

Tutorial 1**Section A**

1. Define accounting. Explain the stages involved in your answer. (pg 1)
Accounting is the process of providing data/information to the respective users to help them make business decisions. It involves collection, recording, summarising and communicating financial information/data.

- **Collecting** - source documents as evidence/proof of transactions and as the source for recording business transactions.
- **Recording** - relevant details from source documents in the respective books of prime entry. Journals, Taccounts.
- **Summarising** - from the books of prime entry and transferring (posting) these summaries to the respective ledgers (T accounts)
- **Communicating** the accounting information to users, by preparing the financial statements for decision making purposes.

2. What is the difference between accounting and bookkeeping? (pg 1)

Bookkeeping	Accounting
An initial part of the accounting process that emphasises on – collecting and recording business transactions from the source documents to the respective books of prime entry, using the double entry system.	Process of providing data/information to the respective users to help them make business decisions.

3. Complete the gaps in the following table:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Assets (RM)	Liabilities (RM)	Equity (RM)
82,000	32,000	50,000
85,000	15,000	70,000
105,000	38,000	67,000
156,900 (Office equipment, motor vehicle, bank account)	0	156,900
73,000	38,000	35,000

4. Classify the following items into assets, liabilities and equity, then, find out the amount of capital:
- Bank RM20,000
 - Cash RM2,000
 - Drawings RM5,000
 - Loan from bank RM50,000
 - Inventories RM19,000
 - Motor vehicles RM80,000
 - Loss RM13,000
 - Payables RM15,000
 - Receivables RM18,000

You may use the following format for your answer:

	Types	Amount (RM)
Assets	Bank	20,000
	Cash	2,000
	Inventories	19,000
	Motor vehicles	80,000
	Receivables	18,000
		139,000

Liabilities	Loan from bank	50,000
	Payables	15,000
		65,000
Equity	Capital	92,000
	less: Drawings	(5,000)
	less: Loss	(13,000)
		74,000

Calculation for capital derived from [asset = liability + equity]

139,000 = 65,000 + (capital - 5,000 - 13,000)

capital = 139,000 - 65,000 + 5,000 + 13,000

capital = 92,000

5. State what are the correct classifications for the following items? Are they debit or credit items?

	Correct classification	Dr / Cr
Discount received (minus from buying of goods)	Revenue/Income (Other)	Cr
Commission received	Revenue/Income (Other)	Cr
Receivables	Asset	Dr
Cash from owner	Equity	Cr
Sales	Revenue/Income (Main)	Cr
Inventory sold	Expenses (Cost of goods sold)	Dr
Insurance claim received	Revenue/Income (Other)	Cr
Carriage inwards (购货运费)	Expenses	Dr
Advertising	Expenses	Dr
Office stationery (a lot vs a little)	Expenses	Dr
** If in stationery shop which consists of a lot of		

stationery, it will be an asset		
Payables	Liabilities	Cr
Cash to owner	Equity (Drawings)	Cr
Salaries	Expenses	Dr
Electricity	Expenses	Dr
Rental	Expenses	Dr
Discount given (reducing your sales as it is given to customer)	Expenses (cost of doing sales)	Dr
Insurance paid	Expenses	Dr
Bank interest paid	Expenses	Dr
Carriage outwards (销货运费)	Expenses	Dr
Commission paid	Expenses	Dr

6. Discuss the main users and their uses of accounting information. (pg 10,11)

Internal Users	
Main User	Uses of accounting Information
Owners/Shareholders	Obtain the necessary accounting information and evaluate the business whether it needs to be expanded or closed down.
Management	Planning, organising, controlling, coordinating, analysing and appraising business activities. To ensure business is operated efficiently to maximise returns to owners.
Employees	Employees are interested in accounting information as the payment of salary, other benefits, career growth, secured employment,

	career development depends on the profit earned.
External Users	
Suppliers	Suppliers need accounting information to decide supplying goods
Finance providers	Finance providers need accounting information to decide giving loan or requesting repayment of loan
Government	Government needs to decide the amount of tax which a business needs to pay and compile statistical data for economic analysis.
Investors	Investors need to know whether a company is worth investing in.
Customers	Customers may also have either a short-term or long-term interest in the business entity to know the profitability, liquidity and solvency position of the business.

Section B: Extra exercise questions (for students' own practice)**SPL and SFP - Chapter 4****Question 1**

Bibi contributed RM60,000 (Cr Capital) to start a new business on 1 March, selling school and college textbooks. The following are transactions that occurred in the month of March:

- Paid by cheque RM20,000 for fixtures and fittings - Dr Asset (fixtures and fittings) Cr (Bank)
- Paid by cheque RM6,000 for office equipment (i.e. computer, printer and fax machine) - Dr Asset (office equipment), Cr (Bank)

- Purchased inventories totalling RM30,000, of which RM15,000 was paid by cheque and the **balance will be paid 2 months later** - ↑ Dr Asset (Purchase), ↑ Cr (Liability)
- Sales totalling RM12,000, all deposited into the bank account (**inventories sold were costing RM9,000**) - ↑ Cr Revenue (Sales), ↑ Dr Asset Bank
- Paid staff salaries by cheque RM1,000 - ↑ Dr Expenses (staff salaries), ↓ Cr Bank
- Paid shop rental by cheque RM2,000 - ↑ Dr Expenses (shop rental), ↓ Cr Bank
- Paid utilities by cheque RM500 - ↑ Dr Expenses (utilities), ↓ Cr Bank
- Paid telephone by cheque RM300 - ↑ Dr Expenses (telephone), ↓ Cr Bank
- Paid printer ink and A4 paper by cheque RM600- ↑ Dr Expenses (printer ink), ↓ Cr Bank
- Withdrew RM3,000 cheque for personal use - Dr ↓ Equity (drawings), Cr Asset ↓ Bank

Accrual concept vs **cash concept**
Income without cash yet.

Chapter 3: Purchase cycle

1st stage

1st step: Credit purchase (accrual concept)

2nd step: return outwards journal

3rd step: cash book

Required:

- (a) Into which account was Bibi's capital contribution of RM60,000 deposited? Calculate the balance of this account at the end of March.

Capital injection was deposited into the bank account (cash).

	Cash Inflow Dr	Cash Outflow Cr
Capital	60,000	
Fixtures and fittings		(20,000)
Office equipment		(6,000)
Purchased inventories / Payment to suppliers		(15,000)
Sales	12,000	
Staff salaries		(1,000)
Rental		(2,000)
Utilities		(500)
Telephone		(300)
Printer ink		(600)
Drawings		(3,000)
Net cash balance		23,600 (current- asset)
	72,000	72,000

Balance of the account at the end of March = 72000 - 20000 - 6000 - 15000 - 1000 - 2000 - 500 - 300 - 600 - 3000 = **23,600**

- (b) Calculate the inventory balance at the end of March.

Beginning Inventory 101: What Is It & Formula to Calculate.

Payment 15,000 (bank)(asset)
Balance unpaid 15,000 (liabilities)
Sales 12,000

Inventory info

Opening inventory

- + Purchase 30,000
- Closing inventory (?)

= Inventories sold 9,000

Useful Formula

Cost of Goods Sold (COGS) = Opening Inventory + Purchases - Closing Inventory

The inventory balance at the end of March / Closing inventory = 30,000 - 9,000 = **21,000**

- (c) Prepare a listing based on the **Profit Determination Equation** for the month of March.

Hint: Identify the revenue/income and expenses from above and put them inside the table for profit determination.

Profit/Loss = Revenue/Income - Expenses

Profit Determination Equation for the month of March

	Types	Amount (RM)
Income	Sales	12,000
Expenses	Purchased inventories	9,000
	Staff salaries	1,000
	Rental	2,000
	Utilities	500
	Telephone	300
	Printer ink	600
		13,400
Loss	Income - Expenses	(1,400)

- (d) Prepare a listing based on the **Accounting Equation** as at the end of March.

Asset = Liabilities + Equity

Accounting Equation as at the end of March

	Types	Amount (RM)
Asset	Bank	23,600
	Fixtures and fittings	20,000
	Office equipment	6,000
	Closing inventory	21,000
		70,600
Liabilities	Trade payables	15,000
Equity	Opening capital	60,000
	Less: Loss	1,400
	Less: Drawings	3,000
	Closing capital	70,600

Notes for this Section 2 question 1

Opening inventories = Expenses

Purchase = Expenses

Closing inventories = Asset

Question 2

Alan extracted the following transaction for the month of May:

- 1 Started the business with cash RM1,000 and bank account of RM19,000 as capital. (Cr - Capital, Dr - Cash & Bank)
- 3 Bought a computer for RM3,600 from Syarikat Cerah Sdn. Bhd. on credit terms. (Dr - Office Equipment, Cr - TP: Syarikat Cerah Sdn.Bhd)
- 7 Purchased goods RM6,000 from Daya & Co on credit term. (Dr - Purchase, Cr - TP: Daya & Co)
- 9 Received cheque RM2,600 from sales on cash term. (Dr - Bank, Cr - Sales)
- 12 Issued a cheque RM3,000 for purchases of goods on cash terms. (Dr - Purchase, Cr - Cash)
- 16 Issued a cheque RM5,700 to Daya & Co., as settlement of purchases above, after deducting a discount received of RM300. (Dr - Daya&Co, Cr - Bank, Cr - Discount Received)
- 17 Sales of goods RM4,000 to Era Enterprise on credit term. (Dr - TR: Era Enterprise, Cr - Sales)
- 21 Fatimah withdrew cash RM200 for family use. (Dr - Drawings, Cr - Cash)
- 24 Issued a cheque RM2,000 to Syarikat Cerah Sdn. Bhd. as partial settlement of the amount owing. (Dr - Syarikat Cerah Sdn Bhd, Cr - Bank)
- 27 Received cheque RM3,800 from Era Enterprise, as settlement of sales above, after deducting discount allowed of RM200. (Dr - Discount allowed, Bank, Cr - Era Enterprise)
- 28 Miscellaneous expense RM280 paid by cash. (Dr - Miscellaneous expenses, Cr - Cash)

Required:

Prepare the journal entries to show the double entries of all the transactions above.

Journal Entries for the month of May

Date	Particulars	Debit (DR)	Credit (CR)
1	Cash Bank Capital Capital Injection to start business	1,000 19,000	20,000
3	Office Equipment TP: Syarikat Cerah Sdn Bhd Bough computer on credit term	3,600	3,600
7	Purchase TP: Daya&Co Purchase good on credit term	6,000	6,000
9	Bank Sales Cash sales	2,600	2,600
12	Purchase Cash Purchase good on cash term	3,000	3,000
16	TR: Daya & Co Bank Discount Received Settlement of debt to supplier, after deducting discount received	6,000	5,700 300
17	TR: Era Enterprise Sales Sales on credit term	4,000	4,000

21	Drawings Cash Cash withdrawal for family use	200	200
24	TP: Syarikat Cerah Sdn Bhd Bank Partial settlement of debt to supplier	2,000	2,000
27	Bank Discount Allowed TR: Era Enterprise Customer settle his debt, after deducting discount allowed	3,800 200	4,000
28	Miscellaneous Expense Cash Pay miscellaneous expense in cash term	280	280

Question 3

Prepare the journal entries to show the double entries of the following transactions of Gogo Trading in the month of March:

- 1 Started business with RM59,000 in the bank and RM1,000 cash. (Cr - Capital, Dr - Bank & Cash)
- 2 Bought stationery by cheque RM750. (Dr - Stationery, Cr - Bank)
- 3 Bought goods on credit from Smart Warehouse RM10,100. (Dr - Purchase, Cr - TP:Smart Warehouse)
- 4 Sold goods for cash RM3,400. (Dr - Cash, Cr - Sales)
- 5 Paid insurance by cash RM290. (Dr - Insurance, Cr - Cash)
- 7 Bought a computer on credit from Tech Trader RM4,000. (Dr - Office Equipment, Cr - TP:Tech Trader)
- 8 Paid miscellaneous expenses by cash RM50. (Dr - Miscellaneous expenses, Cr - Cash)
- 10 Sold goods on credit RM6,300 to Bina Construction. (Dr - TR:Bina Construction, Cr - Sales)
- 14 Paid wages by cash RM350. (Dr - Wages, Cr - Cash)
- 17 Paid rent by cheque RM2,250. (Dr - Rent, Cr - Bank)
- 20 Received cheque RM4,000 from Bina Construction. (Dr - Bank, Cr - TR:Bina Construction)
- 21 Paid Tech Trader by cheque RM4,000. (Dr - TP:Tech Trader, Cr - Bank)
- 23 Bought goods on credit from Savemart RM2,500. (Dr - Purchase, Cr - TP:Savemart)
- 25 Sold goods on credit to Flora Trader RM6,450. (Dr - TR:Flora Trader, Cr - Sales)
- 31 Paid Savemart by cheque RM1,250. (Dr - TP:Savemart, Cr - Bank)

Journal Entries for the month of March

Date	Particulars	Debit (DR)	Credit (CR)
1	Cash Bank Capital Capital injection to start business	1,000 59,000	60,000
2	Stationery Bank Bought stationery on cash term	750	750
3	Purchase TP: Smart Warehouse Purchase goods on credit term	10,100	10,100
4	Cash Sales Cash sales	3,400	3,400
5	Insurance Cash Pay insurance in cash term	290	290
7	Office Equipment TP:Tech Trader Bough computer on credit term	4,000	4,000
8	Miscellaneous expense Cash Pay miscellaneous expense in cash term	50	50

10	TR: Bina Construction Sales Sales on credit term	6,300	6,300
14	Wages Cash Pay wages on cash term	350	350
17	Rent Bank Pay rent on cash term	2,250	2,250
20	Bank TR: Bina Construction Customer settles his debt	4,000	4,000
21	TR: Tech Trader Bank Settlement of debt to supplier	4,000	4,000
23	Purchase TP: Savemart Purchase goods on credit term	2,500	2,500
25	TR: Flora Trader Sales Sales on credit term	6,450	6,450
31	TP: Savemart Bank Settlement of debt to supplier	1,250	1,250

Question 4

Mr John started his tailoring business on 1 January. He has no accounting knowledge and requires your help in doing up the accounts of his business. He has provided the following information for the whole year from 1 January to 31 DeBankcember.

RM

Bank balance (Asset Dr)	75,000
Cash balance (Asset Dr)	1,030
Sales (Revenue/ Income Cr)	86,660
Amount owing by Alex (TR, Asset Dr)	500
Amount owing by Jessy (TR, Asset Dr)	250
Amount owing by Gordon (TR, Asset Dr)	750
Cost of inventories sold (Expenses Dr)	5,150
Shop rental (Expenses Dr)	6,000
Equipment (Asset Dr)	15,000
Electricity and water (Expenses Dr)	3,880
Air-conditioners (Asset Dr)	6,000
Amount owing to Coco Textiles (TP, Liabilities Cr)	1,500
Interest received (Revenue/Income Cr)	300
Bank and cash withdrawn for home use (Dr Drawings, Equity)	12,000
Commission paid to Kent (introduced new customers) (Expenses Dr)	2,000
Inventories balance (Closing Inventory, Asset Dr)	2,900

Required:

- (a) Find out how much profit Mr John's business has made for the year, using the **Profit Determination Equation**.

Profit Determination Equation

	Particular	Amount (RM)
Income	Sales	86,660
	Interest received	300
		86,960
Expenses	Cost of inventories sold	5,150
	Shop rental	6,000
	Electricity and water	3,880
	Commission paid to Kent	2,000
		17,030
Net Profit	Income - Expenses	69,930

Asset = Liabilities + Equity

$101430 = 1500 + 69930 - 12000 + \text{capital}$
 $\text{capital} = 101430 + 12000 - 69930 - 1500$
 $\text{capital} = 42,000$

- (b) Find out how much capital was injected by Mr John into his business on 1 January, using the **Accounting Equation**.

Accounting Equation

	Particular	Amount (RM)
Asset	Bank balance	75,000
	Cash balance	1,030
	Account receivable	1,500
	Equipment	1,5000
	Air-conditioners	6,000
	Inventories balance	2,900
		101,430
Liabilities	Trade payables	1,500
Equity	Capital	42,000
	Add: Net Profit	69,930
	Less: Drawings	12,000
		101,430