**SINGAPORE POLYTECHNIC**

**BA9026/ EP0709 Accounting**

**BA4114 Fundamentals of Accounting**

**Question 1**

The following are the transactions of Zackery Pte Ltd for the month of October 2020:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| October 1 | Issue 60,000 ordinary shares at $2 per share to Zackery in exchange for cash which was deposited to the business bank account. | | | |
| 3 | Bought office equipment for $15,000 from Ting on credit. | | | |
| 8 | Bought $25,000 of inventory on credit from Lenglin. | | | |
| 10 | Sold $11,000 of inventory on credit to Bing. The cost of inventory sold was $3,300. | | | |
| 12 | Returned $5,000 of inventory to Lenglin due to damage. | | | |
| 15 | Bing returned $3,000 of inventory due to wrong specifications. The cost of inventory returned was $1,000. | | | |
| 18 | Paid the following by cash: | | | |
|  |  | rent | $3,000 |  |
|  |  | salary | $4,000 |  |
|  |  | utilities | $1,000 |  |
| 24 | Paid $10,000 to Lenglin as partial settlement of amount owing. | | | |
| 28 | Received $$6,000 from Bing as partial settlement of amount owing. | | | |
|  |  | | | |

**Required**

1. Prepare the journal entries for the above transactions for the month of October 2020. Narration is not required.
2. The company bought a shop unit for $100,000 in September 2020. After 6 months, the market value of the shop unit is $180,000. Explain how the company should treat the increase in market value of $80,000 in the company’s book with reference to two relevant accounting concept.

**Question 2**

Porter Pte Ltd completed the following transactions during the month of August:

1. Porter received 80,000 ordinary share of $1 each after investing $80,000 cash into the business, Porter Pte Ltd.
2. Bought $30,000 of inventory on credit from Clement.
3. Sold $10,000 of the inventory on credit to Amy. The cost of the inventory sold was $4,000.
4. Amy returned $2,000 of inventory bought. The cost of inventory returned was $500.

**Required:**

Indicate the effect of each transaction and the balances after each transaction, using the following tabular headings:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | | | | | **=** | **Liabilities** | **+** | **Shareholders' Equity** | | | | |  |  |
|  | Cash | + | Inventory | + | Accounts Receivable, Amy | = | Accounts Payable, Clement | + | Ordinary share capital | + | Sales Revenue | - | Cost of Sales | - | Sales Returns |
| (a) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (b) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (c) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (d) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | | | | |  |  |  |  | | | | | | |