assets			
Prepayments		\$1,250.00	
Total Other Assets			\$1,250.00
Total Assets			\$441,328.00
Liabilities			
Current Liabilities			
Trade Creditors		\$113,350.00	
Accruals		\$4,000.00	
Other Payable		\$20,000.00	
Total Current Liabilities			\$137,350.00
Total Liabilities			\$137,350.00
Net Assets			
			\$303,978.00
Equity			
Owner's Equity			
Capital - opening	\$310,000.00		
Drawings	(\$11,000.00)		
Total Owner's Equity		\$299,000.00	
Current Year Earnings		\$4,978.00	
Total Equity			\$303,978.00

CHAPTER 27

Work Them Out

1. C	2. A	3. B	4. C	5. D	6. A	7. A	8. C	9. B	10. A
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Short Questions

- (a) Hardware, software and network failures

Reliability of hardware

Recording transactions and generating reports are routine work frequently performed with accounting software, which means it also stores valuable and up-to-date information.

Companies rely on this stored information to operate their businesses. Therefore, it could be disastrous for a company if the computer systems were not reliable. Hard disk damage, hardware overheating or other failures are examples of such concerns.

Software compliance

Some accounting software requires special operating systems, specific database systems and/or application software. If the accounting software has not been installed properly, program error or data loss may occur.

Network capacity

In order to operate efficiently, accounting software is usually installed in a server and supports multi-user access. If the network infrastructure has not been designed properly or an outdated network device has been used, you may also suffer slowdown in the software or even network failure caused by an overload or a “bottle-neck” in the server connection. In these circumstances, transactions may be recorded incompletely, corrupted or lost.

(b) Human errors

Input error

This is usually caused by carelessness, e.g. selecting the wrong customer or supplier in recording of a transaction, entering the wrong amount or invoice date, or reversing the debit and credit side of an entry.

Omission of information

This is caused by a failure to follow established procedures, but it usually does not affect the accounting entries. Examples include the omission of delivery dates, cheque number from a customer, details of a product item or description of a transaction.

Using the wrong file

This occurs in the import of a wrong external data file, such as when importing new customers as suppliers, or sales transactions as purchases invoices. A wrong data backup file may also have been selected to perform data restoration.

(c) Frauds

Unauthorised access to accounting software

Some users prefer simple passwords, such as a nickname, birthday or telephone number. The problem is that these passwords may be easily traced by hackers or non-accounting staff, who can then access the accounting software and obtain confidential information such as financial position, staff salaries, and customer and supplier information.

Theft of data and information

In some cases, competitors — trying to increase their customer base, build connections with suppliers, or lower costs of production — may obtain customer, supplier or product lists by employing hackers and existing staff of the target competitor to “steal” data files.

Manipulation of records and transactions

Some people manipulate a company's records and transactions by breaking into the accounting software. They may do so to “improve” their performance appraisal, obtain benefits from the company or clients, or even express dissatisfaction to the company.

(d) Program errors

Logic errors in the program

Due to mistakes by programmers, some functions in a program may work incorrectly. Unintended and unexpected output may result.

Improper program testing

At other times, due to rushed deadlines, lack of experience in testing or poorly trained personnel, syntax errors may be found in frequently used operations, or the outputs do not fulfil the customer's requirements.

(e) Others

Hacker attack via Internet

Most companies use Internet services to communicate with customers, suppliers or even internally among colleagues, e.g. to send or receive e-mails, browse websites or conduct web conferences. If the firewall has been improperly configured or its settings are not regularly reviewed, hackers can attack the network and easily capture confidential information.

Computer viruses and worms

Computer viruses are designed and distributed to affect the normal operations of computers by editing computer programs, destroying programs and data, obtaining user login and passwords, and so on.

A computer worm is a self-replicating malicious software, which usually copies and distributes itself through a computer network without user intervention. Unlike viruses, worms usually affect and interfere with the bandwidth of a network.

(Any *THREE* risks with *ONE* related example)

2. (a) Hardware, software and network failures

Reliability of hardware

Recording transactions and generating reports are routine work frequently performed with accounting software, which means it also stores valuable and up-to-date information.

Companies rely on this stored information to operate their businesses. Therefore, it could be disastrous for a company if the computer systems were not reliable. Hard disk damage, hardware overheating or other failures are examples of such concerns.

Software compliance

Some accounting software requires special operating systems, specific database systems and/or application software. If the accounting software has not been installed properly, program error or data loss may occur.

Network capacity

In order to operate efficiently, the accounting software is usually installed in a server and supports multi-user access. If the network infrastructure has not been designed properly or an outdated network device has been used, you may also suffer slowdown in the software or even network failure caused by an overload or a “bottle-neck” in the server connection. In these circumstances, transactions may be recorded incompletely, corrupted or lost.

Solutions:

- Perform regular checks on the hardware and network, making sure these will operate reliably in the foreseeable future.
- Have a hardware replacement plan so that frequently-used devices can be replaced before they deteriorate.
- Join a hardware maintenance scheme; once hardware performance becomes unreliable, it is repaired or replaced immediately.
- Employ IT professionals to provide consultation on the deployment of accounting software and inspection of any irregularities in the system performance.

(b) Human errors

Input errors

This is usually caused by carelessness, e.g. selecting the wrong customer or supplier in recording of a transaction, entering the wrong amount or invoice date, or reversing the debit and credit side of an entry.

Omission of information

This is caused by failure to follow established procedures, but it usually does not affect the accounting entries. Examples include the omission of delivery dates, cheque number from a customer, details of a product item or description of a transaction.

Using the wrong file

This occurs in the importing of the wrong external data file, such as when importing new customers as suppliers, or importing sales transactions as purchases invoices. A wrong data backup file may also have been selected to perform data restoration.

Solutions:

- Provide input checks in the accounting software, so that most input errors or omissions can be identified and the relevant parties alerted.
- Provide exception reports to highlight any abnormal transactions or necessary information left blank.
- Allow for immediate checks by supervisors or senior staff to make sure all data is imported properly.
- Ensure transactions have been authorised or checked before they can be entered into the system.

(c) Frauds

Unauthorised access of accounting software

Some users prefer simple passwords, such as a nickname, birthday or telephone number. The problem is that these passwords may be easily traced by hackers or non-accounting staff, who can then access the accounting software and obtain confidential information such as financial position, staff salaries, and customer and supplier information.

Theft of data and information

In some cases, competitors — trying to increase their customer base, build connections with suppliers, or lower costs of production — may obtain customer, supplier or product lists by employing hackers and existing staff of the target competitor to “steal” data files.

Manipulation of records and transactions

Some people manipulate a company's records and transactions by breaking into the accounting software. They may do so to "improve" their performance appraisal, obtain benefits from the company or clients, or even express dissatisfaction to the company.

Solutions:

- Adopt a policy that requires regular password changes.
- Encourage or require staff to use secure passwords.
- Encourage and request staff to log off from the system when they leave their seat or workstation.
- Install firewalls and review the settings regularly to prevent attacks from hackers.
- Restrict or prohibit the use of storage media, such as USB drives, mobile hard disks, recordable CDs or DVDs.
- Adopt access controls over the menu bar and program functions by establishing an authorisation table.
- Review activity and transaction logs regularly to check for irregular behaviour.
- Require data encryption throughout the accounting system so data cannot be easily accessed by external parties.

(d) Program errors

Logic errors in the program

Due to mistakes by programmers, some functions in a program may work incorrectly. Unintended and unexpected output may result.

Improper program testing

At other times, due to rushed deadlines, lack of experience in testing or poorly trained personnel, syntax errors may be found in frequently used operations, or the outputs do not fulfil the customer's requirements.

Solutions:

- Perform user acceptance tests before the launch of accounting software.
- Perform parallel runs of accounting software over a period of time to ensure all outputs are matched and properly generated.
- Inform and consult the software vendor when irregularities were found.
- Join software maintenance plans to receive the latest software updates.

(e) Others

Hacker attack via Internet

Most companies use Internet services to communicate with customers, suppliers or even internally among colleagues, e.g. to send or receive e-mails, browse websites or conduct web conferences. If the firewall has been improperly configured or its settings are not regularly reviewed, hackers can attack the network and easily capture confidential information.

Computer viruses and worms

Computer viruses are designed and distributed to affect the normal operations of computers by editing computer programs, destroying programs and data, obtaining user login and passwords, and so on.

A computer worm is a self-replicating malicious software, which usually copies and distributes itself through a computer network without user intervention. Unlike viruses, worms usually affect and interfere with the bandwidth of a network.

Solutions:

- Employ IT professionals to conduct regular security tests and reviews. This will ensure the network and computers are secured, and the security settings are up-to-date.
- Install firewall and anti-virus software, and perform regular updates to prevent attacks from hackers and computer viruses.
- Establish a proper backup and recovery plan to minimise data loss.
- Establish contingency plans against unexpected system downtime.

(Any TWO risks with ONE related example and TWO related solutions)