

- 2 A** Marie Motiwala's draft profit and loss account for the year ended 30 April 2008 was prepared by her new book-keeper and showed a loss of \$100 000. The following errors were then discovered.
- 1 Capital of \$80 000 contributed by Marie Motiwala had been included in sales.
  - 2 Sales returns of \$20 000 had been debited to purchases returns.
  - 3 No provision for depreciation on equipment had been charged for the year. Depreciation should have been provided for using the reducing balance method at 40 % per annum. The book value of equipment at 1 May 2007 was \$240 000.
  - 4 Accrued bank interest of \$10 000 payable at 30 April 2008 had been omitted from the accounts.
  - 5 Marie Motiwala's drawings of \$50 000 had been debited to wages.
  - 6 Stock valued at \$10 000 at 30 April 2008 should have been valued at \$1000.
  - 7 Stock costing \$11 000 taken for Marie Motiwala's personal use during the year had not been recorded in the accounts.
  - 8 A \$20 000 interest free loan to an employee had been debited to the wages account.
  - 9 \$100 000 had been debited to the equipment account. Of this amount, \$25 000 should have been debited to equipment repairs.
  - 10 Stock costing \$22 000 was delivered to the business on 28 April 2008 and was included in the end-of-year stocktaking. The invoice was received and entered into the accounting records on 3 May 2008.



**B** JR's sales ledger control account balances at 1 March 2008 were as follows.

Dr \$340 600

Cr \$1 960

During March 2008 the following transactions took place.

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Credit sales	295 000
Cash sales	219 750
Sales returns from credit customers	6 480
Receipts from debtors	238 600
Discounts allowed	3 500

Additional information for the month of March 2008

- 1 The receipts from debtors included a cheque for \$3600 in full settlement of a debt of \$3800. This was returned by the bank on 28 March marked "insufficient funds".
- 2 Eva Little and JR both buy from and sell to each other. At 31 March 2008 Eva owed JR \$5000 and JR owed \$8600 to Eva. They agreed to offset balances, the net amount being payable by JR on 31 March 2008.
- 3 It was agreed that a debt of \$2300 from Alice Springs was bad and it was written off.
- 4 The total credit balances in the sales ledger control account at 31 March 2008 were \$8340.

## REQUIRED

**(a)** Prepare JR's sales ledger control account for the month of March 2008.

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(b) State **three** possible reasons why a debtor's account might have a credit balance.

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(c) State **three** reasons for keeping control accounts.

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