

SOLUTIONS TO END-OF-CHAPTER QUESTIONS CHAPTER 5

► RECALL AND REVIEW

► Question 5.1

(a)

Purchases				
2021		£000	2021	£000
28 Feb	Cash	1,250		

VAT					
2021		£000	2021	£000	
28 Feb	Cash	250	28 Feb	Cash	400

Cash					
2021		£000	2021	£000	
28 Feb	Sales and VAT	2,400	28 Feb	Purchases and VAT	1,500

Sales					
2021		£000	2021	£000	
			28 Feb	Cash	2,000

(b) The VAT payable to HMRC is the balance on the VAT account: £400,000 VAT charged on sales – £250,000 paid on purchases = £150,000.

► Question 5.2

- Cost of goods sold is calculated by using sales value and the 20% mark-up. 20% is added to the cost of sales to arrive at sales value. Sales value is thus 100% (cost of sales) + 20% (mark up on cost) = 120%. Cost of goods sold should therefore be $£120,000/120\% \times 100\% = £100,000$.
- Cost of sales = opening inventory + purchases – closing inventory. Based on the figures in the question, cost of sales is £15,000 (opening inventory) + £95,000 (purchases) – £3,000 (closing inventory) = £107,000.
- The cost of inventory lost is the difference between the cost of sales calculated using the mark-up based on sales and the cost of sales calculated using the cost of actual inventory at

the financial year end. The cost of inventory lost is therefore £100,000 (cost of sales based on mark-up) – £107,000 (cost of sales based on opening inventory + purchases – the actual cost of closing inventory) = £7,000.

» DEVELOP YOUR UNDERSTANDING

» Question 5.3

- Write up the sales day book, the sales returns day book and the cash book for April, May and June 2021.

Maria: sales day book April 2021

Date 2021	Invoice number	Customer	Total £	VAT £	Sales value £
16 April	0001	Benzo Limited	6,000	1,000	5,000
23 April	0002	Zorro	9,600	1,600	8,000
30 April	0003	Cotoneaster Limited	4,200	700	3,500
			19,800	3,300	16,500

Maria: sales day book May 2021

Date 2021	Invoice number	Customer	Total £	VAT £	Sales value £
8 May	0004	Tramp Limited	3,300	550	2,750
11 May	0005	Dingdongbell plc	11,400	1,900	9,500
15 May	0006	Jerry Builders Limited	7,320	1,220	6,100
21 May	0007	Benzo Limited	4,080	680	3,400
30 May	0008	Cotoneaster Limited	6,000	1,000	5,000
			32,100	5,350	26,750

Maria: sales day book June 2021

Date 2021	Invoice number	Customer	Total £	VAT £	Sales value £
6 June	0009	D-Day Builders Limited	1,560	260	1,300
14 June	0010	Zorro	21,600	3,600	18,000
18 June	0011	Jerry Builders Limited	11,040	1,840	9,200
26 June	0012	Dingdongbell plc	9,960	1,660	8,300
29 June	0013	Monzo plc	2,820	470	2,350
			46,980	7,830	39,150

Solutions to end-of-chapter questions **Chapter 5**

Maria: sales returns day book May 2021

Date 2021	Credit note number	Customer	Total £	VAT £	Sales value £
28 May	CN001	Benzo Limited	600	100	500

Maria: sales returns day book June 2021

Date 2021	Credit note number	Customer	Total £	VAT £	Sales value £
15 June	CN002	Zorro	1,200	200	1,000
20 June	CN003	Jerry Builders Limited	960	160	800
28 June	CN004	Dingdongbell plc	900	150	750
			3,060	510	2,550

Maria: cash received book for April

Date 2021		Total £	Trade Receivables £	Cash Sales £	VAT £	Other £
3 April	Maria	20,000				20,000
29 April	Cash sales	720		600	120	
		20,720		600	120	20,000

Maria: cash received book for May

Date 2021		Total £	Trade Receivables £	Cash Sales £	VAT £	Other £
16 May	Benzo Limited	6,000	6,000			
23 May	Zorro	9,000	9,000			
30 May	Cash sales	900		750	150	
31 May	Cotoneaster Limited	4,200	4,200			
		20,100	19,200	750	150	

Maria: cash received book for June

Date 2021		Total £	Trade Receivables £	Cash Sales £	VAT £	Other £
12 June	Dingdongbell plc	11,400	11,400			
13 June	Jery Builders Limited	7,320	7,320			
18 June	Tramp Limited	3,000	3,000			
28 June	Cash sales	840		700	140	
29 June	Benzo Limited	3,480	3,480			
		26,040	25,200	700	140	

2. Post the entries from the sales day book, the sales returns day book and the cash book into the nominal ledger accounts, using as many T accounts as you require.

Maria: Trade receivables control account

2021	£	2021	£		
30 April	Sales day book	19,800	31 May	Sales returns day book	600
31 May	Sales day book	32,100	31 May	Cash book	19,200
30 June	Sales day book	46,980	30 June	Sales returns day book	3,060
			30 June	Cash book	25,200

Maria: VAT account

2021	£	2021	£		
31 May	Sales returns day book	100	30 April	Sales day book	3,300
30 June	Sales returns day book	510	30 April	Cash book	120
			31 May	Sales day book	5,350
			31 May	Cash book	150
			30 June	Sales day book	7,830
			30 June	Cash book	140

Maria: Sales account

2021	£	2021	£		
31 May	Sales returns day book	500	30 April	Sales day book	16,500
30 June	Sales returns day book	2,550	30 April	Cash book	600
			31 May	Sales day book	26,750
			31 May	Cash book	750
			30 June	Sales day book	39,150
			30 June	Cash book	700

Maria: bank account

2021		£	2021		£
29 April	Cash book	20,720			
31 May	Cash book	20,100			
29 June	Cash book	26,040			

Maria: capital account

2021		£	2021		£
			3 April	Cash book	20,000

3. Post the relevant entries from the sales day book, the sales returns day book and the cash book into individual sales ledger accounts for each customer.

Maria: sales ledger accounts April 2021 to June 2021

Benzo Limited sales ledger account

2021		£	2021		£
16 April	0001	6,000	28 May	CN001	600
21 May	0007	4,080	16 May	Cash book	6,000
			29 June	Cash book	3,480

Cotoneaster Limited sales ledger account

2021		£	2021		£
30 April	0003	4,200	31 May	Cash book	4,200
30 May	0008	6,000			

D-Day Builders Limited sales ledger account

2021		£	2021		£
6 June	0009	1,560			

Dingdongbell plc sales ledger account

2021		£	2021		£
11 May	0005	11,400	12 June	Cash book	11,400
20 June	0012	9,960	28 June	CN004	900

Jerry Builders Limited sales ledger account

2021		£	2021		£
15 May	0006	7,320	13 June	Cash book	7,320
8 June	0011	11,040	20 June	CN003	960

Monzo plc sales ledger account

2021		£	2021		£
29 June	0013	2,820			

Tramp Limited sales ledger account

2021		£	2021		£
8 May	0004	3,300	18 June	Cash book	3,000

Zorro sales ledger account

2021		£	2021		£
23 April	0002	9,600	15 June	CN002	1,200
14 June	0010	21,600	23 May	Cash book	9,000

4. Extract the balance on each sales ledger account (total debits – total credits), add up the individual balances and agree the total of the individual balances to the trade receivables control account.

Individual sales ledger balances	Debit (increase asset)	Credit (decrease asset)	Balance
Customer:	£	£	£
Benzo Limited	10,080	10,080	—
Cotoneaster Limited	10,200	4,200	6,000
D-Day Builders Limited	1,560	—	1,560
Dingdongbell plc	21,360	12,300	9,060
Jerry Builders Limited	18,360	8,280	10,080
Monzo plc	2,820	—	2,820
Tramp Limited	3,300	3,000	300
Zorro	<u>31,200</u>	<u>10,200</u>	<u>21,000</u>
	<u>98,880</u>	<u>48,060</u>	<u>50,820</u>

The balances on the trade receivables control account:

$$£19,800 + £32,100 + £46,980 - £600 - £19,200 - £3,060 - £25,200 = £50,820.$$

5. Without closing off the T accounts for the three months, extract a trial balance at 30 June 2021.

Trial balance at 30 June 2021

	Debit	Credit
	£	£
Trade receivables control account	50,820	
VAT		16,280
Sales		81,400
Bank	66,860	
Maria's capital account		20,000
	<u>117,680</u>	<u>117,680</u>

» Question 5.4

1. Write up the purchase day book, the purchase returns day book, the cash book and the petty cash book for April, May and June 2021.

Maria: purchase day book April 2021

Date	Internal invoice number	Supplier	Total	VAT	Plumbing materials	Stationery	Van	Tools
2021			£	£	£	£	£	£
1 April	P001	Such a Wrench Limited	1,440	240				1,200
5 April	P002	Honest Autos Limited	2,736	456			2,280	
7 April	P003	Tapz n Pipez Limited	6,000	1,000	5,000			
8 April	P004	Washerz plc	1,182	197	985			
8 April	P005	Pens and Paper	300	50		250		
30 April	P006	Tapz n Pipez Limited	4,500	750	3,750			
			<u>16,158</u>	<u>2,693</u>	<u>9,735</u>	<u>250</u>	<u>2,280</u>	<u>1,200</u>

Maria: purchase day book May 2021

Date	Internal invoice number	Supplier	Total	VAT	Plumbing materials
2021			£	£	£
4 May	P007	Washerz plc	3,000	500	2,500
8 May	P008	Tapz n Pipez Limited	3,840	640	3,200
23 May	P009	Tapz n Pipez Limited	5,250	875	4,375
			<u>12,090</u>	<u>2,015</u>	<u>10,075</u>

Maria: purchase day book June 2021

Date	Internal invoice number	Supplier	Total	VAT	Plumbing materials	Laptop
1 June	P010	PC UK	576	96		480
8 June	P011	Washerz plc	1,314	219	1,095	
14 June	P012	Tapz n Pipez Limited	5,400	900	4,500	
18 June	P013	Washerz plc	5,250	875	4,375	
20 June	P014	Tapz n Pipez Limited	3,906	651	3,255	
			<u>16,446</u>	<u>2,741</u>	<u>13,225</u>	<u>480</u>

Maria: purchase returns day book June

Date 2021	Internal credit note number	Supplier	Total £	VAT £	Plumbing materials £
15 June	PR01	Tapz n Pipez Limited	<u>204</u>	<u>34</u>	<u>170</u>

Maria: cash book payments April 2021

Date		Total £	Trade payables £	Plumbing materials £	Wages £	PAYE and NIC £	VAT £	Petty Cash £
10 April	Petty cash	200						200
20 April	Such a Wrench Limited	1,440	1,440					
25 April	Plumbing materials	480		400			80	
30 April	Honest Autos Limited	2,736	2,736					
30 April	Wages – April	<u>7,036</u>			<u>7,036</u>			
	Totals for April	<u>11,892</u>	<u>4,176</u>	<u>400</u>	<u>7,036</u>	<u>—</u>	<u>80</u>	<u>200</u>

Maria: cash book payments May 2021

Date		Total £	Trade payables £	Plumbing materials £	Wages £	PAYE and NIC £	VAT £	Petty Cash £
8 May	Washerz plc	1,182	1,182					
10 May	Pens and Paper	300	300					
15 May	HM Revenue and Customs	3,030				3,030		
16 May	Petty cash	250						250
18 May	Plumbing materials	360		300			60	
25 May	Tapz n Pipez Limited	10,500	10,500					
31 May	Wages – May	<u>7,172</u>			<u>7,172</u>			
	Totals for May	<u>22,794</u>	<u>11,982</u>	<u>300</u>	<u>7,172</u>	<u>3,030</u>	<u>60</u>	<u>250</u>

Maria: cash book payments June 2021

Date		Total	Trade payables	Plumbing materials	Wages	PAYE and NIC	VAT	Petty Cash
		£	£	£	£	£	£	£
4 June	Washerz plc	3,000	3,000					
14 June	Petty cash	300						300
18 June	HM Revenue and Customs	3,122				3,122		
20 June	Tapz n Pipez Limited	9,090	9,090					
22 June	Plumbing materials	540		450			90	
29 June	PC UK	576	576					
29 June	Wages – May	6,560			6,560			
30 June	HM Revenue and Customs*	8,513					8,513	
	Totals for June	<u>31,701</u>	<u>12,666</u>	<u>450</u>	<u>6,560</u>	<u>3,122</u>	<u>8,603</u>	<u>300</u>

30 June payment to HM Revenue and Customs for VAT: prior to this payment, the VAT account shows credits of £16,924 and debits of £8,411 (see the VAT account in the answer to Question 5.4, section 2). Therefore, the balance on the VAT account is £16,924 – £8,411 = £8,513. This is the net amount due to HM Revenue and Customs for the three months (the quarter) ended 30 June 2021, so this is the amount paid at the end of June 2021.

Maria: petty cash book April to June 2021

Cash received from bank		Cash payments			
Date	£	Date	Total	VAT	Petrol
2021		2021	£	£	£
10 April	200	April	180	30	150
16 May	250	May	240	40	200
14 June	<u>300</u>	June	<u>312</u>	<u>52</u>	<u>260</u>
Total cash in	<u>750</u>	Total cash out	<u>732</u>	<u>122</u>	<u>610</u>

2. Post the entries from the purchase day book, the purchase returns day book, the cash book and the petty cash book into the nominal ledger accounts, adding as many new T accounts as you require. You should use the relevant accounts you set up in your answers to Question 5.3 and add in additional entries where required.

Maria: Trade payables control account					
2021		£	2021		£
30 April	Cash book	4,176	30 April	Purchase day book	16,158
31 May	Cash book	11,982	31 May	Purchase day book	12,090
30 June	Purchase returns day book	204	30 June	Purchase day book	16,446
30 June	Cash book	12,666			

Maria: VAT account

2021		£	2021		£
30 April	Purchase day book	2,693	30 April	Sales day book	3,300
30 April	Cash book	80	30 April	Cash book	120
30 April	Petty cash book	30	31 May	Sales day book	5,350
31 May	Sales returns day book	100	31 May	Cash book	150
31 May	Purchase day book	2,015	30 June	Sales day book	7,830
31 May	Cash book	60	30 June	Cash book	140
31 May	Petty cash book	40	30 June	Purchase returns day book	34
30 June	Sales returns day book	510			
30 June	Purchase day book	2,741			
30 June	Cash book	90			
30 June	Petty cash book	52			
30 June	Cash book – payment	8,513			

Maria: Plumbing materials account

2021		£	2021		£
30 April	Purchase day book	9,735	30 June	Purchase returns day book	170
30 April	Cash book	400			
31 May	Purchase day book	10,075			
31 May	Cash book	300			
30 June	Purchase day book	13,225			
30 June	Cash book	450			

Maria: tools account

2021		£	2021		£
1 April	Purchase day book	1,200			

Maria: van account

2021		£	2021		£
5 April	Purchase day book	2,280			

Maria: stationery account

2021		£	2021		£
8 April	Purchase day book	250			

Maria: laptop account

2021		£	2021		£
1 June	Purchase day book	480			

Maria: bank account

2021		£	2021		£
30 April	Cash book	20,720	30 April	Cash book	11,892
31 May	Cash book	20,100	31 May	Cash book	22,794
30 June	Cash book	26,040	30 June	Cash book	31,701

Maria: wages control account

2021		£	2021		£
30 April	Cash book	7,036			
31 May	Cash book	7,172			
30 June	Cash book	6,560			

Maria: PAYE and NIC control account

2021		£	2021		£
31 May	Cash book	3,030			
30 June	Cash book	3,122			

Maria: petty cash account

2021		£	2021		£
10 April	Cash book	200	30 April	Petrol	150
16 May	Cash book	250	30 April	VAT	30
14 June	Cash book	300	31 May	Petrol	200
			31 May	VAT	40
			30 June	Petrol	260
			30 June	VAT	52

Maria: petrol account

2021		£	2021		£
30 April	Petty cash	150			
31 May	Petty cash	200			
30 June	Petty cash	260			

3. Post the relevant entries from the purchase day book, the purchase returns day book and the cash book into individual purchase ledger accounts for each supplier.

Honest Autos Limited purchase ledger account

2021		£	2021		£
30 April	Cash book	2,736	5 April	P002	2,736

Pens and Paper purchase ledger account

2021		£	2021		£
10 May	Cash book	300	8 April	P005	300

PC UK purchase ledger account

2021		£	2021		£
29 June	Cash book	576	1 June	P010	576

Such a Wrench Limited purchase ledger account

2021		£	2021		£
20 April	Cash book	1,440	1 April	P001	1,440

Tapz n Pipez Limited purchase ledger account

2021		£	2021		£
25 May	Cash book	10,500	7 April	P003	6,000
15 June	PR01	204	30 April	P006	4,500
20 June	Cash book	9,090	8 May	P008	3,840
			23 May	P009	5,250
			14 June	P012	5,400
			20 June	P014	3,906

Washerz plc purchase ledger account

2021		£	2021		£
8 May	Cash book	1,182	8 April	P004	1,182
4 June	Cash book	3,000	4 May	P007	3,000
			8 June	P011	1,314
			18 June	P013	5,250

4. Extract the balance on each purchase ledger account (total credits – total debits), add up the individual balances and agree the total of the individual balances to the trade payables control account.

Individual purchase ledger balances	Credit (increase liability)	Debit (decrease liability)	Balance
Supplier:	£	£	£
Honest Autos Limited	2,736	2,736	—
Pens and Paper	300	300	—
PC UK	576	576	—
Such a Wrench Limited	1,440	1,440	—
Tapz n Pipez Limited	28,896	19,794	9,102
Washerz plc	<u>10,746</u>	<u>4,182</u>	<u>6,564</u>
	<u>44,694</u>	<u>29,028</u>	<u>15,666</u>

Total on the trade payables control account:

$$£16,158 + £12,090 + £16,446 - £4,176 - £11,982 - £204 - £12,666 = £15,666$$

5. Without closing off the T accounts for the three months, extract a trial balance at 30 June 2021. You should include the T accounts relating to sales transactions from Question 5.3 in your trial balance.

Trial balance at 30 June 2021

	Debit	Credit
	£	£
Bank	473	
Laptop	480	
Maria's capital account		20,000
PAYE and NIC control	6,152	
Petrol	610	
Petty cash	18	
Plumbing materials	34,015	
Sales		81,400
Stationery	250	
Tools	1,200	
Trade payables		15,666
Trade receivables	50,820	
Van	2,280	
VAT	—	—
Wages control	<u>20,768</u>	
	<u>117,066</u>	<u>117,066</u>

» Question 5.5

1. Post the entries from the monthly payroll into the nominal ledger accounts, adding as many new T accounts as you require. You should use the relevant accounts you set up in your answers to Question 5.4 and add in additional entries where required.

Maria: wages control account					
2021		£	2021		£
30 April	PAYE and NIC control	1,221	30 April	Wages	9,100
30 April	PAYE and NIC control	843	31 May	Wages	9,300
30 April	Cash book	7,036	30 June	Wages	8,400
31 May	PAYE and NIC control	1,261			
31 May	PAYE and NIC control	867			
31 May	Cash book	7,172			
30 June	PAYE and NIC control	1,081			
30 June	PAYE and NIC control	759			
30 June	Cash book	6,560			

Maria: PAYE and NIC control account					
2021		£	2021		£
31 May	Cash book	3,030	30 April	Wages control	1,221
30 June	Cash book	3,122	30 April	Wages control	843
			30 April	Employer's NIC	966
			31 May	Wages control	1,261
			31 May	Wages control	867
			31 May	Employer's NIC	994
			30 June	Wages control	1,081
			30 June	Wages control	759
			30 June	Employer's NIC	869

Maria: Employer's NIC account					
2021		£	2021		£
30 April	PAYE and NIC control	966			
31 May	PAYE and NIC control	994			
30 June	PAYE and NIC control	869			

Maria: Wages account					
2021		£	2021		£
30 April	Wages control	9,100			
31 May	Wages control	9,300			
30 June	Wages control	8,400			

2. Using the information on non-current assets and their expected useful lives given in Question 5.4, calculate depreciation on the non-current assets for the three months to 30 June 2021. Opening as many new T accounts as you require, post the depreciation charges to the relevant accounts.

Depreciation: van: $\text{£}2,280 \div 3 \text{ years} \times (3 \text{ months} \div 12 \text{ months}) = \text{£}190$

Depreciation: tools: $\text{£}1,200 \div (4 \text{ years} \times 3 \text{ months} \div 12 \text{ months}) = \text{£}75$

Depreciation: laptop: $\text{£}480 \div (2 \text{ years} \times 3 \text{ months} \div 12 \text{ months}) = \text{£}60$

Maria: Laptop accumulated depreciation			
2021	£	2021	£
		30 June	Laptop depreciation charge
			60

Maria: Laptop depreciation charge			
2021	£	2021	£
30 June	Laptop accumulated dep'n		60

Maria: Tools accumulated depreciation			
2021	£	2021	£
		30 June	Tools depreciation charge
			75

Maria: Tools depreciation charge			
2021	£	2021	£
30 June	Tools accumulated dep'n		75

Maria: Van accumulated depreciation			
2021	£	2021	£
		30 June	Van depreciation charge
			190

Maria: Van depreciation charge			
2021	£	2021	£
30 June	Van accumulated dep'n		190

3. Without closing off the accounts, extract Maria's trial balance at 30 June 2021.

	Debit	Credit
	£	£
Bank	473	
Employer's NIC	2,829	
Laptop	480	
Laptop accumulated depreciation		60
Laptop depreciation charge	60	
Maria's capital account		20,000
PAYE and NIC control		2,709
Petrol	610	
Petty cash	18	
Plumbing materials	34,015	
Sales		81,400
Stationery	250	
Tools	1,200	
Tools accumulated depreciation		75
Tools depreciation charge	75	
Trade payables		15,666
Trade receivables	50,820	
Van	2,280	
Van accumulated depreciation		190
Van depreciation charge	190	
VAT	—	—
Wages	26,800	
	<u>120,100</u>	<u>120,100</u>

4. Using the trial balance, prepare Maria's statement of profit or loss for the three months ended 30 June 2021 together with a statement of financial position at that date. Maria had no inventory at 30 June 2021 and there was no prepaid expenditure and no accrued expenditure at 30 June 2021.

Maria: statement of profit or loss for the three months ended 30 June 2021

	£	£
Sales		81,400
Cost of sales: plumbing materials		<u>34,015</u>
Gross profit		47,385
Expenses		
Employers NIC	2,829	
Laptop depreciation	60	
Petrol	610	
Stationery	250	
Tools depreciation	75	
Van depreciation	190	
Wages	<u>26,800</u>	
Total expenses		<u>30,814</u>
Net profit for the three months		<u><u>16,571</u></u>

Maria: statement of financial position at 30 June 2021

	£
Non-current assets	
Laptop (£480 cost – £60 accumulated depreciation)	420
Tools (£1,200 cost – £75 accumulated depreciation)	1,125
Van (£2,280 cost – £190 accumulated depreciation)	<u>2,090</u>
	<u><u>3,635</u></u>
Current assets	
Trade receivables	50,820
Cash and cash equivalents (£473 bank + £18 petty cash)	<u>491</u>
	<u><u>51,311</u></u>
Total assets (£3,635 + £51,311)	<u><u>54,946</u></u>
Current liabilities	
Trade payables	15,666
PAYE and NIC control	<u>2,709</u>
Total liabilities	<u><u>18,375</u></u>
Net assets (£54,946 total assets – £18,375 total liabilities)	<u><u>36,571</u></u>
Capital account	
Capital introduced	20,000
Profit for the three months	<u>16,571</u>
	<u><u>36,571</u></u>

» Question 5.6

Step 1 Corrected cash book balance for Alex at 31 October 2021

	£
Cash book balance at 31 October 2021	4,550
Add: cash paid in directly by Arthur	370
Deduct: bank charges not yet recorded in cash book	(65)
Deduct: cheque returned unpaid from Jack	<u>(2,300)</u>
Corrected cash book balance at 31 October 2021	<u>2,555</u>

Step 2 Calculate the bank statement balance for Alex at 31 October 2021

	£
Corrected cash book balance at 31 October 2021	2,555
Add: cheque not yet presented for payment by Alana	900
Deduct: deposit on 30 October not yet recorded	<u>(780)</u>
Balance per bank statement at 31 October 2021	<u>2,675</u>

The bank reconciliation normally starts with the balance per the bank statement. If you followed this approach your calculation would have been £x (balance per bank statement) + £780 (deposit on 30 October not yet recorded) – £900 (cheque not yet presented for payment by Alana) = £2,555 (corrected cash book balance at 31 October 2021). The bank statement balance therefore = £2,555 (corrected cash book balance at 31 October 2021) + £900 (cheque not yet presented for payment by Alana) – £780 (deposit on 30 October not yet recorded) = £2,675.

» Question 5.7

(a) Straight line basis depreciation: $(£250,000 \text{ cost} - £30,000 \text{ residual value}) \div 5 \text{ years} = £44,000$, the straight line depreciation charge for each year of the asset's useful life.

Reducing balance basis:

Year	Depreciation Charge £	Accumulated depreciation £	Carrying amount at end of year £
1	$250,000 \times 35\% = 87,500$	87,500	162,500
2	$162,500 \times 35\% = 56,875$	144,375	105,625
3	$105,625 \times 35\% = 36,969$	181,344	68,656
4	$68,656 \times 35\% = 24,030$	205,374	44,626
5	$44,626 \times 35\% = 15,619$	220,993	29,007

(b) Accumulated depreciation after two years on the straight line basis = $£44,000 \times 2 = £88,000$.
 Carrying amount of the asset after two years = $£250,000 - £88,000 = £162,000$.
 Gain (loss) on asset sale = $£150,000$ (cash received) – $£162,000$ (carrying amount at date of disposal) = $(£12,000)$ loss.

(c)

Cash					
2021		£	2021		£
30 June	NCA disposals account	150,000			

Non-current assets (NCA) disposals account					
2021		£	2021		£
30 June	Equipment cost	250,000	30 June	Accumulated depreciation	88,000
			30 June	Cash	150,000
			30 June	Statement of profit or loss	12,000

Equipment cost					
2019		£	2021		£
1 July	Cash	250,000	30 June	NCA disposals account	250,000

Accumulated depreciation					
2021		£	2020		£
30 June	NCA disposals account	88,000	30 June	Depreciation expense	44,000
			30 June	Depreciation expense	44,000

(d) Gain (loss) on asset sale = $£150,000$ (cash received) – $£105,625$ (carrying amount at date of disposal) = $£44,375$ gain.

(e) The reducing balance basis charges higher amounts of depreciation in the early years of the asset's useful life so the carrying amount after two years will be lower when using the reducing balance basis of depreciation compared to using the straight line basis. This in turn results in a higher gain (lower loss) if the asset is sold, compared to the gain or loss made when the straight line basis of depreciation is used. The straight line basis charges the same amount of depreciation every year resulting in a higher carrying amount at the end of each of the early years of the asset's life.

»» TAKE IT FURTHER**»» Question 5.8****(a)** Wright Company: Bank reconciliation at 30 April 2021

	£		£
Balance per bank statement	3,885	Balance per cash book	3,780
Add: deposit in transit	290	Add: unrecorded receipts: Watson	490
Deduct: outstanding cheques	(230)	Add: unrecorded interest income	60
		Deduct: unrecorded bank charges	(15)
		Deduct: unrecorded NSF cheque	(370)
Adjusted balance per cash book	<u><u>3,945</u></u>	Corrected cash book balance at 30 April 2021	<u><u>3,945</u></u>

(b)

Cash book

Date	Description	Debit £	Credit £	Balance £
01/04/2021	Balance b/f			3,500
05/04/2021	Cheque 1121	800		4,300
06/04/2021	Cheque 315		450	3,850
15/04/2021	Cheque 316		340	3,510
19/04/2021	Cheque 317		230	3,280
23/04/2021	Deposit	760		4,040
24/04/2021	Cheque 318		550	3,490
29/04/2021	Deposit	290		3,780
30/04/2021	Transfer by Watson Limited	490		4,270
30/04/2021	Interest	60		4,330
30/04/2021	Bank charges		15	4,315
30/04/2021	Cheque 2216 – NFS		370	3,945

»» Question 5.9**(a) and (b)**

Debit (increases the asset)		Bank	Credit (decreases the asset)		
2021		£	2021	£	
1 Feb	Capital	20,000	7 Feb	Rent	800
4 Feb	Loan	10,000	8 Feb	Delivery van cost	5,000
11 Feb	Sales	600	9 Feb	Advertising	2,000
25 Feb	Sales	1,600	13 Feb	Purchases	700
			18 Feb	Trade payables	2,500
			23 Feb	Electricity and gas	320
			28 Feb	Capital	1,000

Debit (decreases the equity)		Capital	Credit (increases the equity)		
2021		£	2021	-£	
28 Feb	Bank	1,000	1 Feb	Bank	20,000

Debit (decreases the liability)		Loan	Credit (increases the liability)		
2021		£	2021	£	
			4 Feb	Bank	10,000

Debit (increases the expense)		Rent	Credit (decreases the expense)	
2021		£	2021	£
7 Feb	Bank	800		

Debit (increases the asset)		Delivery van cost	Credit (decreases the asset)	
2021		£	2021	£
8 Feb	Bank	5,000		

Advertising					
Debit (increases the expense)			Credit (decreases the expense)		
2021		£	2021		£
9 Feb	Bank	2,000	28 Feb	Prepayment	1,800

Purchases					
Debit (increases the expense)			Credit (decreases the expense)		
2021		£	2021		£
10 Feb	Trade payables	2,500	28 Feb	Cost of sales	3,200
13 Feb	Bank	700			

Trade payables					
Debit (decreases the liability)			Credit (increases the liability)		
2021		£	2021		£
18 Feb	Bank	2,500	10 Feb	Purchases	2,500

Sales					
Debit (decreases income)			Credit (increases income)		
2021		£	2021		£
			11 Feb	Bank	600
			15 Feb	Trade receivables	900
			25 Feb	Bank	1,600
			27 Feb	Trade receivables	1,400

Trade receivables					
Debit (increases the asset)			Credit (decreases the asset)		
2021		£	2021		£
15 Feb	Sales	900			
27 Feb	Sales	1,400			

Electricity and gas			
Debit (increases the expense)		Credit (decreases the expense)	
2021	£	2021	£
23 Feb	Bank		320

Delivery van depreciation expense			
Debit (increases the expense)		Credit (decreases the expense)	
2021	£	2021	£
28 Feb	Delivery van accumulated depreciation		125

Delivery van accumulated depreciation			
Debit (decreases accumulated depreciation)		Credit (increases accumulated depreciation)	
2021	£	2021	£
		28 Feb	Delivery van depreciation expense
			125

Inventory			
Debit (increases the expense)		Credit (decreases the expense)	
2021	£	2021	£
28 Feb	Purchases	28 Feb	Closing inventory
	3,200		800

Cost of sales			
Debit (increases the asset)		Credit (decreases the asset)	
2021	£	2021	£
28 Feb	Cost of sales		800

Prepayment			
Debit (increases the asset)		Credit (decreases the asset)	
2021	£	2021	£
28 Feb	Advertising		1,800

Notes:

(1) Delivery van depreciation for February: $(£5,000 \text{ cost} \times 30\%) \div 12 = 125$ (2) $£2,000 \div 10 = £200$ Advertising expense for February 2021. The prepayment of advertising is then $£2,000 \text{ paid} - £200 \text{ charged as an expense in February} = £1,800$

(c)

Bank					
Debit (increases the asset)			Credit (decreases the asset)		
2021		£	2021		£
1 Feb	Capital	20,000	7 Feb	Rent	800
4 Feb	Loan	10,000	8 Feb	Delivery van cost	5,000
11 Feb	Sales	600	9 Feb	Advertising	2,000
25 Feb	Sales	1,600	13 Feb	Purchases	700
28 Feb	Interest receivable	10	18 Feb	Trade payables	2,500
28 Feb	Trade receivables	900	23 Feb	Electricity and gas	320
			28 Feb	Capital	1,000
			28 Feb	Bank charges	25

Trade receivables					
Debit (increases the asset)			Credit (decreases the asset)		
2021		£	2021		£
15 Feb	Sales	900	28 Feb	Bank	900
27 Feb	Sales	1,400			

Bank charges					
Debit (increases the expense)			Credit (decreases the expense)		
2021		£	2021		£
28 Feb	Bank	25			

Interest receivable					
Debit (decreases income)			Credit (increases income)		
2021		£	2021		£
			28 Feb	Bank	10

(d)**Sarah's Plants: Trial balance at 28 February 2021**

	Debit	Credit
	£	£
Bank	20,765	
Capital		19,000
Loan		10,000
Rent	800	
Delivery van cost	5,000	
Advertising	200	
Sales		4,500
Trade receivables	1,400	
Electricity and gas	320	
Delivery van depreciation expense	125	
Delivery van accumulated depreciation		125
Inventory	800	
Cost of sales	2,400	
Prepayment	1,800	
Bank charges	25	
Interest receivable	<u> </u>	<u>10</u>
Totals	<u>33,635</u>	<u>33,635</u>

(e)**Sarah's Plants: Statement of profit or loss for February 2021**

	£
Sales	4,500
Cost of sales	<u>2,400</u>
Gross profit	2,100
Other income: Interest receivable	10
Expenses	
Rent	800
Advertising	200
Electricity and gas	320
Delivery van depreciation	125
Bank charges	<u>25</u>
Total expenses	<u>1,470</u>
Profit for the month	<u><u>640</u></u>

Sarah's Plants: Statement of financial position at 28 February 2021

	£
Assets	
Non-current assets	
Delivery van £5,000 (cost) – £125 (accumulated depreciation)	<u>4,875</u>
Current assets	
Inventory	800
Prepayment	1,800
Trade receivables	1,400
Bank	<u>20,765</u>
	<u>24,765</u>
Total assets	<u>29,640</u>
Liabilities	
Loan	<u>10,000</u>
Net assets (total assets – total liabilities)	<u>19,640</u>
Equity	
Capital introduced	20,000
Retained profit (from statement of profit or loss)	640
Drawings	<u>(1,000)</u>
Total equity	<u>19,640</u>

»» Question 5.10

Task 1 Set up nominal ledger T accounts for the above accounts and post the opening balances to the nominal ledger T accounts. Nominal ledger accounts are presented in alphabetical order.

Allowance for receivables			
2020		£	
			2020
			£
	1 May	Balance b/f	30,854

Audit and accountancy			
2020		£	
			2020
			£
	1 May	Balance b/f	3,000

Bank account			
2020		£	
			2020
			£
1 May	Balance b/f	132,158	

Bank charges			
2020		£	
			2020
			£
	1 May	Balance b/f	180

Cost of sales			
2020		£	
			2020
			£
1 May	Balance b/f (inventory)	112,280	

Equipment hire			
2020		£	
			2020
			£
1 May	Balance b/f	1,850	

Factory accumulated depreciation			
2020		£	
			2020
			£
	1 May	Balance b/f	78,000

Factory cost			
2020		£	
			2020
			£
1 May	Balance b/f	650,000	

Solutions to end-of-chapter questions **Chapter 5**

Insurance				
2020		£	2020	£
1 May	Balance b/f	1,000		

Motor vehicles accumulated depreciation					
2020		£	2020	£	
			1 May	Balance b/f	88,000

Motor vehicles cost				
2020		£	2020	£
1 May	Balance b/f	220,000		

PAYE and NIC Control					
2020		£	2020	£	
			1 May	Balance b/f	31,216

Petty cash				
2020		£	2020	£
1 May	Balance b/f	290		

Plant and machinery accumulated depreciation					
2020		£	2020	£	
			1 May	Balance b/f	137,500

Plant and machinery cost				
2020		£	2020	£
1 May	Balance b/f	275,000		

Rates				
2020		£	2020	£
1 May	Balance b/f	1,600		

Rent					
2020		£	2020	£	
			1 May	Balance b/f	4,500

Retained earnings			
2020	£	2020	£
		1 May	Balance b/f
			583,492

Share capital			
2020	£	2020	£
		1 May	Balance b/f
			600,000

Share premium			
2020	£	2020	£
		1 May	Balance b/f
			90,000

Taxation payable			
2020	£	2020	£
		1 May	Balance b/f
			199,800

Trade payables control account			
2020	£	2020	£
		1 May	Balance b/f
			1,222,955

Trade receivables control account			
2020	£	2020	£
1 May	Balance b/f		
	2,056,918		

VAT			
2020	£	2020	£
		1 May	Balance b/f
			378,599

Wages			
2020	£	2020	£
		1 May	Balance b/f
			3,000

Task 2 Enter the day book transactions into the T accounts

Allowance for receivables					
2021		£	2020		£
			1 May	Balance b/f	30,854

Audit and accountancy					
2021		£	2020		£
30 April	Purchase day book	9,000	1 May	Balance b/f	3,000

Bank account					
2020		£	2021		£
1 May	Balance b/f	132,158	30 April	Trade payables	5,524,932
			30 April	Wages and salaries control	2,163,488
30 April	Trade receivables	10,994,382	30 April	Wages and salaries control	434,976
30 April	Non-current asset disposals	5,500	30 April	PAYE and NIC control	1,063,732
30 April	Non-current asset disposals	4,800	30 April	VAT	1,059,206
30 April	VAT	960	30 April	Pension control	161,750
30 April	Bank interest	800	30 April	Petty cash	22,500
30 April	Trade receivables	750	30 April	Taxation	199,800
			30 April	Dividends	60,000
			30 April	Bank charges	1,988
			30 April	Bank charges	50

Bank charges					
2021		£	2020		£
30 April	Bank account	1,988	1 May	Balance b/f	180
30 April	Bank account	50			

Bank interest					
2021		£	2021		£
30 April	Bank account				800

Cost of sales					
2020		£	2021		£
1 May	Balance b/f (inventory)	112,280	30 April	Purchase returns day book	111,300
30 April	Purchase day book	4,451,920			

Dividends			
2021		£	2021
30 April	Bank account	60,000	£

Employer's NIC: salaries			
2021		£	2021
30 April	Wages and salaries control	65,578	£

Employer's NIC: wages			
2021		£	2021
30 April	Wages and salaries control	306,622	£

Entertaining customers			
2021		£	2021
30 April	Petty cash	2,632	£

Equipment hire			
2020		£	2021
1 May	Balance b/f	1,850	£

Factory accumulated depreciation			
2021		£	2020
			1 May Balance b/f
			78,000

Factory cost			
2020		£	2021
1 May	Balance b/f	650,000	£

Insurance			
2020		£	2021
1 May	Balance b/f	1,000	£

Legal expenses			
2021		£	2021
30 April	Purchase day book	5,000	£

Motor expenses					
2021			2021		
		£			£
30 April	Purchase day book	39,200	30 April	Purchase returns day book	450
30 April	Petty cash	8,600			

Motor vehicles accumulated depreciation					
2021			2020		
		£			£
			1 May	Balance b/f	88,000

Motor vehicles cost					
2020			2021		
		£			£
1 May	Balance b/f	220,000			
30 April	Purchase day book	25,000			

Non-current asset disposals					
2021			2021		
		£			£
			30 April	Bank account	5,500
			30 April	Bank account	4,800

Office refreshments					
2021			2021		
		£			£
30 April	Petty cash	4,214			

PAYE and NIC Control					
2021			2020		
		£			£
30 April	Bank account	1,063,732	1 May	Balance b/f	31,216
			30 April	Wages and salaries control	352,529
			30 April	Wages and salaries control	266,628
			30 April	Wages and salaries control	78,000
			30 April	Wages and salaries control	57,024
			30 April	Employer's NIC: salaries	65,578
			30 April	Employer's NIC: wages	306,622

Pension control

2021		£	2021		£
30 April	Bank account	161,750	30 April	Wages and salaries control	146,455
			30 April	Wages and salaries control	30,000

Petty cash

2020		£	2021		£
1 May	Balance b/f	290	30 April	Postage	1,875
			30 April	Office refreshments	4,214
2021			30 April	Entertaining customers	2,632
30 April	Bank account	22,500	30 April	Stationery	1,642
30 April	Postage	20	30 April	Petrol	8,600
			30 April	VAT	3,410

Plant and machinery accumulated depreciation

2021		£	2020		£
			1 May	Balance b/f	137,500

Plant and machinery cost

2020		£	2021		£
1 May	Balance b/f	275,000			
2021					
30 April	Purchase day book	70,000			

Postage

2021		£	2021		£
30 April	Purchase day book	5,400	30 April	Petty cash	20
30 April	Petty cash	1,875			

Printing and stationery

2021		£	2021		£
30 April	Purchase day book	12,000			
30 April	Petty cash	1,642			

Rates

2020		£	2021		£
1 May	Balance b/f	1,600			

Rent			
2021		£	2020
			£
			1 May Balance b/f
			4,500

Retained earnings			
2021		£	2020
			£
			1 May Balance b/f
			583,492

Salaries			
2021		£	2021
			£
30 April	Wages and salaries control	600,000	

Sales			
2021		£	2021
			£
30 April	Sales returns day book	385,600	30 April Sales day book
			9,435,600

Share capital			
2021		£	2020
			£
			1 May Balance b/f
			600,000

Share premium			
2021		£	2020
			£
			1 May Balance b/f
			90,000

Taxation payable			
2021		£	2020
			£
30 April	Bank account	199,800	1 May Balance b/f
			199,800

Trade payables control account			
2021		£	2020
			£
30 April	Purchase returns day book	134,100	1 May Balance b/f
			1,222,955
30 April	Bank account	5,524,932	2021
			30 April Purchase day book
			5,539,944

Trade receivables control account					
2020			2021		
		£			£
1 May	Balance b/f	2,056,918	30 April	Sales returns day book	462,720
			30 April	Bank account	10,994,382
30 April	Sales day book	11,322,720	30 April	Bank account	750

VAT					
2021			2020		
		£			£
30 April	Sales returns day book	77,120	1 May	Balance b/f	378,599
30 April	Purchase day book	922,424			
30 April	Petty cash	3,410	30 April	Sales day book	1,887,120
30 April	Bank account	1,059,206	30 April	Purchase returns day book	22,350
			30 April	Bank account	960

Wages					
2021			2020		
		£			£
30 April	Wages and salaries control	2,929,100	1 May	Balance b/f	3,000

Wages and salaries control account					
2021			2021		
		£			£
30 April	Bank (wages)	2,163,488	30 April	Wages	2,929,100
30 April	Bank (salaries)	434,976	30 April	Salaries	600,000
30 April	PAYE and NIC control	352,529			
30 April	PAYE and NIC control	266,628			
30 April	Pension control	146,455			
30 April	PAYE and NIC control	78,000			
30 April	PAYE and NIC control	57,024			
30 April	Pension control	30,000			

Task 3 Adjustments

1 Non-current asset disposals

The non-current assets sold during the year had an original cost of £20,000 (plant and machinery) and £19,000 (motor vehicle). The plant and machinery had been purchased 4 years ago and had been depreciated at the rate of 20% straight line. The motor vehicle had been purchased 3 years ago and had been depreciated at the rate of 30% per annum reducing balance. Adjustments to remove these assets have not yet been made in the books of the company.

As these two assets are no longer owned by the company, they must be derecognised. To do this, the asset cost and accumulated depreciation on these assets must be removed from non-current

asset cost and accumulated depreciation accounts. Asset cost and accumulated depreciation are transferred to the non-current asset disposals account. The non-current asset disposals account will compare the carrying amount of the two assets (cost – accumulated depreciation) with the sale proceeds to determine whether there is a profit or loss on the disposal of these two assets.

To remove the cost of the assets from the cost accounts, the following double entries will be made:

	Debit	Credit
	£	£
Dr non-current asset disposals	20,000	
Cr plant and machinery cost		20,000
Dr non-current asset disposals	19,000	
Cr motor vehicles cost		19,000

The above entries remove the cost of the non-current assets that are no longer owned by the company from the cost accounts.

Accumulated depreciation on the non-current assets disposed of has to be calculated from the information given in notes 1 and 2.

Accumulated depreciation on plant and machinery: $£20,000 \times 20\% \times 4 \text{ years} = £16,000$.

Accumulated depreciation on motor vehicles: carrying amount at date of disposal: $£19,000 \times 0.70^3 = £6,517$ so total depreciation charged to the date of disposal = cost of $£19,000$ – carrying amount of $£6,517 = £12,483$. 0.70 (70%) is the proportion of cost/carrying amount remaining at the end of each financial year after deducting depreciation at the rate of 30% reducing balance. The following annual depreciation calculation proves that $£12,483$ is the correct accumulated depreciation on the motor vehicle sold:

Year	Cost/NBV at start of year	Annual depreciation at 30% reducing balance	NBV at end of year
	£	£	£
1	19,000	5,700	13,300
2	13,300	3,990	9,310
3	9,310	2,793	6,517
Total depreciation after 3 years		<u><u>12,483</u></u>	

The double entry to remove the accumulated depreciation from the T accounts for plant and machinery and motor vehicle accumulated depreciation is as follows:

	Debit	Credit
	£	£
Dr plant and machinery accumulated depreciation	16,000	
Cr non-current asset disposals		16,000
Dr motor vehicles accumulated depreciation	12,483	
Cr non-current asset disposals		12,483

Posting these entries to the relevant T accounts gives us the following results:

Plant and machinery cost					
2020			2021		
		£			£
1 May	Balance b/f	275,000	30 April	Non-current asset disposals	20,000
2021					
30 April	Purchase day book	70,000			

Motor vehicles cost					
2020			2021		
		£			£
1 May	Balance b/f	220,000	30 April	Non-current asset disposals	19,000
2021					
30 April	Purchase day book	25,000			

Non-current asset disposals					
2021			2021		
		£			£
30 April	Plant and machinery cost	20,000	30 April	Bank account	5,500
30 April	Motor vehicles cost	19,000	30 April	Bank account	4,800
			30 April	Plant and machinery accumulated depreciation	16,000
			30 April	Motor vehicles accumulated depreciation	12,483

Plant and machinery accumulated depreciation					
2021			2020		
		£			£
30 April	Non-current asset disposals	16,000	1 May	Balance b/f	137,500

Motor vehicles accumulated depreciation					
2021			2020		
		£			£
30 April	Non-current asset disposals	12,483	1 May	Balance b/f	88,000

The profit or loss on disposal can now be calculated from the entries in the non-current asset disposals account. A debit balance (more debits than credits) would indicate a loss on disposal whereas a credit balance (more credits than debits) would give a profit on disposal.

2 Depreciation

Depreciation is to be provided at the following rates:

Plant and machinery	20% per annum straight line on cost at end of the financial year
Motor vehicles	30% per annum reducing balance on carrying amount at the end of the financial year
Factory	2% per annum straight line on cost

Land is not depreciated.

The factory buildings have a cost of £490,000 and land a cost of £160,000.

The T account for plant and machinery shows the following entries at 30 April 2021 after making the entries required to remove the plant and machinery disposed of during the year (note 1):

Plant and machinery cost					
2020			2021		
		£			£
1 May	Balance b/f	275,000	30 April	Non-current asset disposals	20,000
2021					
30 April	Purchase day book	70,000			

Cost of plant and machinery at the end of the year is £275,000 + £70,000 (addition during the year) – £20,000 (disposal during the year) = £325,000. Depreciation is calculated on the straight line basis on cost at the end of the financial year, so annual plant and machinery depreciation is £325,000 × 20% = £65,000.

The double entry to record this depreciation is:

	Debit	Credit
	£	£
Dr plant and machinery annual depreciation charge	65,000	
Cr plant and machinery accumulated depreciation		65,000

The balances on the motor vehicles cost and motor vehicles accumulated depreciation T accounts at 30 April 2021 after making the entries required to remove the motor vehicle disposed of during the year (note 1):

Motor vehicles cost					
2020			2021		
		£			£
1 May	Balance b/f	220,000	30 April	Non-current asset disposals	19,000
2021					
30 April	Purchase day book	25,000			

Motor vehicles accumulated depreciation					
2021			2020		
		£			£
30 April	Non-current asset disposals	12,483	1 May	Balance b/f	88,000

Motor vehicles cost at the end of the year is thus £220,000 + £25,000 (addition during the year) – £19,000 (disposal during the year) = £226,000.

Accumulated depreciation at the end of the year = £88,000 (brought forward at 1 May 2020) – £12,483 (accumulated depreciation on disposal during the year) = £75,517.

Carrying amount at 30 April 2021 is therefore £226,000 (cost) – £75,517 (accumulated depreciation) = £150,483. Applying the depreciation rate of 30% reducing balance to the carrying amount of motor vehicles at the end of the year gives us a depreciation charge for the year of £150,483 × 30% = £45,145 (rounding to the nearest whole £).

The double entry to record this depreciation is:

	Debit	Credit
	£	£
Dr motor vehicle annual depreciation charge	45,145	
Cr motor vehicle accumulated depreciation		45,145

The cost of the building is £490,000. Annual depreciation on this building is at the rate of 2% per annum. The annual depreciation charge for the year ended 30 April 2021 is therefore £490,000 × 2% = £9,800.

The double entry to record this depreciation is:

	Debit	Credit
	£	£
Dr factory annual depreciation charge	9,800	
Cr factory accumulated depreciation		9,800

Posting these entries to the relevant T accounts gives the following results:

Factory accumulated depreciation			
2021	£	2020	£
		1 May	Balance b/f
			78,000
		2021	
		30 April	Factory annual depreciation charge
			9,800

Factory annual depreciation charge			
2021	£	2021	£
30 April	Factory accumulated depreciation		9,800

Motor vehicles accumulated depreciation

2021		£	2020		£
30 April	Non-current asset disposals	12,483	1 May	Balance b/f	88,000
				2021	
			30 April	Motor vehicle annual depreciation charge	45,145

Motor vehicles annual depreciation charge

2021		£	2021		£
30 April	Motor vehicles accumulated depreciation	45,145			

Plant and machinery accumulated depreciation

2021		£	2020		£
30 April	Non-current asset disposals	16,000	1 May	Balance b/f	137,500
				2021	
			30 April	Plant and machinery annual depreciation charge	65,000

Plant and machinery annual depreciation charge

2021		£	2021		£
30 April	Plant and machinery annual depreciation charge	65,000			

3 Prepayments

Prepayments at 30 April 2021 were as follows:

	£
Insurance	750
Rates	500

You should set up a prepayments account in which to record all the prepayments at 30 April 2021.

Prepayments involve the carry forward of expenses incurred this year which apply to a future accounting period. Therefore, the relevant expense accounts are credited and the prepayments account is debited with the prepaid expenditure. The required double entry is as follows:

	Debit	Credit
	£	£
Dr prepayments	1,250	
Cr insurance		750
Cr rates		500

The entry of the above transactions into the T accounts is shown below.

Insurance					
2020		£	2021		£
1 May	Balance b/f	1,000	30 April	Prepayments	750

Rates					
2020		£	2021		£
1 May	Balance b/f	1,600	30 April	Prepayments	500

Prepayments					
2021		£	2021		£
30 April	Insurance	750			
30 April	Rates	500			

4 Accruals

Accruals for the following expenses are required:

	£
Audit and accountancy	5,000
Bank charges	100
Rent	2,750
Wages	2,500
Legal fees	750

You should set up an accruals account in which to record all the accruals at 30 April 2021.

Accruals are expenses incurred in the current financial year which have not been paid by the year end. They are therefore added to liabilities and to expenses, increasing both liabilities and

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expenses with the expenditure incurred but not yet paid for. The double entry for these accruals is shown below:

	Debit £	Credit £
Dr audit and accountancy	5,000	
Dr bank charges	100	
Dr legal expenses	750	
Dr rent	2,750	
Dr wages	2,500	
Cr accruals		11,100

The entry of the above transactions into the T accounts is shown below.

Audit and accountancy					
2021	£	2020	£		
30 April	Purchase day book	9,000	1 May	Balance b/f	3,000
30 April	Accruals	5,000			

Bank charges					
2021	£	2020	£		
30 April	Bank account	1,988	1 May	Balance b/f	180
30 April	Bank account	50			
30 April	Accruals	100			

Legal expenses					
2021	£	2021	£		
30 April	Purchase day book	5,000			
30 April	Accruals	750			

Rent					
2021	£	2020	£		
30 April	Accruals	2,750	1 May	Balance b/f	4,500

Wages					
2021	£	2020	£		
30 April	Wages and salaries control	2,929,100	1 May	Balance b/f	3,000
30 April	Accruals	2,500			

Accruals				
2021	£	2021	£	
		30 April	Audit and accountancy	5,000
		30 April	Bank charges	100
		30 April	Legal expenses	750
		30 April	Rent	2,750
		30 April	Wages	2,500

5 Irrecoverable debts and allowance for receivables

The allowance for receivables is to be adjusted to 1.50% of trade receivables at 30 April 2021 after allowing for specific irrecoverable debts at the year end of £17,786.

The first step in making this adjustment is to remove the known bad debt from trade receivables. The double entry required is as follows:

	Debit	Credit
	£	£
Dr Irrecoverable debts and allowance for receivables expense account	17,786	
Cr trade receivables control account		17,786

Irrecoverable debts and allowance for receivables expense account				
2021		£	2021	£
30 April	Trade receivables	17,786		

Trade receivables control account					
2020		£	2021		£
1 May	Balance b/f	2,056,918	30 April	Sales returns day book	462,720
2021			30 April	Bank account	10,994,382
30 April	Sales day book	11,322,720	30 April	Bank account	750
			30 April	Irrecoverable debts and allowance for receivables expense account	17,786

To calculate the allowance for receivables required at the 30 April 2021, we now need to determine the trade receivables balance at that date. Debits on the trade receivables control account total up to £13,379,638 (opening trade receivables asset of £2,056,918 + sales of £11,322,720 = £13,379,638). Credits on the account total up to £11,475,638 (sales returns of £462,720 + cash received of £10,994,382 + unrecorded bank receipt of £750 + irrecoverable debts of £17,786 = £11,475,638). The year-end trade receivables are thus £13,379,638 (debits) – £11,475,638 (credits) = £1,904,000. The allowance for receivables at the end of the year at 1.5% of year-end

trade receivables = £1,904,000 × 0.015 = £28,560. The current balance on the allowance for receivables brought forward from the end of last year is £30,854. Therefore, there is a reduction in the allowance for receivables of £2,294. The double entry to record this reduction in the allowance is as follows:

	Debit	Credit
	£	£
Dr allowance for receivables	2,294	
Cr Irrecoverable debts and allowance for receivables expense account		2,294

Recording this reduction in the allowance in the relevant T accounts results in the following postings:

Irrecoverable debts and allowance for receivables expense account					
		£			£
2021			2021		
30 April	Trade receivables	17,786	30 April	Allowance for receivables	2,294

Allowance for receivables					
		£			£
2021			2020		
30 April	Irrecoverable debts and allowance for receivables expense account	2,294	1 May	Balance b/f	30,854

6 Inventory

Inventory at the year end was counted and had a cost of £125,228.

Inventory at the year end is a cost carried forward to match against sales of this inventory made in the next year. Closing inventory is a deduction from cost of sales and an asset in the statement of financial position. The double entry to record closing inventory is shown below:

	Debit	Credit
	£	£
Dr inventory	125,228	
Cr cost of sales		125,228

The T accounts to reflect the closing inventory are thus:

Inventory					
		£			£
2021			2021		
30 April	Cost of sales	125,228			

Cost of sales					
2020			2021		
		£			£
1 May	Balance b/f (inventory)	112,280	30 April	Purchase returns day book	111,300
			30 April	Inventory	125,228
30 April	Purchase day book	4,451,920			

7 Taxation

A provision for taxation on the profit for the year of £118,285 is to be made in the accounts.

A provision for taxation is a liability. This liability then gives rise to an expense in the statement of profit or loss. The double entry for taxation payable is:

	Debit £	Credit £
Dr taxation charge	118,285	
Cr taxation payable		118,285

Posting these entries to the relevant T accounts gives us the following results:

Taxation charge					
2021			2021		
		£			£
30 April	Taxation payable	118,285			

Taxation payable					
2021			2020		
		£			£
30 April	Bank account	199,800	1 May	Balance b/f	199,800
			30 April	Taxation charge	118,285

8 Errors/mispostings

The following expenditure has been posted to purchases and requires reallocating to the correct expenditure heading:

Insurance: £20,000

Rates: £15,000

Rent: £11,000

Expenditure has been incorrectly classified in the books of prime entry and also in the T accounts. The correct accounts will require debiting with the relevant amounts (an increase in expenditure on

those accounts) while the cost of sales will be credited (a decrease in expenditure) with the same amounts. The double entry required to correct these errors is thus:

	Debit	Credit
	£	£
Dr insurance	20,000	
Dr rates	15,000	
Dr rent	11,000	
Cr cost of sales		20,000
Cr cost of sales		15,000
Cr cost of sales		11,000

Once these entries have been posted, the T accounts will now look like this:

Cost of sales					
2020			2021		
		£			£
1 May	Balance b/f (inventory)	112,280	30 April	Purchase returns day book	111,300
			30 April	Inventory	125,228
			30 April	Insurance	20,000
			30 April	Rates	15,000
			30 April	Rent	11,000
30 April	Purchase day book	4,451,920			

Insurance					
2020			2021		
		£			£
1 May	Balance b/f	1,000	30 April	Prepayments	750
30 April	Cost of sales	20,000			

Rates					
2020			2021		
		£			£
1 May	Balance b/f	1,600	30 April	Prepayments	500
30 April	Cost of sales	15,000			

Rent					
2021			2020		
		£			£
30 April	Accruals	2,750	1 May	Balance b/f	4,500
30 April	Cost of sales	11,000			

Task 4 Extract the trial balance at 30 April 2021

	Debit	Credit
	£	£
Accruals		11,100
Allowance for receivables		28,560
Audit and accountancy	11,000	
Bank account	446,928	
Bank charges	1,958	
Bank interest		800
Cost of sales	4,281,672	
Dividends	60,000	
Employer's NIC: salaries	65,578	
Employer's NIC: wages	306,622	
Entertaining customers	2,632	
Equipment hire	1,850	
Factory accumulated depreciation		87,800
Factory annual depreciation charge	9,800	
Factory cost	650,000	
Insurance	20,250	
Inventory	125,228	
Irrecoverable debts and allowance for receivables expense account	15,492	
Legal expenses	5,750	
Motor expenses	47,350	
Motor vehicles accumulated depreciation		120,662
Motor vehicles annual depreciation	45,145	
Motor vehicles cost	226,000	
Non-current asset disposals	217	
Office refreshments	4,214	
PAYE and NIC Control		93,865
Pension control		14,705
Petty cash	437	
Plant and machinery accumulated depreciation		186,500
Plant and machinery annual depreciation	65,000	
Plant and machinery cost	325,000	
Postage	7,255	
Prepayments	1,250	

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	Debit	Credit
	£	£
Printing and stationery	13,642	
Rates	16,100	
Rent	9,250	
Retained earnings		583,492
Salaries	600,000	
Sales		9,050,000
Share capital		600,000
Share premium		90,000
Taxation charge	118,285	
Taxation payable		118,285
Trade payables control account		1,103,867
Trade receivables control account	1,904,000	
VAT		226,869
Wages	<u>2,928,600</u>	
	<u>12,439,520</u>	<u>12,439,520</u>

Task 5 Prepare an statement of profit or loss for the year ended 30 April 2021 and a statement of financial position for the company at that date.

ABC Limited: Statement of profit or loss for the year ended 30 April 2021

	Note	£
Revenue		9,050,000
Cost of sales	1	<u>7,618,894</u>
Gross profit		1,431,106
Distribution and selling costs	2	427,916
Administration expenses	3	<u>412,567</u>
Operating profit		590,623
Finance income		<u>800</u>
Profit before tax		591,423
Income tax		<u>118,285</u>
Profit for the year		<u>473,138</u>

Note 1 Cost of sales

	£
Cost of sales	4,281,672
Employer's NIC wages	306,622
Equipment hire	1,850
Factory annual depreciation charge	9,800
Plant and machinery annual depreciation charge	65,000
Rates	16,100
Rent	9,250
Wages	2,928,600
Cost of sales	<u><u>7,618,894</u></u>

Note 2 Distribution and selling costs

	£
Employer's NIC salaries (50%) $\text{£}65,578 \times 50\%$	32,789
Entertaining customers	2,632
Motor expenses	47,350
Motor vehicle annual depreciation charge	45,145
Salaries (50%) $\text{£}600,000 \times 50\%$	300,000
Distribution and selling costs	<u><u>427,916</u></u>

Note 3 Administration expenses

	£
Audit and accountancy	11,000
Bank charges	1,958
Employer's NIC salaries (50%) $\text{£}65,578 \times 50\%$	32,789
Insurance	20,250
Irrecoverable debts and allowance for receivables expense account	15,492
Legal expenses	5,750
Loss on non-current asset disposals	217
Office refreshments	4,214
Postage	7,255
Printing and stationery	13,642
Salaries (50%) $\text{£}600,000 \times 50\%$	300,000
Administration expenses	<u><u>412,567</u></u>

ABC Limited: Statement of financial position at 30 April 2021

	£
Non-current assets	
Factory (£650,000 cost – £87,800 accumulated depreciation)	562,200
Motor vehicles (£226,000 cost – £120,662 accumulated depreciation)	105,338
Plant and machinery (£325,000 cost – £186,500 accumulated depreciation)	138,500
	<u>806,038</u>
Current assets	
Inventory	125,228
Trade receivables (£1,904,000 – £28,560 allowance for receivables)	1,875,440
Prepayments	1,250
Cash and cash equivalents (£446, 928 bank account + £437 petty cash)	447,365
	<u>2,449,283</u>
Total assets	<u>3,255,321</u>
Current liabilities	
Accruals	11,100
PAYE and NIC	93,865
Pension control	14,705
Taxation payable	118,285
Trade payables	1,103,867
VAT	226,869
Total liabilities	<u>1,568,691</u>
Net assets	<u>1,686,630</u>
Equity	
Share capital	600,000
Share premium	90,000
Retained earnings (£583,492 b/f – £60,000 dividend + £473,138 profit for year)	996,630
	<u>1,686,630</u>

Task 6 Close off the T accounts and bring forward the opening balances at 1 May 2021

Accruals					
2021		£	2021		£
30 April	Audit and accountancy balance c/f	5,000	30 April	Audit and accountancy	5,000
30 April	Bank charges balance c/f	100	30 April	Bank charges	100
30 April	Legal expenses balance c/f	750	30 April	Legal expenses	750
30 April	Rent balance c/f	2,750	30 April	Rent	2,750
30 April	Wages balance c/f	2,500	30 April	Wages	2,500
		<u>11,100</u>			<u>11,100</u>

Allowance for receivables

2021		£	2020		£
30 April	Irrecoverable debts and allowance for receivables expense account	2,294	1 May	Balance b/f	30,854
30 April	Balance c/f	<u>28,560</u>			
		<u>30,854</u>	2021		<u>30,854</u>
			1 May	Balance b/f	28,560

Audit and accountancy

2021		£	2020		£
30 April	Purchase day book	9,000	1 May	Balance b/f	3,000
30 April	Accruals	<u>5,000</u>	30 April	Statement of profit or loss	<u>11,000</u>
		<u>14,000</u>	2021		<u>14,000</u>
			1 May	Balance b/f (from accruals)	5,000

Bank account

2020		£	2021		£
1 May	Balance b/f	132,158	30 April	Trade payables	5,524,932
			30 April	Wages and salaries control	2,163,488
2021			30 April	Wages and salaries control	434,976
30 April	Trade receivables	10,994,382	30 April	PAYE and NIC control	1,063,732
30 April	Non-current asset disposals	5,500	30 April	VAT	1,059,206
30 April	Non-current asset disposals	4,800	30 April	Pension control	161,750
30 April	VAT	960	30 April	Petty cash	22,500
30 April	Bank interest	800	30 April	Taxation	199,800
30 April	Trade receivables	750	30 April	Dividends	60,000
			30 April	Bank charges	1,988
			30 April	Bank charges	50
			30 April	Balance c/f	<u>446,928</u>
		<u>11,139,350</u>			<u>11,139,350</u>
1 May	Balance b/f	446,928			

Bank charges

2021		£	2020		£
30 April	Bank account	1,988	1 May	Balance b/f	180
30 April	Bank account	50	2021		
30 April	Accruals	<u>100</u>	30 April	Statement of profit or loss	<u>1,958</u>
		<u>2,138</u>			<u>2,138</u>
			1 May	Balance b/f (from accruals)	100

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Bank interest					
2021		£	2021		£
30 April	Statement of profit or loss	<u>800</u>	30 April	Bank account	<u>800</u>

Cost of sales					
2020		£	2021		£
1 May	Balance b/f (inventory)	112,280	30 April	Purchase returns day book	111,300
2021			30 April	Inventory	125,228
30 April	Purchase day book	4,451,920	30 April	Insurance	20,000
			30 April	Rates	15,000
			30 April	Rent	11,000
			30 April	Statement of profit or loss	<u>4,281,672</u>
		<u>4,564,200</u>			<u>4,564,200</u>
1 May	Balance b/f (inventory)	125,228			

Dividends					
2021		£	2021		£
30 April	Bank account	<u>60,000</u>	30 April	Retained earnings	<u>60,000</u>

Employer's NIC: salaries					
2021		£	2021		£
30 April	Wages and salaries control	<u>65,578</u>	30 April	Statement of profit or loss	<u>65,578</u>

Employer's NIC: wages					
2021		£	2021		£
30 April	Wages and salaries control	<u>306,622</u>	30 April	Statement of profit or loss	<u>306,622</u>

Entertaining customers					
2021		£	2021		£
30 April	Petty cash	<u>2,632</u>	30 April	Statement of profit or loss	<u>2,632</u>

Equipment hire					
2020		£	2021		£
1 May	Balance b/f	<u>1,850</u>	30 April	Statement of profit or loss	<u>1,850</u>

Factory accumulated depreciation					
2021		£	2020		£
30 April	Balance c/f	87,800	1 May	Balance b/f	78,000
		<u>87,800</u>			
2021			2021		
30 April	Factory annual depreciation charge		30 April	Factory annual depreciation charge	<u>9,800</u>
					<u>87,800</u>
1 May	Balance b/f		1 May	Balance b/f	<u>87,800</u>

Factory annual depreciation charge					
2021		£	2021		£
30 April	Factory accumulated depreciation	<u>9,800</u>	30 April	Statement of profit or loss	<u>9,800</u>

Factory cost					
2020		£	2021		£
1 May	Balance b/f	<u>650,000</u>	30 April	Balance c/f	<u>650,000</u>
2021					
1 May	Balance b/f	650,000			

Insurance					
2020		£	2021		£
1 May	Balance b/f	1,000	30 April	Prepayments	750
2021			2021		
30 April	Cost of sales	<u>20,000</u>	30 April	Statement of profit or loss	<u>20,250</u>
		<u>21,000</u>			<u>21,000</u>
1 May	Balance b/f (from prepayments)	750			

Inventory					
2021		£	2021		£
30 April	Cost of sales	<u>125,228</u>	30 April	Balance c/f in cost of sales)	<u>125,228</u>

Irrecoverable debts and allowance for receivables expense account					
2021		£	2021		£
30 April	Trade receivables control account	<u>17,786</u>	30 April	Allowance for receivables	2,294
		<u>17,786</u>	30 April	Statement of profit or loss	<u>15,492</u>
					<u>17,786</u>

Solutions to end-of-chapter questions Chapter 5

Legal expenses

2021		£	2021		£
30 April	Purchase day book	5,000	30 April	Statement of profit or loss	5,750
30 April	Accruals	<u>750</u>			
		<u>5,750</u>	1 May	Balance b/f (from accruals)	750

Motor expenses

2021		£	2021		£
30 April	Purchase day book	39,200	30 April	Purchase returns day book	450
30 April	Petty cash	<u>8,600</u>	30 April	Statement of profit or loss	47,350
		<u>47,800</u>			<u>47,800</u>

Motor vehicles accumulated depreciation

2021		£	2020		£
30 April	Non-current asset disposals	12,483	1 May	Balance b/f	88,000
30 April	Balance c/f	<u>120,662</u>			
		<u>133,145</u>			
			30 April	Motor vehicles annual depreciation	<u>45,145</u>
			1 May	Balance b/f	<u>133,145</u>
					<u>120,662</u>

Motor vehicles annual depreciation

2021		£	2021		£
30 April	Motor vehicles accumulated depreciation	<u>45,145</u>	30 April	Statement of profit or loss	<u>45,145</u>

Motor vehicles cost

2020		£	2021		£
1 May	Balance b/f	220,000	30 April	Non-current asset disposals	19,000
			30 April	Balance c/f	<u>226,000</u>
30 April	Purchase day book	<u>25,000</u>			<u>245,000</u>
		<u>245,000</u>			
1 May	Balance b/f	226,000			

Non-current asset disposals

2021		£	2021		£
30 April	Plant and machinery cost	20,000	30 April	Bank account	5,500
30 April	Motor vehicles cost	19,000	30 April	Bank account	4,800
			30 April	Plant and machinery accumulated depreciation	16,000
			30 April	Motor vehicles accumulated depreciation	12,483
			30 April	Statement of profit or loss	217
		<u>39,000</u>			<u>39,000</u>

Office refreshments

2021		£	2021		£
30 April	Petty cash	<u>4,214</u>	30 April	Statement of profit or loss	<u>4,214</u>

PAYE and NIC Control

2021		£	2020		£
30 April	Bank account	1,063,732	1 May	Balance b/f	31,216
30 April	Balance c/f	93,865		2021	
			30 April	Wages and salaries control	352,529
			30 April	Wages and salaries control	266,628
			30 April	Wages and salaries control	78,000
			30 April	Wages and salaries control	57,024
			30 April	Employer's NIC: salaries	65,578
			30 April	Employer's NIC: wages	<u>306,622</u>
		<u>1,157,597</u>			<u>1,157,597</u>
			1 May	Balance b/f	93,865

Pension control

2021		£	2021		£
30 April	Bank account	161,750	30 April	Wages and salaries control	146,455
30 April	Balance c/f	<u>14,705</u>	30 April	Wages and salaries control	<u>30,000</u>
		<u>176,455</u>			<u>176,455</u>
			1 May	Balance b/f	14,705

Petty cash					
2020		£	2021		£
1 May	Balance b/f	290	30 April	Postage	1,875
2021			30 April	Office refreshments	4,214
30 April	Bank account	22,500	30 April	Entertaining customers	2,632
30 April	Postage	20	30 April	Stationery	1,642
			30 April	Petrol	8,600
			30 April	VAT	3,410
			30 April	Balance c/f	437
		<u>22,810</u>			<u>22,810</u>
1 May	Balance b/f	437			

Plant and machinery accumulated depreciation					
2021		£	2020		£
30 April	Non-current asset disposals	16,000	1 May	Balance b/f	137,500
2021			2021		
30 April	Balance c/f	186,500	30 April	Plant and machinery annual depreciation	65,000
		<u>202,500</u>			<u>202,500</u>
			1 May	Balance b/f	186,500

Plant and machinery annual depreciation					
2021		£	2021		£
30 April	Plant and machinery accumulated depreciation	65,000	30 April	Statement of profit or loss	65,000

Plant and machinery cost					
2020		£	2021		£
1 May	Balance b/f	275,000	30 April	Non-current asset disposals	20,000
2021			2021		
30 April	Purchase day book	70,000	30 April	Balance c/f	325,000
		<u>345,000</u>			<u>345,000</u>
1 May	Balance b/f	325,000			

Postage					
2021			2021		
		£			£
30 April	Purchase day book	5,400	30 April	Petty cash	20
30 April	Petty cash	<u>1,875</u>	30 April	Statement of profit or loss	<u>7,255</u>
		<u>7,275</u>			<u>7,275</u>

Prepayments					
2021			2021		
		£			£
30 April	Insurance	750	30 April	Insurance balance c/f	750
30 April	Rates	<u>500</u>	30 April	Rates balance c/f	<u>500</u>
		<u>1,250</u>			<u>1,250</u>

Printing and stationery					
2021			2021		
		£			£
30 April	Purchase day book	12,000	30 April	Statement of profit or loss	13,642
30 April	Petty cash	<u>1,642</u>			<u>13,642</u>
		<u>13,642</u>			<u>13,642</u>

Rates					
2020			2021		
		£			£
1 May	Balance b/f	1,600	30 April	Prepayments	500
			30 April	Statement of profit or loss	16,100
2021					
30 April	Cost of sales	<u>15,000</u>			<u>16,600</u>
		<u>16,600</u>			<u>16,600</u>
1 May	Balance b/f (from prepayments)	500			

Rent					
2021			2020		
		£			£
30 April	Accruals	2,750	1 May	Balance b/f	4,500
30 April	Cost of sales	<u>11,000</u>			
		<u>13,750</u>	30 April	Statement of profit or loss	<u>9,250</u>
		<u>13,750</u>			<u>13,750</u>
			1 May	Balance b/f (from accruals)	2,750

Retained earnings					
2021		£	2020		£
30 April	Dividends	60,000	1 May	Balance b/f	583,492
30 April	Balance c/f	996,630	2021		
		<u>1,056,630</u>	30 April	Profit for year	<u>473,138</u>
					<u>1,056,630</u>
			1 May	Balance b/f	996,630

Salaries					
2021		£	2021		£
30 April	Wages and salaries control	<u>600,000</u>	30 April	Statement of profit or loss	<u>600,000</u>

Sales					
2021		£	2021		£
30 April	Sales returns day book	385,600	30 April	Sales day book	9,435,600
30 April	Statement of profit or loss	<u>9,050,000</u>			
		<u>9,435,600</u>			<u>9,435,600</u>

Share capital					
2021		£	2020		£
30 April	Balance c/f	<u>600,000</u>	1 May	Balance b/f	<u>600,000</u>
			2021		
			1 May	Balance b/f	600,000

Share premium					
2021		£	2020		£
30 April	Balance c/f	<u>90,000</u>	1 May	Balance b/f	<u>90,000</u>
			2021		
			1 May	Balance b/f	90,000

Taxation charge					
2021		£	2021		£
30 April	Taxation payable	<u>118,285</u>	30 April	Statement of profit or loss	<u>118,285</u>

Taxation payable

2021		£	2020		£
30 April	Bank account	199,800	1 May	Balance b/f	199,800
30 April	Balance c/f	118,285		2021	
		<u>318,085</u>	30 April	Taxation charge	118,285
					<u>318,085</u>
			1 May	Balance b/f	118,285

Trade payables control account

2021		£	2020		£
30 April	Purchase returns day book	134,100	1 May	Balance b/f	1,222,955
30 April	Bank account	5,524,932		2021	
30 April	Balance c/f	1,103,867	30 April	Purchase day book	5,539,944
		<u>6,762,899</u>			<u>6,762,899</u>
			1 May	Balance b/f	1,103,867

Trade receivables control account

2020		£	2021		£
1 May	Balance b/f	2,056,918	30 April	Sales returns day book	462,720
	2021		30 April	Bank account	10,994,382
30 April	Sales day book	11,322,720	30 April	Bank account	750
			30 April	Irrecoverable debts and allowance for receivables expense account	17,786
		<u>13,379,638</u>	30 April	Balance c/f	1,904,000
					<u>13,379,638</u>
1 May	Balance b/f	1,904,000			

VAT

2021		£	2020		£
30 April	Sales returns day book	77,120	1 May	Balance b/f	378,599
30 April	Purchase day book	922,424		2021	
30 April	Petty cash	3,410	30 April	Sales day book	1,887,120
30 April	Bank account	1,059,206	30 April	Purchase returns day book	22,350
30 April	Balance c/f	226,869	30 April	Bank account	960
		<u>2,289,029</u>			<u>2,289,029</u>
			1 May	Balance b/f	226,869

Wages					
2021		£	2020		£
30 April	Wages and salaries control	2,929,100	1 May	Balance b/f	3,000
30 April	Accruals	2,500			
		<u>2,931,600</u>			
			30 April	Statement of profit or loss	<u>2,928,600</u>
					<u>2,931,600</u>
			1 May	Balance b/f (from accruals)	2,500

Wages and salaries control account					
2021		£	2021		£
30 April	Bank (wages)	2,163,488	30 April	Wages	2,929,100
30 April	Bank (salaries)	434,976	30 April	Salaries	600,000
30 April	PAYE and NIC control	352,529			
30 April	PAYE and NIC control	266,628			
30 April	Pension control	146,455			
30 April	PAYE and NIC control	78,000			
30 April	PAYE and NIC control	57,024			
30 April	Pension control	30,000			
		<u>3,529,100</u>			<u>3,529,100</u>