**Week 3 Tutorial solutions**

**Question 1**

**M. McKee**

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| --- | --- | --- | --- | --- | --- |
| **Statement of profit or loss for 'M McKee' for the** | | | | | |
| **year ended 31 December 20X9** | | | | | |
|  |  |  | **£** | | **£** |
| Sales revenue | | | | | 109,250 |
| ***Cost of goods sold*** | | | | |  |
| Purchases | |  | | 86,452 |  |
| Closing inventory | | | | (11,000) | 75,452 |
| ***Gross profit*** | |  | |  | 33,798 |
| ***Less: expenses*** | | | |  |  |
| Salaries | |  | | 13,560 |  |
| General expenses | | | | 5,250 |  |
| Motor expenses | | | | 1,365 |  |
| Lighting & heating | | | | 890 |  |
| Insurance | |  | | 550 |  |
| Rent |  |  | | 380 | 21,995 |
| ***Profit for the year*** | | | |  | 11,803 |
|  |  |  | |  |  |
|  |  |  | |  |  |

**Statement of financial position for M. McKee as at 31 December 20X9**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **ASSETS** | | | **£** | **£** |
| **Non-current assets** | | |  |  |
| Buildings | |  |  | 30,000 |
| Fixtures | |  |  | 18,750 |
| Motor vans | |  |  | 2,500 |
|  | | |  | 51,250 |
| **Current assets** | | |  |  |
| Inventories |  |  |  | 11,000 |
| Trade receivables | | |  | 15,250 |
| Bank |  |  |  | 4,200 |
|  |  |  |  | 30,450 |
| **Total assets** | | |  | 81,700 |
| **EQUITY AND LIABILITIES** | | |  |  |
| **Equity capital** | | |  |  |
| Capital | |  |  | 66,405 |
| Profit for the year | | |  | 11,803 |
|  |  |  |  | 78,208 |
| Drawings | |  |  | (5,258) |
|  | |  |  | 72,950 |
| **Current liabilities** | | |  |  |
| Trade payables | | |  | 8,750 |
|  | |  |  | 81,700 |

**Question 2**

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| ***J. Peters*** |  |  |  |
| ***Statement of profit or loss***  ***For the year ended 30 September 20X9*** | | | |
|  | £ | £ | £ |
| Sales revenue |  |  | 45,600 |
| Returns inwards |  |  | (3,800) |
| Net sales revenue |  |  | 41,800 |
| *Cost of sales* |  |  |  |
| Inventory at 1 Oct 20X4 |  | 3,720 |  |
| Purchases | 29,300 |  |  |
| *R*eturns outwards | (2,700) |  |  |
|  | 26,600 |  |  |
| Carriage inwards | 960 | 27,560 |  |
|  |  | 31,280 |  |
| Inventory at 30 Sept 20X5 |  | (4,580) |  |
|  |  |  | (26,700) |
| *Gross profit* |  |  | 15,100 |
| Interest received |  |  | 450 |
| Rent received |  |  | 630 |
|  |  |  | 16,180 |
| *Less:* Expenditure |  |  |  |
| Carriage outwards |  | 820 |  |
| Interest paid |  | 1,200 |  |
| Repairs to buildings |  | 810 |  |
| Plant hire charges |  | 360 |  |
| Bank charges |  | 240 |  |
|  |  |  | 3,430 |
| *Profit for the year* |  |  | 12,750 |
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| ***J. Peters*** |  |  |  |
| ***Statement of financial position as at 30 September 20X9*** | | | |
| **ASSETS** |  |  | £ |
| ***Non-current assets*** |  |  |  |
| Land & buildings |  |  | 26,000 |
| Plant & machinery |  |  | 13,500 |
|  |  |  | 39,500 |
| ***Current assets*** |  |  |  |
| Inventories |  |  | 4,580 |
| Trade receivables |  |  | 7,390 |
| Available-for-sale investments\* |  |  | 4,800 |
| Cash |  |  | 510 |
|  |  |  | 17,280 |
|  |  |  | 56,780 |
|  |  |  |  |

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| --- | --- | --- | --- |
|  |  |  |  |
| ***EQUITY AND LIABILITIES*** |  |  | £ |
| ***Equity capital*** |  |  |  |
| Balance at 1 Oct 20X4 |  |  | 32,890 |
| Profit for the year |  |  | 12,750 |
|  |  |  | 45,640 |
| Drawings |  |  | (5,200) |
| Balance at 30 Sept 20X5 |  |  | 40,440 |
|  |  |  |  |
| ***Non-current liabilities*** |  |  |  |
| Loan - A. Drew |  |  | 10,000 |
| ***Current liabilities*** |  |  |  |
| Trade payables |  |  | 4,620 |
| Bank overdraft |  |  | 1,720 |
|  |  |  | 6,340 |
| ***Total liabilities*** |  |  | 16,340 |
| ***Total equity and liabilities*** |  |  | 56,780 |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

***Note***

\*The student should state that s/he is assuming that the listed investments are intended to be held for less than one year from the date of the statement of financial position and are thus a current asset. Alternatively, it may be assumed that these are to be held for more than one accounting year and are therefore a non-current asset.

**Carriage inwards** is the shipping and handling costs incurred by a company that is receiving goods from suppliers. Carriage inwards, also termed as transportation inwards or freight inwards. It is treated as a direct expense and is always reflected on the debit.

The cost incurred by the seller of goods to deliver the goods sold to customers is called **Carriage Outwards**. The amount of **Carriage Outward is posted in the Profit and Loss Account** as an **indirect expense** and **the amount of Carriage Inward in Trading Account as a direct expense.**