

## End of yr Adjustments:

✓ ✓ Accruals — Accrued expenses  
Accrued Incomes

✓ ✓ prepayments — prepaid expenses  
prepaid Income

↓  
( Income received in advance  
Unearned Income.

✓ Bad debts

✓ provision for bad debts

✓ Depreciation

Accruals concept — Taxes should be recorded as and when they occur irrespective of whether cash is paid

or received.

Current liabilities

1.1. Accrued expense → Incurred

but not yet paid for.

Dr: Expense  
Cr: Accrued exp

Due. Accrued, outstanding

$$1000,000 \times 3 = 3,000,000$$

1,000,000

Feb, march.

1,000,000  
April

1.2. Accrued Income → Current Assets

Dr: Receivable	xxx	→
Cr: Revenue	xxx	✓

2.1 Prepaid expense → Current Assets.

Three months, 6 months

1/1/2015 <sup>for money</sup> → 31/3/15 = 1500,000

Dr: Prepaid expense xxx  
Cr: Cash / Bank. xxx

<sup>Tenant.</sup>  
Dr: Rent expense 500,000  
Dr: Prepaid expense 1000,000  
Cr: Cash 1500,000

*Current liability.*

2.2 Prepaid Income → Unearned Income  
→ Income in Advance.

Dr: Cash xxx

Cr: Liability xxx (prepaid income)

Dr: Cash	1,500,000
Cr: Rental Income	500,000
Cr: Unearned Income	1,000,000

↓ Liability

3) Bad debts → Arise out of selling on credit

↓ Receivable → Assets

Dr: Bad debts	xxx	ca.
Cr: Receivable	xxx	

Debiting a bad debt in the books accounts.

Step 1: Revoke the Trade receivable

Dr: Trade Receivable

Cr: Bad debts written off.

Step 2 Payment → Reverse Cash.

Dr: Bank / Cash xxx

Cr: Trade receivable xxx

Step 3: Dr: Bad debts recovered xxx

Cr: Profit or Loss →  
Other Income xxx.

Accounting treatments:

Expense in P/L.

SOFP

Reduce on trade receivable

4. Provision for bad debts

↓  
Anticipate that some debtors  
will not pay.

⊖ Affect Trade receivables

Prov. for bad debts → Expense → P/L.

Less trade receivables → SUTP.

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5) Depreciation → method of depreciation

→ Straight line method.

→ Reducing Balance method.

Straight line method. or % on cost

- ✓ Cost
- ✓ Life
- ✓ Residue value / salvage value
- Scrap value.

OR.  
✓ Depreciate rate.

① 
$$\frac{\text{Cost} - \text{Scrap value}}{\text{Useful Life}} = \text{Depreciation expense.}$$

② % x cost. Expense → P/L

5000 ✓

Accumulated deph. for m/v

10,000 →

5% for m/v. X 2m.

SDFP / Balance sheet: → NBV  
CA

$$\begin{aligned} \text{Cost} - \text{Acc depn} &= \text{Carrying Amount or} \\ &= 2\text{m} - (10,000 + 5000) \quad \text{Net book value} \\ &= \text{A} \end{aligned}$$

Reducing Balance method.

↓  
depreciation is charged on the  
Net book value or the  
Carrying amount

$$\text{NBV} = (\text{Cost} - \text{Acc depn})$$

$$\begin{aligned} (\text{Cost} - \text{Acc depn}) \times \% \\ = \text{depreciation exp} \rightarrow \text{P/L} \end{aligned}$$



↓ xxx + Acc depre

1 — 6, 7 EOJ.

▷ closing inventory.

Details	Dr	Cr
Closing Inventory	xxx	
Profit or Loss		xxx
Corporation tax	xxx	
Corporation tax payable		xxx
Rent expense	xxx	
Rent exp payable		xxx

Prepaid exp	xx	
Expense		xxx

On 1/1/2m. → 1/1-3/24.

1/7/xx → 30/6/1101-31/2/xx

1/1/xx - 31/2/xx

Dr. **Bad debts** → P/L.

Cr: Trade receivable S/UFP

$$\begin{matrix} \text{Trade receivable} & - & \text{Bad debts} & = & \text{x5\%} \\ \text{P/L} & & \text{debts} & & \end{matrix}$$

∴ Total Receivable = Grt - Bad - pmv  
 deb't for bad debts  
 20x 65000 → Cost of sales  
 → taken 1 on basis

Gross profit

183,191

Add: other incomes:

Disc received

10,600

Gross incomes

193,791

Expenditures:

Stolen inventory 1,300

Bad debts 3,400

Disc allowed 7,780

Electricity 16,750

Rent 19,200

Carnage out 63,200

Salaries & wages (N.) 50,000

Trade N. 800

Liability

Pro for N. 4,530  
bad debts

Depreciation: 114

D. Truck 29,600

Furniture 762

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Total Expenditure

(197,322)

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Net Loss

(3,531)

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Assets:

NCA's:

Cost

Acc  
depr

NRV.

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D. Truck

148,000

(88,800)

59,200

Furniture

15,240

(2,286)

12,954

Current

Assets:

Trade receivable (94,000 - 3,400 - 4,580) 86,020

Prepaid T. License

2,400

Cash	74600
Inventory	76000
Total Assets	<u>311,224</u>

Equity and liabilities:

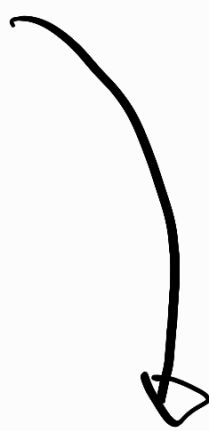
Equity:

Capital	287000
Retained earnings - 69000 + - 3531	(72531)
Drawings	(12000)
Total Equity	<u>202,469</u>

Liabilities:

Accrued wages	4,405
Trade payable	89,350
Deferred Income	15,700
	<u>108,755</u>

Total Equity & Liabilities	<u>311,224</u>
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# Suspense Account and Correction of errors

Trial Balance → Balance.

**errors** ① Affect the Agreement of the TB

② Errors that do not affect the agreement of TB.

↓  
Corrected through a journal

Corrected thru a journal & Suspense A/c

Suspense A/c	
	Bal b/f 50,000

- ✓ Double entry.
  - ✓ Error committed.
  - ✓ What should have been done.
  - ✓ Resolution.
- Overcast - overstated  
 Under - Under cast stated.

# Suspense A/c

Diff in TS	3,616,350	Kikumbo	1470,500
Trade receivables	3250,150	R/out	215000
Rent	900,000	Carrige out	2,150,000
Cashbook	49,500	Sales	3,450,200
Sales returns	1800,000	Trade payable	230,500
	9,616,000		9,616,000

## Corrected journal entries

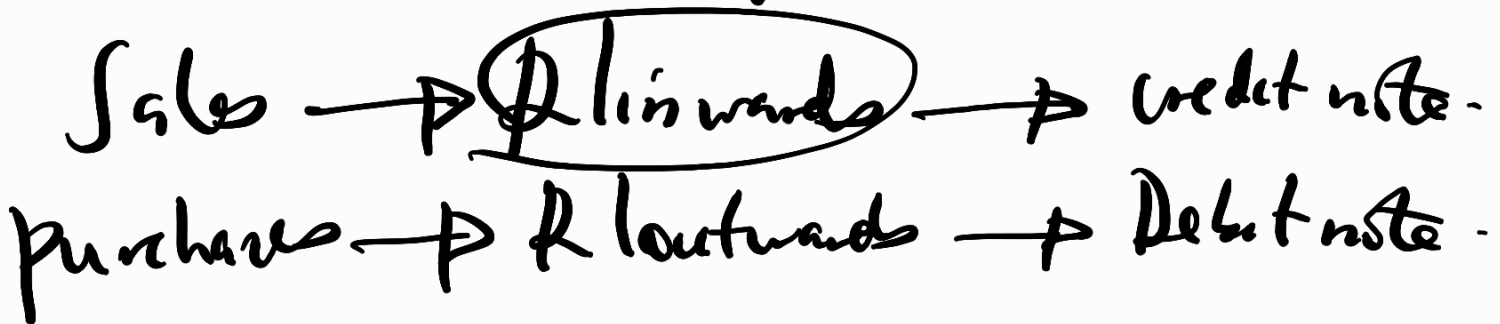
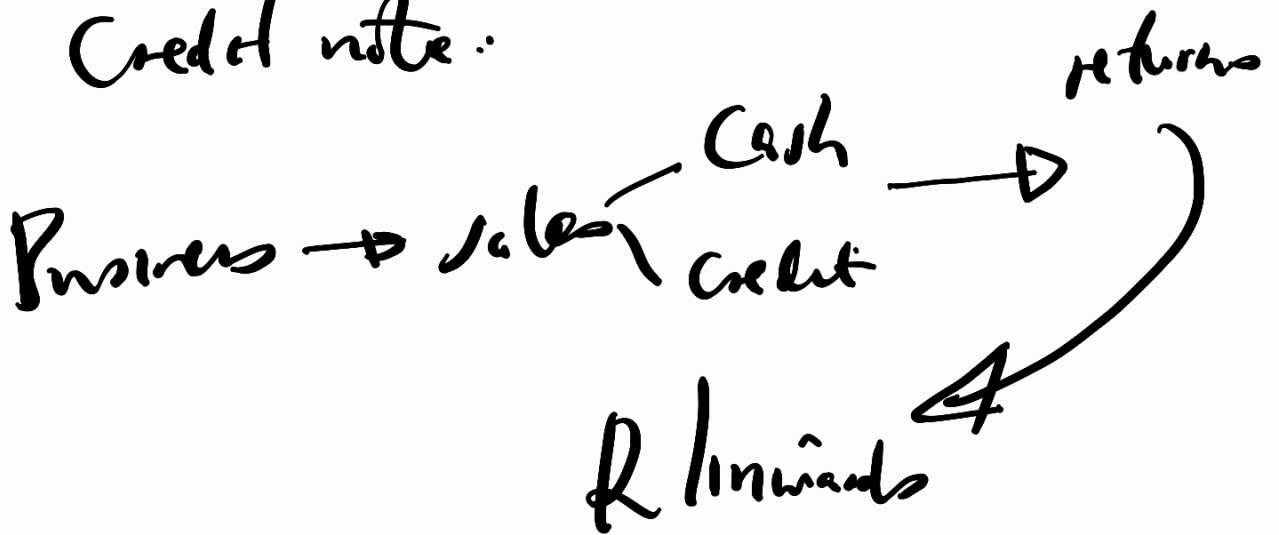
Details	Debit	Credit
Kikumbo Ent	1470,500	
Suspense		1470,500
motorvehicle	45000,000	
purchases		45000,000.

Returns outwards	21,500	
Carriage outwards	2,150,000	
Suspense		2,365,000
Sales	3,450,200	
Suspense		3,450,200
Trade payables	2,330,500	
Suspense		2,330,500
Suspense	3,250,150	
Trade receivables		3,250,150
Utilities	67,000	
Bank		67,000
Purchases/stock	5,660,000	
Payables		5,660,000
Suspense	900,000	
Rent		900,000



Suspense	49,500	
Cash		49,500
Suspense	1800,000	
Sales returns		1800,000

Credit note:



# Corrected Net Profit

Reported profit

15689.000 ✓

Add: Sales returns

1800.000.

Rental Income

900.000.

Purchases

4500.000.

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63389.000

Less: Carriage out

2150.000

Discounts

215000

Sales

3450.000

Utilities

670.000

Purchases

5.660.000

Corrected Net Profit

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b) ✓ Unprinted cheques

CB ✓ Uncredited cheques

Bank } ✓ Direct debit e.g. Bank charges  
 ✓ Credit credits

CB	Bank
Rent 10k UP	10k. DD
-	Di

✓ Dishonored cheques

UP →  
UC

CB

debit ✓  
✓  
⋮

credit

Bank

debit ✓  
✓  
⋮

Bank

DR

CR

C/B

DR

CR

✓ 89

760,000

89

760,000

# Adjusted Cash book

Dr

Cr

Bal b/d.	147,306,000
CBE chq No 666	5,540,000
CBE chq No 321	13,200,000
DH chq 16	16,500,000
CBE chq 89	8,360,000
Commission	1,200,000
	<u>177,656,000</u>

DH chq. 890	780,000
CBE chq 10	990,000
Bank charges	3,500
Stamp duty	1,050
SO Insurance	1,400,000
Bal c/d	167,339,950
	<u>177,656,000</u>

## Bank reconciliation statement

Balance as per Adjusted cash book 167,339,950

Add: Unpresented cheques:

Bank error chq No 12	10,800,000
Bank error chq 13	3,780,000
Chq 14	2,100,000
Salary	6,500,000
Cheque 15	5,200,000

Less: Uncredited cheques:

Cheque 909	3,750,000
345	6580,000
774	6230,000

Bank as per Bank Statement 169439950

- ✓ Check compliance with double entries
- ✓ Check the amounts to ascertain that there are no errors.
- ✓ In case of errors, make the correction where the error was committed.

Asio, Acham, Amirah

$$2 : 3 : 1 = 6$$

$$\frac{2}{6} \quad \frac{3}{6} \quad \frac{1}{6}$$

Profit for the year 4,490,000

Un-appropriated  
profits 20% (898,000)

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profits to be shared 3,592,000

profit share

Asio  $\frac{2}{6} = 1,197,333$

Acham  $\frac{3}{6} = 1,796,000$

Amirah  $\frac{1}{6} = 598,667$

# Capital A/c. 1000

Details	Asio	Acham	Amirah	Details	Asio	Acham	Amirah
Balad	50,000	60,000	40,000	Balad	50,000	60,000	40,000
	50,000	60,000	40,000		50,000	60,000	40,000

## Partners Current A/c

Details	A	A	A	Details	A	A	Amirah
Balad			1600,00	Balad	260,000	1200,000	
Prising	12000,00	11600,00	13000,00	Profit share	1197,333	1796,000	598667
Interest on D.	1800,000	1740,000	1950,000	Int on Capital	1000,000	1200,000	800,000
				Salam	450,000	450,000	450,000
				Bal cid	855214	8694,000	29601,333
	13800,000	13340,000	3140,000		13800,000	13340,000	31,450,000
Balad	8352667	8694,000	29601,333				

# Partners statement of financial position as at 31/12/2021.

## Assets:

NCA	Cost	Acc depr	NBV.
motorvehicle	120,000,000	(60,000,000)	60,000,000
Furniture	12,000,000	(3,600,000)	8,400,000
Computers	24,000,000	(9,600,000)	14,400,000
			<u>144,000,000</u>

## Current Assets:

Accrued Income	42,500,000
Prepaid rent	500,000
Bank	<u>6,800,000</u>

Total Assets

132,600,000

## Equity and Liabilities:

### Capital Accounts:

Asio	50,000,000
Acham	60,000,000
Amiah	40,000,000
Unappropriate profit	8,600,000



## Current Acc Receivables:

Asio	(8,552,667)
Achem	(8,694,000)
Amriah	(2,960,333)

## Current liabilities:

Accrued utilities	150,000
Bank overdraft	1200,000
Prepaid Income	24,200,000
Prepaid Income	3,000,000

[Consultancy fee)

Total Equity and Liabilities 132,600,000

Dr: Bank / Cash      xxx

Cr: Revenue      xxx

Anna, Betty, Charles

2 : 2 : 1 = 5

$\frac{2}{5}$   $\frac{2}{5}$   $\frac{1}{5}$

ABC Partners Statement of profit or loss  
for the yr ended 31/12/21 in pounds

Sales 431,900

Less cost of sales:

opening stock	4,500	
Purchases	182,000	
Closing stock	(65,400)	
		<u>159,600</u>

Gross profit

272,300

Add other incomes

Gain on disposal

18,000

Reduction in prov. for

750

bad debts

Gross Income

291,050

Expenses:

Transport	16000
Advertising cost	12000
General expenses	20,000
Interest exp	800
Office rent 6000 + 18000	24000
utilities	9,800

Depreciation:

Building 5%	10,000
Computers 10%	5000
	<hr/>
	(97600)

Net profit before  
Appropriation 193,450

Provision = 20% x 193,450 = 38690  
Profit before appropriation 154,760.

# Appropriation Account: (000)

Profit for the year 193450  
retained profit (38690)  
Profit before appropriation 154,760

Anna	5,625	} Interest on Capital
Petty	11,250	
Charles	7,500	

Add Interest on drawings. 7.5%

Anna	337.5
Petty	390
Charles	225

Less Salary to partners

Anna	4800
Petty	4800
Charles	4800

TI to be shared

116 937.5

Anna  $\frac{2}{5} \times 116937.5 = 46775$

Betty  $\frac{2}{5} \times 116937.5 = 46775$

Charles  $\frac{1}{5} \times 116937.5 = 23,387.5$

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116,937.5

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Net 3531

Statement of financial position

Assets

<u>NCA</u>	<u>Cost</u>	<u>Acc depn</u>	<u>NRV.</u>
D. Truck	14,800	(8,880)	5,920
Furniture	15,240	(2,286)	12,954

Current Assets:

Inventory	7600	
Trade receivables	86070	
Prepaid Trade license	2400	291224
Cash & Bank.	74600	

Total Assets

311224

# Equity and Liabilities:

## Equity:

Capital	287000
Retained Loss	(72531)
Drawings	(12000)
Total Equity	<u>202469.</u>

## Liabilities

Trade payables	89350
Accrued wages	4405
Income in Advance	<u>1500</u>

Total Equity and Liabilities 311224

## Double entry table: →

All Incomes → CR.  
Sales  
All Equity Components → capital  
P.E.

All Assets  
Purchases  
Expense } IR.

Single → Non-Compliant to  
double entry.

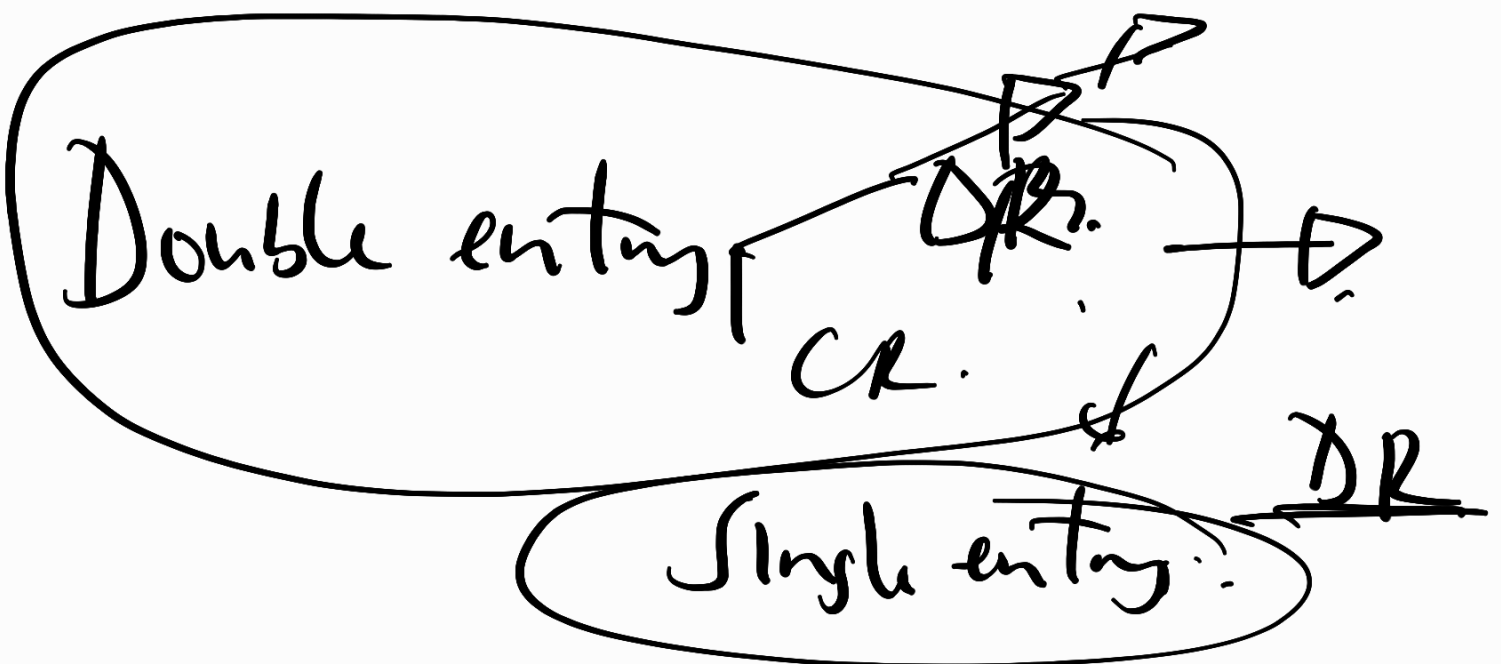
Reasons why small business use  
single entry.

- ✓ They find expensive employ  
qualified staff.
- ✓ They find it easy to use.
- ✓ They don't appreciate the value of  
a qualified accountant.
- ✓ Limited knowledge of double  
entry principles.



# Challenge of Single entry:

- \* it's difficult to Ascertain the profit or Loss for the period.
- \* It is difficult to determine the tax for the period.
- \* It is difficult to make checks and Balances in a single entry



Statement of Affairs  $\rightarrow$  is prepared to determine the opening capital.

$\therefore$  ONLY, use the opening balances of Assets and liabilities

$$A = L + OE$$

$$OE = A - L$$

Non Current Assets:

Land	150,000	
Buildings	100,000	
Plant machinery	120,000	
Delivery van	124,000	
	<u>494,000</u>	
<u>Current Assets:</u>		
Inventory	50,000	
Accounts receivable	80,000	✓

Salaries in Advance	12500	
Prepaid rent	1000	
Cash and Bank	<u>21500</u>	

171000

Total Assets

665000

Liabilities.

Accounts Payable	65200	
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Accrued repair cost	<u>180</u>	65380
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Opening Capital

599620

Total Sales = Cash Sales + Credit Sales

10 + 10

298800

+ 123740

Total Sales = 422540

# Receivables control a/c

Bal b/d xxx

Credit Sales xxx

xxx

Bal debts xxx  
Disc allowed xxx  
Receipts from Customers & Bank xxx  
R/irwards xxx  
Bal c/d xxx

xxx

# Payables control a/c

R/outward xxx  
Disc received xxx  
payment to suppliers xxx

Bal c/d xxx

xxx

Bal b/d xxx

Credit purchases xxx

xxx

# Receivables control a/c 10/00

Bal b/d	80,000	Bank	150,000
		Disc allowed	1240
Credit Sale	123740	Bal d/d	52,500
	<u>203740.</u>		<u>203740</u>

## Cash Sales:

Cash Sales banked 200,000

Directors facilitation  
400 x 52wks 20,800

Petty Cash 1000 x 52wks 52000

Rlm. purchased 500 x 52wks 26000

298800

Total purchases = Cash + credit

creditor control a/c

Debit received	275	Balance	65,200
Bank	45,700	credit purchases	55,275
Balance	74,500		
	<hr/>		<hr/>
	120,475		120,475
	<hr/>		<hr/>

Cash purchases:

Cash purchases Bank 67,500

Weekly purchases  $500 \times 12$  26,000

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93,500

Total = 93,500 + 55,275  
= 148,775

# Salary Acc

Bal b/d	12,000	P/L <sup>Expense</sup>	9,130
Bank	75,800		
Bal d/d	12,000	Bal d/d	9,500
	<hr/>		<hr/>
	100,800		100,800
	<hr/>		<hr/>

# Rent Expense

Bal b/d	1,000	P/L	3,512
Bank	3,000		
Bal d/d	120		
	<hr/>		<hr/>
	3,520		3,520
	<hr/>		<hr/>