**Modified Past Year Questions**

**Question 1**

Chi Ren is a trading business. The following is its trial balance for the year ended 31 October 2022.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Debit |  | Credit |
|  | RM |  | RM |
| Inventories as at 1 November 2021 | 50,000 |  |  |
| Sales |  |  | 450,000 |
| Purchases | 352,000 |  |  |
| Insurance | 2,500 |  |  |
| Salaries | 41,000 |  |  |
| Electricity | 4,500 |  |  |
| Buildings | 250,000 |  |  |
| Accumulated Depreciation: Buildings |  |  | 10,000 |
| Office equipment | 20,000 |  |  |
| Accumulated Depreciation: Office Equipment |  |  | 2,000 |
| Trade receivables | 25,000 |  |  |
| Bad debts | 3,000 |  |  |
| Allowance for doubtful debts |  |  | 6,000 |
| Bank | 168,000 |  |  |
| Cash | 15,000 |  |  |
| Drawings | 9,000 |  |  |
| Capital |  |  | 373,000 |
| Bank loan |  |  | 75,000 |
| Trade payables |  |  | 25,000 |
| Return Inwards | 1,000 |  |  |
|  | 941,000 |  | 941,000 |

Additional information: Stock count --- 2 to 4 days --- Year end.

Add on scenario: (Following the inventory flow)

4 entries:

Dr Purchases (352k + 5k) = 357k

Cr Cash (15k – 5k) = 10k

(Purchase of good)

Dr Closing inventory (current assets) 50,000 + 5,000 = 55,000

Cr Closing inventory (Cost of goods sold) 50,000 + 5,000 = 55,000

(Purchase happened after the stock count)

Cost of goods sold

Less: Closing inventory (55,000)

Current assets

Closing inventory (55,000)

Purchase: Good coming in – Adjustment**: Add on**

Sales: Goods going out – Adjustment: Minus

3 options for RM 5,000: Add back, minus out, or no adjustment.

Year end ---------- Stock count (happened after year-end)

Should it be included within the year-end? **Yes**/No

Was it counted in the stock count? Yes/**No**

Both yes – no adjustment

If either one is yes, and the other is no – adjustment

Reversal adjustments (in lecture)

Purchase (goods coming in) – Adjustment: Take it out

Sales (goods going out) – Adjustment: Add in

1. Closing inventories was counted on 27 October 2022 (Not counted yet) as RM50,000. However there was a purchase of goods by cash that happened on 29 October (within the year: Yes should be included), two days before year-end that was valued at RM5,000. This has not been accounted for in closing inventory or purchases.

2. The depreciation policy has the following information:

Building: estimated useful life was 50 years with RM5,000 residual value. Depreciation based on equal usage each year.

Cost – RM 5000

50 years

Depreciation

250k – 5k = 4,900 depreciation: Expenses

50

Office equipment: 20% on cost. (20,000 – 1,000) x 20% = 3,800 depreciation

3. A new accounts staff has made an error of principle in charging repairs to office equipment to the office equipment asset account, RM 1,000. Make the appropriate correction.

Trade receivables A, Trade receivables B

Remove from office equipment (asset) overstated. Cr Office equipment RM 1,000

Add to Repairs (expenses) RM 1,000. Dr Repairs

4. Allowance for doubtful debts for the year ended 31 October 2022 is RM4,200. It was decided to write off further debts totalling RM1,500.

Dr Bad debts (+ from trial balance’s bad debts) 3,000 + 1,500

Cr Trade Receivables (- from trial balance) 25,000 – 1,500

**4,200** vs trial balance (last year 6,000)

Income/Expense. Decrease in allowance: Income 1,800

4,200 will go into SFP: Current assets: Deduct 4,200 in allowance

SPL: Other income: 1,800

5. During the year, there was a new building purchased costing RM100,000. Depreciation was to be charged on a full year basis in the year of purchase (one year depreciation). The building was paid for by cheque but this cheque withdrawal has not been recorded yet.

Dr Buildings (non-current asset) 100,000

Cr Bank 100,000

Dr Depreciation 1,900

Cr Accumulated depreciation 1,900

(100,000 – 5,000) / 50 years = 1,900 (2nd building depreciation): Expenses.

Accumulated depreciation for building (trial balance + original building dep: 4,900 + new building dep: 1,900)

|  |  |  |  |
| --- | --- | --- | --- |
| Chi Ren  (a) Statement of profit or loss for the year ended 31 October 2022 | | |  |
|  | RM | RM | RM |
| Sales |  | 450,000 |  |
| Less: Return inwards |  | (1,000) |  |
|  |  |  | 449,000 |
| Less: Cost of goods sold |  |  |  |
| Inventories as at 1 November 2021 | 50,000 |  |  |
| Add: Purchases (352,000 + 5,000) | 357,000 |  |  |
|  |  | 407,000 |  |
| Less: Closing inventory (50,000 + 5,000) |  | (55,000) |  |
|  |  |  | 352,000 |
| Gross profit |  |  | 97,000 |
|  |  |  |  |
| Add: Other income |  |  |  |
| Doubtful debts (4,200 – 6,000) |  |  | 1,800 |
|  |  |  |  |
| Less: Expenses |  |  |  |
| Bad debts (3,000 + 1,500) |  | 4,500 |  |
| Insurance |  | 2,500 |  |
| Salaries |  | 41,000 |  |
| Electricity |  | 4,500 |  |
| Depreciation: buildings  Existing building: (250,000 – 5,000)/50 years, add to  New building: (100,000 – 5,000)/50 years |  | 6,800 |  |
| Depreciation: office equipment  (20,000 – 1,000) x 20% |  | 3,800 |  |
| Repairs |  | 1,000 |  |
| Interest (75,000 x 3.7%) |  | 2,775 |  |
|  |  |  | (66,875) |
| Net profit |  |  | 31,925 |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| (b) Statement of financial position as at 31 October 2022 | | |  |
|  | RM | RM | RM |
| Non-current assets |  |  |  |
| Buildings (250,000 + 100,000) |  | 350,000 |  |
| Less: Accumulated depreciation  (10,000 + 6,800) |  | (16,800) |  |
|  |  |  | 333,200 |
| Office equipment (20,000 – 1,000) |  | 19,000 |  |
| Less: Accumulated depreciation  (2,000 + 3,800) |  | (5,800) |  |
|  |  |  | 13,200 |
|  |  |  | 346,400 |
| Current assets |  |  |  |
| Inventories as at 31 October 2022 |  | 55,000 |  |
| Trade receivables (25,000 – 1,500) | 23,500 |  |  |
| Less: Allowance for doubtful debts | (4,200) |  |  |
|  |  | 19,300 |  |
| Bank (168,000 – 100,000) |  | 68,000 |  |
| Cash (15,000 – 5,000) |  | 10,000 |  |
|  |  |  | 152,300 |
|  |  |  | 498,700 |
| Equity |  |  |  |
| Capital as at 1 November 2021 |  | 373,000 |  |
| Add: Net profit |  | 31,925 |  |
| Less: Drawings |  | (9,000) |  |
| Capital as at 31 October 2022 |  |  | 395,925 |
|  |  |  |  |
| Non-current liability |  |  |  |
| Bank loan |  |  | 75,000 |
|  |  |  |  |
| Current liabilities |  |  |  |
| Trade payables |  | 25,000 |  |
| Interest payable/Accrued interest |  | 2,775 |  |
|  |  |  | 27,775 |
|  |  |  | 498,700 |

(c) Journal entries for selected additional information:

No. 1

Dr Purchases 5,000

Cr Cash 5,000

Dr Inventory

Cr Statement of profit or loss

*Note: Dr Inventory (refers to closing inventory in the Current Assets)*

*Cr Statement of profit or loss (refers to closing inventory in the Cost of Goods Sold)*

No. 3

Dr Repairs

Cr Office equipment

*This was an error of principle. Meaning the category itself was wrongly decided, a major error. The trial balance would still balance as the posting happened to be on the same side, Dr and Dr. So remove it from Office equipment (Credit), then shift it to the correct account, which was Repairs (so Debit).*

*Error: Expense -> Asset. Correction: Asset (remove) -> Expense (enter into)*

No. 5

Dr Buildings 100,000

Cr Bank 100,000

Dr Depreciation 1,900

Cr Accumulated depreciation 1,900