**SINGAPORE POLYTECHNIC**

**BA9026/ EP0709 Accounting**

**BA4114 Fundamentals of Accounting**

**Question 1**

(a)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Description | Debit ($) | Credit ($) |  |
| 2020 |  |  |  |  |
| October 1 | Cash | 120,000 |  |  |
|  | Ordinary share capital |  | 120,000 |  |
|  |  |  |  |  |
| 3 | Office equipment | 15,000 |  |  |
|  | Accounts payable, Ting |  | 15,000 |  |
|  |  |  |  |  |
| 8 | Inventory | 25,000 |  |  |
|  | Accounts payable, Lenglin |  | 25,000 |  |
|  |  |  |  |  |
| 10 | Accounts receivable, Bing | 11,000 |  |  |
|  | Sales revenue |  | 11,000 |  |
|  |  |  |  |  |
|  | Cost of sales | 3,300 |  |  |
|  | Inventory |  | 3,300 |  |
|  |  |  |  |  |
| 12 | Accounts payable, Lenglin | 5,000 |  |  |
|  | Inventory |  | 5,000 |  |
|  |  |  |  |  |
| 15 | Sales return | 3,000 |  |  |
|  | Accounts receivable, Bing |  | 3,000 |  |
|  |  |  |  |  |
|  | Inventory | 1,000 |  |  |
|  | Cost of sales |  | 1,000 |  |
|  |  |  |  |  |
| 18 | Rent | 3,000 |  |  |
|  | Salary | 4,000 |  |  |
|  | Utilities | 1,000 |  |  |
|  | Cash |  | 8,000 |  |
|  |  |  |  |  |
| 24 | Accounts payable, Lenglin | 10,000 |  |  |
|  | Cash |  | 10,000 |  |
|  |  |  |  |  |
| 28 | Cash | 6,000 |  |  |
|  | Accounts receivable |  | 6,000 |  |
|  |  |  |  |  |

(b)

The company bought the shop unit at $200,000 and therefore it should be recorded in the books as $200,000 even though the market value is $280,000 after 6 months.

Historical cost concept states that it should be recorded at the amount paid so that it is objective and verifiable and not to adjust in books when the value goes up.

The going concern concept assume the business is going to operate for a long time and hence assets is recorded at historical costs. Unless there is evidence that the business is about to cease, then the assets will be valued at disposal values.

**Question 2**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | | | | | **=** | **Liabilities** | **+** | **Shareholders' Equity** | | | | |  |  |
|  | Cash | + | Inventory | + | Accounts Receivable, Amy | = | Accounts Payable, Clement | + | Ordinary share capital | + | Sales Revenue | - | Cost of Sales | - | Sales Returns |
| (a) | +80,000 |  |  |  |  |  |  |  | +80,000 |  |  |  |  |  |  |
| (b) |  |  | +30,000 |  |  |  | +30,000 |  |  |  |  |  |  |  |  |
| (c) |  |  |  |  | +10,000 |  |  |  |  |  | 10,000 |  |  |  |  |
|  |  |  | -4,000 |  |  |  |  |  |  |  |  |  | +4,000 |  |  |
| (d) |  |  |  |  | -2,000 |  |  |  |  |  |  |  |  |  | +2,000 |
|  |  |  | +500 |  |  |  |  |  |  |  |  |  | -500 |  |  |
| Total | 80,000 | + | 26,500 | + | 8,000 | = | 30,000 | + | 80,000 | + | 10,000 | - | 3,500 | - | 2,000 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 114,500 | | | | | = | 30,000 | + | 84,500 | | | | | | |