

- 2 Simone operates a double entry system of book-keeping.

REQUIRED

- (a) Explain why a trial balance may be arithmetically correct even though errors have been identified.

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Additional information

Simone extracted a trial balance before preparing the financial statements for the year ended 30 June 2020. The totals of the trial balance did not agree.

The following errors were discovered.

- 1 A total of \$5600 from the sales returns journal had been credited to the purchases returns account.
- 2 A motor vehicle costing \$15 000, acquired on 1 March 2020, had been posted to the motor expenses account. Simone does not own any other vehicles.
- 3 Discount received of \$750 had not been posted to the discount received account.
- 4 A payment of \$300 for insurance had been entered correctly in the cash book. No other entry had been made.

REQUIRED

(b) Prepare the journal entries to correct the errors. Narratives are **not** required.

Simone
General journal

	Dr \$	Cr \$

[4]

Additional information

Simone's policy is to depreciate motor vehicles at 25% using the straight-line method on a monthly basis.

She prepared a draft income statement that showed a profit for the year of \$47 835 before the correction of errors.

REQUIRED

(c) Calculate the revised profit for the year **after** the correction of errors.

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(d) State **three** uses of the general journal other than the correction of errors.

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