**WestminsterInternationalUniversity in Tashkent**

**Financial Accounting, Semester I, 2020/2021**

**Workshop 9 answers**

You continue your business as retail business. The following activities took place in March2020.

1.03. Bought bonds from MAN-Uzbekistan for 1,000,000 sum with duration of 1 year, government bonds (T-Bills) for 2,000,000 with duration of 6 month

2.03. Paid 200,000 sum to Fancy Buildings and 100,000 to Dairy Farms by check

3.03. Received 30,000 sum from Joseph and 100,000 sum from Peter by check

4.03. Corporate tax for February was paid (20,000 sum)

05.03. Employee salaries of 25, 000 for February had been paid

10.03. Sold the building for 1,000,000 sum to Trump Buildings by check

11.03. Sign a rent contract with Fancy Buildings for 50,000 sum for the period of March-April. Payment was done in advance.

15.03. Sold goods for 75,000 to Peter by check

31.03 March payroll expenses of 25, 000 had been accrued

The following additional information as at March 31, 2020 is available

1. Closing stock value worth 100,000 sum
2. Electricity expense was equal to amount of repayment done in February (5,000 sum)
3. Interest for bond is 12% per annum and interest for government bonds is 24% per annum
4. Advertisement company delivered its product fully by the end of the month. Payment was done in February (170,000)
5. Depreciation of all assets is done using strait-line method for 15 years.
6. You have some concern that 10% of trade debt may not be paid by your customers

Required

1. Enter all transactions and prepare initial trial balance
2. Make all adjustments for stock, depreciation of fixed assets, prepayment and accrued revenues. **Calculate gain from sale of fixed assets**.
3. Show adjusted trial balance, income statement and balance sheet.

**Transactions**

1.03. We need to add new accounts for bonds and T-Bills.

Go to Accounting>>Add Account>>Asset>>Other short-term assets>>Bonds

Go to Accounting>>Add Account>>Asset>>Other short-term assets>>T-Bills

Transactions>> Add Expense>>Checking account >>Category – Bond

Transactions>> Add Expense>>Checking account >>Category – T-Bills

2. 03. Transactions>> Add Expense>>Write a description “Payment rest of bill to Fancy Building” >>Account-Checking account >> Category – Payment sent for a bill in WaveApps – Payment to Fancy Building

Transactions>> Add Expense>>Write a description “Payment rest of bill to Dairy Farms” >>Account-Checking account >> Category – Payment sent for a bill in WaveApps – Payment to Dairy Farms

3.03.

Transactions>> Add Income>> Write a description “Payment received from Joseph” >>Account-Checking account >> Category – Payment received for Invoice in WaveApps- Payment from Joseph

Transactions>> Add Income>> Write a description “Payment received from Peter” >>Account-Checking account >> Category – Payment received for Invoice in WaveApps- Payment from Peter

4.03. Transactions>> Add Expense>>Write a description “Payment of taxes” >>Account-Checking account >> Category – Taxes payable

05.03. Transactions>> Add Expense>> Category – Accrued Payroll expenses – > Account-Bank

10.03. Chart of Accounts>>Add Account>>Other income >Proceeds from Sale of Assets

Transactions>> Add Income>>Write a description “Sale of building” Account-Checking >> Category –Proceeds from Sale of Assets

11.03. Transactions>> Add Expense>>Write a description “Prepayment for rent for Mar-Apr”>> Account-Checking account>>Category – Prepayment

15.03. Transactions>> Add Income>>Write a description “Sales to Peter”>> Account-Checking >>Category – Sales

31.03. Accounting >> Chart of Accounts >> Liability> > Due For Payroll> >Account name: *Accrued payroll expenses;* then Transactions>> Add Journal Transaction>> Debit Account- Payroll-Salaries and Wages; Credit Account- *Accrued payroll expenses* >>Save

**ADJUSTMENTS**

**Date: 31.03.2020**

1. COGS: Opening stock + Purchases-closing stock= 150,000+0-100,000=50,000

Double entry for COGS: Accounting>>Journal Transactions>> Add Transaction>>Write a description “COGS for Mar” >>Debit Account- COGS (50,000); Credit Account – Closing stock (50,000)

1. Double entry for electricity expenses

Accounting>>Journal Transactions>> Add Transaction>>Write a description “electricity expenses for Mar”>>Debit Account- Utilities (5,000); Credit Account –Prepayment (5,000)

1. Double entry for interest income accrued

12% on bonds for 1 year=1,000,000\*0.12=120,000 then for March = 120,000/12=10,000

24% on T-Bills for 6 month = 2,000,000\*0.24/2=240,000 then for March = 240,000/6=40,000

We need to add new accounts for interest from bonds and T-Bills.

Go to Accounting>>Add Account>>Asset>>Other short-term assets >> “Interest Receivable”

We need to add new accounts for interest income from bonds and T-Bills.

Go to Accounting>>Add Account>>Income>>Other income>> Interest income

Double entry for interest income on bonds

Accounting>>Journal Transactions>> Add Transaction>>Write a description “Interest on bonds for Mar” >>Debit Account- Interest receivable (10,000); Credit Account – Income interest (10,000)

Double entry for interest income on T-Bills

Accounting>>Journal Transactions>> Add Transaction>>Write a description “Interest on T-Bills for Mar” >>Debit Account- Interest receivable (40,000); Credit Account – Income interest (40,000)

1. Double entry for advertisement expenses

Accounting>>Journal Transactions>> Add Transaction>> Write a description “Advertisement expense for Mar”>> Debit Account- Advertisement & Promotion (170,000); Credit Account – Prepayment (170,000)

1. Depreciation.

Building: 900,000/15/12=5000 monthly for 10 days=5000/3=1667

Double entry for depreciation: Building. Accounting>> Journal transactions>> Add Transaction>> Write a description “Depreciation for building for March”>> Debit Account –Depreciation Expense (1,667); Credit Account –Accumulated depreciation of Buildings (1,667);

1. Go to Report >>Aged Receivable>set the date 31-03-2020 and find amount of trade debt

Calculate amount of provision for doubtful debt = Accounts receivable\*10%=

We need to enter change in provision which =New provision-Previous provision

If we see **decrease** in provision ->Double entry for provision for doubtful debt: Accounting>>Journal Transactions>> Add Transaction>> Debit Account- Provision for Bad and Doubtful Debt ; Credit Account – Change in provision for bad and doubtful debts

If we see **increase** in provision->Double entry for provision for doubtful debt: Accounting>>Journal Transactions>> Add Transaction>> Debit Account- Change in provision for bad and doubtful debts ; Credit Account – Provision for Bad and Doubtful Debt

1. Calculate gain from sale of fixed assets.

Gain from sale of fixed asset= Sale – Net book value of fixed asset (historical cost-accumulated depreciation) = 1,000,000-888,333=111,667

Accumulated depreciation =5,000+5,000+1,667=11,667; 900,000-11,667=888,333

Double entry for gain from sale of fixed assets:

Accounting>>Journal Transactions>> Add Transaction>>Write a description “Adjustment for sale of building (assets)” >>Debit Account- Proceeds from saleof assets (900,000); Credit Account – Buildings (900,000)

Accounting>>Journal Transactions>> Add Transaction>>Write a description “Adjustment for sale of building (depreciation)” >>Debit Account- Accumulated depreciation of building (11,667); Credit Account – Proceeds from sale of assets (11,667)

Accounting>>Journal Transactions>> Add Transaction>>Write a description “Adjustment for sale of building (gains)”>>Debit Account- Proceeds from sale of assets (111,667); Credit Account – Gain from the sale of assets (add account from Income>Other Income>Gain from the sale of assets) (111,667)