REDSPOT

AS LEVEL

CLASSIFIED
WORKED SOLUTIONS

ACCOUNTING
(Paper 1 - All Variants)
(Syllabus 9706)

period: 2018 - 2025

contents: June, March, November, Paper 1 (All Variants) Worked Solutions

form: Topic By Topic

compiled for: AS Level

Tel No : 042-35201010
Mobile No : 0300-8447654
E-Mail : info@redspot.com.pk
Website : redspot.pk
E-Books : ebook.redspot.pk
Address : P.O. Box 5041, Model Town, Lahore, Pakistan.

Author: Mr. Sajid Munir
MS (Accounting)
M.com (major in Accounting),
Certificate in Educational Administration .

Mr. Sajid Munir has been associated with the field of education for over 20 years.

Currently he is teaching A Level Accounting and Undergraduate level courses in various prominent institutions of Lahore as a visiting faculty member.

He may be contacted at Tel: 0300-9466136,
Email: sajidmunir@icloud.com

CONTENTS

CONTENTS

TOPIC 1

Accounting Systems (Double Entry System)

Q1. Ryan sells goods on credit to Sumit. Sumit also supplies goods to Ryan.

It is decided to make a set-off of the purchases ledger and sales ledger balances.

In which books of prime entry is this set-off recorded?

	in Ryan's books	in Sumit's books
A	general journal	general journal
B	general journal	purchases journal
C	sales journal	general journal
D	sales journal	sales journal

[Nov 2016/P11/Q4]

Q2. Which item is entered in the general journal?

A A cash discount given to a customer

B The correction of an error made in the ledger

C The sale of an asset for cash

D The withdrawal of cash for private use by the owner

[Nov 2016/P13/Q1]

Q3. On 1 January Ann owed Sam $400. She paid the amount due on 6 January after deducting a 2% cash discount.

How did Ann record this?

	account debited		account credited	
A	bank	392	Sam	400
	discount allowed	8		
B	bank	392	Sam	400
	discount received	8		
C	Sam	400	bank	392
			discount allowed	8
D	Sam	400	bank	392
			discount received	8

[Nov 2016/P13/Q4]

Q4. Which are examples of the accounting equation?

1 capital + assets = liabilities
2 capital = assets + liabilities
3 capital = assets – liabilities

A 1 and 3 **B** 1 only **C** 2 and 3 **D** 3 only

[June 2017/P12/Q2]

Q5. A customer paid a deposit in advance for goods to be supplied at a later date.
How should this be recorded in the seller's books?

	debit	credit
A	cash	customer
B	cash	sales
C	customer	cash
D	customer	sales

[Nov 2018/P13/Q6]

Q6. A sales invoice to Jane has **not** been recorded in the books of prime entry.
Which accounts are affected by this error?

	sales ledger control	Jane
A	no	no
B	no	yes
C	yes	no
D	yes	yes

[June 2019/P11/Q6]

Q7. How could a credit entry of $500 in X's account have arisen in the books of account of Y?

A X bought goods from Y.
B X returned goods to Y.
C Y made a payment to X.
D Y returned goods to X.

[Nov 2020/P12/Q7]

Q8. Which book of prime entry is also used as a ledger account?

A cash book
B purchases journal
C sales journal
D journal

[Nov 2020/P13/Q2]

Q9. On 1 May, Tom sold an old motor vehicle with a net book value of $10 000 to Arnold for $12 000. Arnold paid $7500 by cheque and agreed to pay the balance by instalments.

What was the net effect of these transactions on **Arnold's** accounting equation on 1 May?

	assets $	liabilities $	owner's equity / capital $
A	increase 2500	increase 2500	no effect
B	increase 2500	increase 4500	decrease 2000
C	increase 4500	increase 2500	increase 2000
D	increase 4500	increase 4500	no effect

[March 2021/P12/Q2]

Q10. Which of these items require entries to be made in the general journal?

1 purchase of a non-current asset on credit
2 sale of inventory to a customer on credit
3 the owner taking drawings from their business in cash
4 writing off an irrecoverable debt

A 1 and 2 **B** 1 and 4 **C** 2 and 3 **D** 3 and 4

[June 2021/P12/Q1]

Q11. A trader purchased fixtures and fittings on credit from a supplier. These were faulty and were returned to the supplier.

Which entry in the trader's books of account recorded the return?

	account to debit	account to credit
A	fixtures and fittings	purchases returns
B	fixtures and fittings	supplier
C	purchases returns	fixtures and fittings
D	supplier	fixtures and fittings

[June 2021/P12/Q9]

Q12. A trader keeps a full set of accounting records.

Which statement is correct?

A Credit notes issued are recorded in the sales journal.
B Sales invoices are recorded in the general journal.
C The sales account is kept in the general ledger.
D The sales journal is prepared from entries in the sales ledger.

[Nov 2021/P11/Q1]

Q13. A trader maintains a full set of accounting records. Each month she issues many sales invoices.

Where does she record an individual sales invoice?

A sales journal and sales ledger
B sales journal and sales ledger control account

C sales ledger and sales account

D sales ledger and sales ledger control account

[Nov 2021/P12/Q8]

Q14. The following transactions took place.

1 owner's withdrawal of inventory for private use
2 purchase of new shop fixtures on credit
3 writing off an irrecoverable debt

Which transactions would be recorded in the general journal?

A 1, 2 and 3 **B** 1 and 2 only **C** 1 only **D** 2 and 3 only

[Nov 2021/P13/Q2]

Q15. Which actions are taken in respect of the totals of a three-column cash book at the end of an accounting period?

	cash and bank columns	discount columns
A	balanced	balanced
B	balanced	totalled
C	totalled	balanced
D	totalled	totalled

[March 2022/P12/Q1]

Q16. Which statements are correct?

1 A book of prime entry is also part of the double entry system.
2 All sales made by the business are included in the sales ledger.
3 Ledger accounts for income and liabilities have credit balances.
4 Trade discounts appear in the income statement.

A 1 and 2 **B** 1 and 3 only **C** 1, 3 and 4 **D** 3 and 4 only

[June 2022/P11/Q1]

Q17. Which items would be entered in the General Journal?

1 goods taken by owner for personal use
2 goods purchased for resale
3 purchase of a non-current asset on credit
4 purchase of office stationery

A 1 and 2 **B** 1 and 3 only **C** 1, 3 and 4 **D** 3 and 4 only

[Nov 2022/P12/Q1]

Q18. A credit customer cleared her debt of $600 after deducting a cash discount of $12.

How would the customer account appear in the books of the supplier after the payment has been recorded?

	debit	$	credit	$
A	balance b/d	600	bank discount allowed	588 12
B	balance b/d	600	bank discount received	588 12
C	bank discount allowed	588 12	balance b/d	600
D	bank discount received	588 12	balance b/d	600

[March 2023/P12/Q2]

Q19. What is the advantage of keeping a full set of double entry books of account?

A Account balances are available through the year.

B Business assets and owner's assets can be kept separate.

C It enables the book-keeper to check the bank statement for errors and omissions.

D It stops the value of assets being overstated.

[March 2023/P12/Q3]

Q20. Which statement describes the purpose of preparing a trial balance?

A to assist in the preparation of financial statements

B to calculate owner's equity

C to calculate profit for the year

D to prove that ledger balances are free from errors

[June 2023/P11/Q1]

Q21. An asset is purchased on credit by a business.

What is the effect of this transaction on the accounting equation?

	assets	liabilities	capital
A	increase	decrease	increase
B	increase	decrease	no change
C	increase	increase	decrease
D	increase	increase	no change

[June 2023/P12/Q2]

Q22. Which statement about the purpose of a trial balance is correct?

A It assists the subsequent preparation of financial statements.

B It ensures that all double-entry postings to ledgers are accurate.

C It ensures that all postings to books of prime entry are accurate.

D It shows that all transactions in a period have been recorded.

[June 2023/P13/Q2]

Q23. The accounting equation of a business was as shown.

assets ($)	=	liabilities ($)	+	capital ($)
48 000	=	7000	+	41 000

The assets included a bank balance of $1000.

The following transactions occurred.

1 The owner took drawings of $2000 by cheque.

2 Goods for resale were purchased on credit; list price was $4000 less 25% trade discount.

What was the accounting equation after these transactions?

	assets $	=	liabilities $	+	capital $
A	49 000		10 000		39 000
B	50 000		10 000		40 000
C	50 000		11 000		39 000
D	51 000		11 000		40 000

[June 2023/P13/Q3]

Q24. Which statements describe advantages of maintaining full accounting records?

1 A more complete assessment of business performance is possible.

2 Book-keeping costs are minimised.

3 Business managers can make more informed decisions.

4 Financial statements will be free from errors and inaccuracies.

A 1 and 3 **B** 1 and 4 **C** 2 and 3 **D** 2 and 4

[Nov 2023/P12/Q2]

Q25. Which statements relate to a sole trader?

1 The business is a separate legal entity.

2 There is no separation between ownership and control.

3 Some of the profit is used to pay interest on the owner's capital.

4 There is no legal requirement to keep full accounting records.

A 1, 3 and 4 **B** 1 and 3 only **C** 2 and 3 **D** 2 and 4

[June 2024/P12/Q1]

Q26. Goods that had previously been purchased on credit have been returned to the supplier. How should this be recorded in the purchaser's books of account?

	account to be debited	account to be credited
A	bank	purchases returns
B	trade payable	bank
C	trade payable	purchases returns
D	purchases returns	trade payable

[June 2024/P12/Q3]

Q27. What is a purpose of financial statements?

A to aid the managers in running the business
B to allow the owner to take drawings
C to ensure a profit is made
D to ensure accuracy of the double entry

[Nov 2024/P11/Q12]

Q28. A purchases ledger clerk has to use a password to access the ledger in a computerised accounting system.

What is the purpose of the password?

1 to limit access to the purchases ledger by others
2 to prevent the clerk accidentally deleting a supplier's account
3 to stop the clerk recording a fraudulent or unauthorised invoice

A 1 and 3 **B** 1 only **C** 2 and 3 **D** 2 only

[Nov 2024/P12/Q2]

Q29. Why might a business adopt a computerised accounting system?

1 to ensure that the accounting records are free from error
2 to ensure that the accounting records are free from fraud
3 to ensure that the accounting records are arithmetically accurate

A 1 and 2 **B** 1 and 3 **C** 2 and 3 **D** 3 only

[March 2025/P12/Q3]

Q30. Which row describes an advantage and a disadvantage of operating as a sole trader?

	advantage	disadvantage
A	complete control over business operations	financial statements must be published
B	easy to set up	no one to share ideas with
C	separate legal identity	no one to share workload with
D	unlimited liability for business debts	limited opportunities to increase capital

[Nov 2025/P11/Q1]

Q31. At the end of a financial period, a business had the following assets and liabilities.

1 non-current assets at carrying value
2 current assets
3 non-current liabilities
4 current liabilities

How is the capital of the business calculated?

A $1 + 2 + 3 + 4$ **B** $1 - 2 - 3 + 4$ **C** $1 + 2 - 3 - 4$ **D** $1 - 2 + 3 - 4$

[Nov 2025/P11/Q2]

Q32. What are the documents to verify the existence of a sales transaction?

1 delivery note
2 price quotation
3 sales invoice
4 sales order

A 1 and 2 **B** 1 and 3 **C** 2 and 4 **D** 3 and 4

[Nov 2025/P11/Q3]

Q33. A business acquired a non-current asset. One half of the purchase consideration was paid by cheque on the date of the purchase. The balance was paid to the supplier three months later.

What was the credit entry to record this acquisition on the date of purchase?

A bank
B bank and loan
C bank and other payables
D bank and other receivables

[Nov 2025/P13/Q2]

Q34. Arya sells one type of product at a unit price of $100 and with a credit period of one month.

Customers' purchases in excess of 80 units are allowed a discount of 5%. Roy purchased 100 units but returned 10 units two weeks later.

How should Arya record the sales returns?

	account to be debited	account to be credited
A	sales returns $950	bank $950
B	sales returns $1000	bank $1000
C	sales returns $950	trade receivables – Roy $950
D	sales returns $1000	trade receivables – Roy $1000

[Nov 2025/P13/Q4]

SOLUTIONS

Topic 1: Accounting Systems (Double Entry System)

1. **A** The entry for set off or contra entry is recorded in the general journal. It is then posted on the credit side of sale ledger and on debit side of purchases ledger.

2. **B** **A**, **C** & **D** relate to cash book.

Correction of all errors are recorded in general Journal.

3. **D** Debit – sam account (decrease in liability) by $400

Credit – Bank account (decrease in asset) by $392 (actual payment)

Credit – discount received account ($400 × 2%) by $8

4. **D** Accounting equation is

Assets – Liabilities = Capital (equity).

5. **A** Increase in cash-debited

Increase in liability towards customer-credited

6. **D** It will affect both as book of prime entry is source of information for both ledger & control account.

7. **B** Goods returned by X would be debited to sales return account & credited to X account in the books of Y.

8. **A** Cash book is both book of prime entry & ledger.

9. **D** Purchase of vehicles increases assets by $12 000 and decreases assets by $7500, net increase $4500

Amount payable in instalments increase liabilities by $4500

Increase in assets off set by increase in liabilities so equity remains same.

10. **B** Item 2 is recorded in sales Journal, Item 3 is recorded in cash book.

Items 1 & 4 are recorded in General Journal.

11. **D** Supplier account is debited due to decrease in payables.

Fixtures & fittings account is credited due to decrease in assets.

12. **C** Credit note issued represents sales return to be recorded in sales return journal.

Sales invoices may represents credit sales to be recorded in sales journal.

Sales account is kept in general ledger.

Sales Journal is prepared from Sales invoices.

13. **A** Sales invoices are issued for sales, all credit sales are initially recorded in sales journal and later on posted to individual credit customer accounts maintained in sales ledger. Individual sales invoice isn't recorded in control account.

14. **A** All transactions are to be entered in general journal.

15. **B** Cash and bank columns are balanced whereas discount columns are just totalled.

16. **B** Cash book is both book of prime entry & part of double entry system.

Cash sales don't appear in sales ledger.

Income & liabilities always have credit balances.

Trade discount don't appear in income statement.

17. **B** Goods purchased for resale & purchase of stationary are cash items to be entered in cash book.

Goods taken for personal use & purchase of non-current assets cannot be recorded in any other book of prime entry.

18. **A** Credit customer paying us was trade receivables (assets) at start so debit balance.

Both receipts (bank) and discount allowed decrease trade receivables therefore credited in customer account.

19. A It means complete record of all business transactions resulting in availability of balances through the year.

20. A Trial balance shows summary of account balances at year end which helps in preparation of financial statements.

21. D Purchase of asset means increase in assets. Its on credit, so increase in liabilities.

22. A Financial statements are prepared using trial balance.

There can be errors affecting & non-affecting trial balance agreement.

23. C

1. Drawings decrease assets (bank balance) by $1000, increase liability (bank overdraft) by $1000 & capital by $2000.
2. Both inventory (asset) and trade payables (liability) increase by $3000, capital remain unchanged

24. A Full accounting records allow better assessment of performance and improved decision-making, so statements 1 and 3 are correct. They do not minimise costs and do not eliminate errors.

25. D A sole trader is not a separate legal entity, so statement 1 is incorrect. There is no separation between ownership and control, so statement 2 is correct. Interest on capital is not normally paid in sole trader businesses, so statement 3 is incorrect. There is no legal requirement to keep full accounting records, so statement 4 is correct.

26. C When goods are returned, the liability to the supplier decreases. Trade payable is debited and purchases returns is credited. Options **A** and **B** incorrectly involve bank. Option **D** reverses the correct double entry.

27. A Financial statements helps managers in running the business.

28. B Passwords are used to restrict unauthorised access.

29. D There can be less errors and frauds, not free from error and fraud.

30. B No formalities to set up a sole tradership. No one shares ideas as business is owned by one person.

31. C As per accounting equation,
Capital = total assets – total liabilities

32. B Delivery note represents delivery of goods to customer and sales invoice is a document issued as acknowledgment of sales transaction.

33. C Credit bank due to payment by cheque (decrease in assets) and also credit other payables for amount owed (increase in liability).

34. C Roy purchased more than 80 units, so purchase price was ($100 × 95%) $95

Value of sales return ($95 × 10) $950

Debit sales return (increase in asset of inventory).

Credit trade receivables (decrease in trade receivables).

TOPIC 9
Suspense Account

Q1. Which error would result in the creation of a suspense account?

A crediting the commission received account with rent received

B crediting the discounts allowed account with the discounts received

C debiting the bank interest paid account with bank interest received

D debiting the motor expenses account with a purchase of a new car

[June 2018/P13/Q9]

Q2. A business keeps a separate sales ledger. Its nominal ledger includes a sales ledger control account.

Which entry corrects the nominal ledger when the sales journal is undercast?

	account to debit	account to credit
A	sales	suspense
B	sales	trade receivables
C	suspense	sales
D	trade receivables	sales

[Nov 2018/P11/Q5]

Q3. Bank interest income, $1800, had been correctly entered in the bank account but recorded as interest expense.

Which entries in the ledger will correct the error?

	account to be debited	$	account to be credited	$
A	interest expense	1800	suspense	1800
B	interest income interest expense	1800 1800	suspense	1800
C	suspense	1800	interest income	1800
D	suspense	3600	interest income interest expense	1800 1800

[Nov 2018/P12/Q8]

Q4. A business maintains control accounts as part of its double entry.

The trial balance of the business did not balance and the difference was posted to a suspense account. On investigation, the following errors were found.

The purchases journal had been overcast by $300.

Discounts allowed of $100 had been posted to the credit of discounts received account.

What was the balance on the suspense account **before** the correction of these errors?

A $200 credit **B** $200 debit **C** $400 credit **D** $400 debit

[Nov 2018/P13/Q8]

Q5. A business's suspense account appears as follows:

	$		$
discount allowed	150	opening balance	100
		sales	50
	150		150

Which statements are correct?

1 Total debits had been $100 less than total credits in the trial balance.

2 The sales account had been overcast by $50.

3 The discount allowed account had been overcast by $150.

A 1 and 2 **B** 1 only **C** 2 and 3 **D** 3 only

[June 2019/P11/Q7]
Repeat [June 2016/P11/P13/Q6]

Q6. A suspense account was opened when a trial balance failed to balance. It was then discovered that returns of $200 had been correctly entered in the supplier's account but debited in the sales returns account. This was the only error.

What was the balance on the suspense account before this error was corrected?

A credit $200 **B** credit $400 **C** debit $200 **D** debit $400

[June 2019/P13/Q7]

Q7. A trial balance does not balance and a suspense account is opened.

Later the following errors are found and the suspense account is cleared.

1 A sales invoice for $1240 had been completely omitted from the books.

2 Purchases had been entered as $85 600. The correct amount should have been $87 580.

3 Rent paid of $2600 was entered correctly in the cash book but as $6200 in the rent account.

What was the original balance on the suspense account?

A $1620 credit **B** $1620 debit **C** $5580 credit **D** $5580 debit

[March 2020/P12/Q5]

Q8. The trial balance of a business did not agree and a suspense account was opened.

The following errors were then discovered.

1 The sales journal total of $9150 had been credited to both the sales account and the sales ledger control account.

2 The purchases journal total of $3450 had been entered correctly in the purchases account but as $3350 in the purchases ledger control account.

3 Motor expenses of $6450 paid by cheque had only been entered in the bank account.

What was the opening balance in the suspense account?

A $15 700 credit **B** $15 700 debit **C** $24 650 credit **D** $24 650 debit

[June 2020/P11/P13/Q6]

Q34. In the books of a trader, discounts received of $1400 have been posted correctly in the suppliers' accounts but debited in the discounts allowed account.

What are the correcting entries?

	account to be debited	$	account to be credited	$
A	suspense	2800	discounts allowed discounts received	1400 1400
B	discounts allowed discounts received	1400 1400	suspense	2800
C	discounts received	1400	discounts allowed	1400
D	discounts allowed	1400	discounts received	1400

[Nov 2024/P12/Q9]

Q35. Which error will **not** affect the trial balance?

A posting of $3000 purchases to the debit of the motor vehicle account

B posting of $3000 purchases to the credit of the motor vehicle account

C posting of $3000 road tax refund to the debit of the motor vehicle account

D posting of $3000 sales to the debit of the motor vehicle account

[March 2025/P12/Q8]

Q36. The totals of the trial balance of a business did **not** agree. A suspense account was opened for the difference.

The following errors were then discovered.

1 The total of the sales journal of $16 000 had been posted to the debit of the purchases account.

2 $7000 had been correctly entered in the rent received account but had been debited as $700 in the cash book.

After correcting these errors, the suspense account was eliminated and the trial balance totals agreed.

Which amount appeared for the suspense account in the trial balance before the corrections were made?

A $9700 credit

B $22 300 credit

C $25 700 credit

D $38 300 credit

[March 2025/P12/Q9]

Q37. Which account balance will be in the credit column of a trial balance?

A carriage inwards

B carriage outwards

C purchases returns

D sales returns

[June 2025/P12/Q4]

Q38. A business's suspense account appears as follows:

	$		$
discount allowed	150	opening balance	100
		sales	50
	150		150

Which statements are correct?

1 Total debits had been $100 less than total credits in the trial balance.
2 The sales account had been overcast by $50.
3 The discount allowed account had been overcast by $150.

A 1 and 2 **B** 1 only **C** 2 and 3 **D** 3 only

[June 2025/P12/Q9]

Q39. A trial balance does **not** balance and a suspense account is opened.

Later the following errors are found and the suspense account is cleared.

1 A sales invoice for $1240 had been completely omitted from the books.
2 The figure for total purchases had been entered as $85 600. The correct amount should have been $87 580.
3 Rent paid of $2600 had been entered correctly in the cash book but entered as $6200 in the rent account.

What was the original balance on the suspense account?

A $1620 credit **B** $1620 debit **C** $5580 credit **D** $5580 debit

[Nov 2025/P11/Q9]

Q40. Which items appear in the credit column of a trial balance?

A discounts allowed, returns inwards
B discounts allowed, returns outwards
C discounts received, returns inwards
D discounts received, returns outwards

[Nov 2025/P12/Q2]

Q41. The totals of a trial balance did **not** agree. As a result, a suspense account was opened with a credit balance of $1720. So far, two errors have been discovered:

1 The balance of the purchases returns account of $440 was omitted from the trial balance.
2 The bank overdraft balance was understated by $90.

What will be the updated credit balance of the suspense account after these errors are corrected?

A $1190 **B** $1370 **C** $2070 **D** $2250

[Nov 2025/P12/Q8]

Q42. The total of the discount column on the debit side of the cash book had been debited to the discount received account.

Which accounts will be used to correct this error?

1 discount allowed
2 discount received
3 suspense

A 1, 2 and 3 **B** 1 and 2 only **C** 1 and 3 only **D** 2 and 3 only

[Nov 2025/P12/Q9]

Q43. A suspense account was opened to record the difference on a trial balance.

After further investigation, the following errors were discovered.

1 Discount received of $250 had been debited to the discount allowed account. The entry to the trade payable account was correctly made.
2 Electricity refund of $170, entered correctly in the cash book, had been treated as electricity expense.
3 Machine installation of $440 had been treated as machine repairs.

After correcting the errors, the trial balance agreed.

What was the opening credit balance on the suspense account?

A $160 **B** $400 **C** $670 **D** $840

[Nov 2025/P13/Q11]

SOLUTIONS

Topic 9: Suspense Account

1. **C** Instead of crediting interest received, interest paid account is debited as a result debit column exceeds credit column so suspenses account will be needed.

2. **D** Sales ledger control account is part of double entry system therefore undercasting would affect both sales & trade receivables.

3. **D** Dr - Suspense account (this error caused suspense account balance on credit column in trial balance).

   Cr - Bank interest expenses (wrongly debited)

   Cr - Interest income (omitted to be credited)

4. **B** If control accounts are part of double entry then sales & purchases figures (for trial balance) are taken from control accounts.

   If purchases journal had been overcast then both purchases & payables are overstated which makes it error not affecting trial balance agreement.

   Discount allowed to be debited is wrongly credited so total of credit column is $200 more than debit balance resulting in Suspense account of $200 on debit (lesser column).

5. **C** Opening credit balance represent excess of debit column over credit column.

6. **B** Sales return has been wrongly debited by $200 (debit column overstated), no credit entry in purchases return (credit column is understated) therefore debit column exceeds credit column by $400.

   Suspense account is to be opened on lesser side.

7. **A** Item 1 is error not affecting trial balance agreement.

   Item 2 resulted in purchases (debit column item) understated by $1980

   Item 3 resulted in rent account (debit column item) overstated by $3600

   Overall debit column exceeds credit column by ($3600 – $1980) $1620

8. **D** Question can only be solved if control accounts are assumed to be part of double entry system.

   Error 1 - sales ledger control account is credited instead of debit so trade receivables are understated by $18 300 therefore total of credit column exceeds debit column by $18 300

   Error 2 - total credit purchases entered on debit side of purchases ledger control account is understated by $100 therefore trade payables understated by $100. This caused debit column exceeding credit column by $100

   Error 3 - motor expenses aren't debited so total of credit column exceeds total of debit column by $6450

   Overall credit column exceeds debit column by ($18 300 + $6450 – $100) $24 650

9. **D** Error 1 is error of omission, error 2 is error of principle, both are errors not affecting trial balance agreement.

10. **B** Due to error 1 debit column overstated by $90.

    Due to error 2 debit column understated by $200.

    Overall debit column is understated by $110 so suspense account will be opened in debit column by $110.

11. **D** Purchases should have been debited.

    Now Purchases should have been debited (increase) by double amount, once to record omitted debit entry and once to write off wrong credit entry.

12. **D** Discount received is omitted so credited (to record)

    To cancel the wrong effect, discount allowed (wrongly debited) to be credited

    Error caused total of debit column exceeding credit column (suspense account is opened in credit column)

    Now suspense account is to be debited as its no more needed.

27. A Option **A** is an error of original entry.

28. A Error 1, bank overdraft is credit column item but entered in debit column, resulted in debit column exceeding credit column by $200

Error 2, Purchases (debit column item) understand by $10 resulted in debit column understand by $10

Error 3 is not affecting trial balance agreement (error of commission)

Overall debit column is overstated by $190 so suspense is opened on credit

29. D Error 1 is error of principle, sales account credited instead of disposal account.

Error 3 is complete reversal of entry

Both error of principle & complete reversal of entry are errors not affecting trial balance agreement.

30. A Option **A** , motor expenses, to be debited, has been incorrectly credited, as a result motor expenses are understated by $450

31. B Both discounts entered on wrong side double the error.

Discounts allow ed error = $312 × 2 = $624

Discounts received error = $240 × 2 = $480

Difference goes to suspense = $624 – $480 = $144

32. C Error 2, caused "only" electricity account is debited with wrong amount.

Error 4, Motor repairs (to be debited) has been "credited" to motor vehicle of cost account.

33. D Error 1, caused debit column to be overstated by $550.

Error 2, caused credit column to be understated by $400.

Error 3, is not affecting trial balance agreement.

Overall debit column exceeds credit column by $950.

34. A Due to discount received, credit column in trial balance is understated and due to discount allowed debit column is overstated. Original suspense account was opened in credit column by $2800.

Suspense account is debited to close suspense account, discount received is credited to make missing entry and discount allowed is credited to write off wrong entry.

35. A Option **A** is error of principle i.e., an error not affecting trial balance agreement.

36. C Error 1, sales account omitted so credit column understated by $16 000 and posted as purchases on debit column so debit column overstated by $16 000. Overall debit column exceeds credit column by $32 000.

Error 2, cash account in debit column understated by $6300 so debit column understated by $6300.

$32 000 – $6300 = $25 700 (debit column exceeds credit column)

37. C Purchases return are credited because of reduction in asset of inventory.

38. C Opening balance means total of debit balances $100 more than total of credit balances.

39. A Error 1, is error of omission.

Error 2, purchases (debit column item) understated by $1980, so debit column understated by $1980.

Error 3, rent (debit column) overstated by $3600, so debit column overstated by $3600.

Overall debit column overstated by $1620.

40. D Both discount received and return outwards appear in credit column.

41. A Opening balance represent credit column being less than debit column.

Error 1, purchases return will be recorded in credit column as a result total of credit column increase by $440 and suspense account balance will decrease.

Error 2, bank overdraft, a credit column item, will increase by $90 so suspense account balance will decrease by $90

Credit balance ($1720) – purchases returns ($440) – overdraft balance understated ($90) = ($1190) updated credit balance

42. B Discount received account (usually credited) has been debited instead of discount allowed so it's an error not affecting trial balance agreement.

43. D Error 1, discount received omitted so credit column understated by \$250. Discount allowed wrongly debited so debit column overstated by \$250.

Error 2, a reduction in expenses is treated as expense, so expense account overstated by \$340 resulting in debit column overstated by \$340.

Error 3, is error not affecting trial balance agreement.

Overall debit column overstated by (\$250 + \$340) \$590 and credit column understated by \$250.

TOPIC 11

Incomplete Records

Q1. The following summarised information has been taken from the statement of financial position of a partnership.

	$
non-current assets	42 000
capital accounts	36 000
current accounts (debit)	6 000
current liabilities	8 000
non-current liabilities	15 000

What is the value of current assets?

A $5000 **B** $6000 **C** $11 000 **D** $23 000

[June 2018/P12/Q13]

Q2. At the start of the year a business had trade payables of $13 000. At the end of the year it owed $15 000 to trade payables.

During the year it paid them $190 000, after taking a cash discount of $10 000.

What was the amount of the credit purchases for the year?

A $188 000 **B** $192 000 **C** $198 000 **D** $202 000

[June 2018/P13/Q11]

Q3. X started a business 3 years ago and now has a capital of $175 000.

Over that period his profits have been $73 000 and his drawings $52 000. In year 2 he introduced cash of $35 000 and in year 3 he took out of the business, for his own use, a non-current asset with a net book value of $4000.

How much capital did he start the business with?

A $67 000 **B** $115 000 **C** $123 000 **D** $158 000

[Nov 2018/P11/Q10]

Q4. How are purchases calculated when proper accounting records have **not** been kept?

A sales × (1 – margin) – closing inventory + opening inventory
B sales × (1 – margin) + closing inventory – opening inventory
C sales × (1 – mark-up) – closing inventory + opening inventory
D sales × (1 – mark-up) + closing inventory – opening inventory

[Nov 2018/P12/Q10]

Q5. A business provided the following information for two years.

	year 1	year 2
	$	$
non-current assets	9 000	12 000
net current assets	1 000	2 000

There were no non-current liabilities.

The drawings in year 1 were $5000 and in year 2 were $3000.

What was the profit for year 2?

A $1000 **B** $4000 **C** $5000 **D** $7000

[Nov 2018/P13/Q11]

Q6. The following information is available at the end of the financial year of a sole trader.

	$
non-current assets	41 000
trade receivables	12 500
trade payables	4 500
bank	3 900 credit
long-term bank loan (due 2025)	6 000
drawings	2 500
profit for the year	4 200

What was the closing balance on the capital account?

A $37 400 **B** $39 100 **C** $40 800 **D** $46 900

[Nov 2019/P11/Q9]

Q7. A business had the following assets and liabilities at the start of the year.

a motor car valued at $2500
inventory which cost $4000 with a sales value of $5800
bank overdraft of $500
a loan to a friend from the business bank account of $1000

What was the capital account balance at the start of the year?

A $5000 **B** $7000 **C** $8000 **D** $8800

[Nov 2019/P12/Q10]

Q8. A sole trader had the following transactions.

	$
returns outwards	2750
carriage inwards	4820
goods for own use	1460

What was the total effect of these transactions on the cost of sales?

A $610 increase **B** $3530 increase **C** $6110 decrease **D** $9030 decrease

[Nov 2019/P12/Q11]

Q9. A trader has suffered inventory losses due to theft during the year.

What is necessary to calculate the value of the inventory stolen?

1 amounts banked for sales and spent on purchases
2 amounts spent for business expenses
3 inventory at the beginning and end of the year
4 percentage of mark-up on purchase price

A 1, 2 and 3 **B** 1, 2 and 4 **C** 1, 3 and 4 **D** 2, 3 and 4

[Nov 2019/P13/Q11]

Q10. Finn provided the following information.

	$
capital at the start of the year	19 800
profit for the year	24 000
drawings (cash)	19 500
drawings (goods for own use)	1 100
private vehicle transferred to business use	6 000

What was Finn's capital at the end of the year?

A $23 200 **B** $24 300 **C** $29 200 **D** $31 400

[June 2020/P11/P13/Q12]
Repeat [June 2017/P12/Q9]

Q11. A sole trader does not keep a complete set of books of account. He believes a staff member has stolen some cash.

Which items will **not** be needed to calculate the amount missing?

1 cash in hand at the beginning and end of the year
2 owner's drawings taken from the bank
3 cheques received from customers
4 totals of cash sales and cash purchases

A 1 and 4 **B** 2 and 3 **C** 2 only **D** 3 only

[June 2020/P12/Q8]

Q12. A business owner provided the following information at the end of his first year of trading.

	$
closing inventory	15 000
total payments to suppliers	60 000
amount owing to suppliers	5 000
total receipts from customers	85 000
amount owed by customers	10 000

What was the gross profit for the year?

A $10 000 **B** $15 000 **C** $25 000 **D** $45 000

[June 2020/P12/Q11]

Q33. The following information is available for the year ended 31 December 2021.

	$
trade payables at 1 January 2021	18 000
trade payables at 31 December 2021	14 000
discount received	6 000
payments to credit suppliers	158 000
returns outwards	3 000
contra to sales ledger control account	2 000

What were the credit purchases for the year?

A $143 000 **B** $161 000 **C** $165 000 **D** $173 000

[Nov 2022/P12/Q13]

Q34. A sole trader has not kept proper accounting records for his first year of trading.
The following information is available.

	$
cash from customers	70 000
trade receivables	4 000
cash paid to suppliers	65 000
trade payables	2 000
closing inventory	20 000
expenses paid	3 000

What was the profit for the year?

A $24 000 **B** $26 000 **C** $27 000 **D** $28 000

[Nov 2022/P13/Q12]

Q35. At the start of a financial period, the owner's capital account of a business showed a balance of $85 000.

During the period, the owner introduced to the business a private vehicle worth $30 000. In addition, the owner made cash drawings of $15 000. The business made a net loss for the period of $22 000.

What is the balance on the capital account at the end of the period?

A $18 000 **B** $48 000 **C** $78 000 **D** $100 000

[March 2023/P12/Q4]

Q36. The owner of a business does not keep a full set of accounting records for his business.
The following information is available about assets and liabilities.

	current year end $	previous year end $
inventory	19 200	17 500
trade receivables	31 200	22 400
trade payables	14 300	16 600

All purchases and sales are on credit.

During the current year:

1. The business received $168 000 from customers after allowing them a discount of $3400.
2. The business paid $74 000 to suppliers for inventory. No discounts were received.
3. The owner took inventory of $3200 for personal use.

What was the gross profit for the current year?

A $110 000 **B** $110 200 **C** $111 700 **D** $113 400

[June 2023/P11/Q15]

Q37. A statement of financial position at the end of the financial year showed the following information.

	$
non-current assets	18 000
trade receivables	3 000
inventory	1 800
trade payables	3 600
bank	350 credit

Capital at the start of the financial year was $19 100. The profit for the year was $9200.

What were the owner's drawings for the year?

A $8250 **B** $8750 **C** $8950 **D** $9450

[June 2023/P13/Q14]

Q38. A sole trader does not keep a complete set of books of account. He believes a staff member has stolen some cash.

Which items will **not** be needed to calculate the amount missing?

1. cash in hand at the beginning and end of the year
2. owner's drawings taken from the bank
3. cheques received from customers
4. totals of cash sales and cash purchases

A 1 and 4 **B** 2 and 3 **C** 2 only **D** 3 only

[June 2024/P12/Q13]

Q39. A business owner provided the following information at the end of his first year of trading.

	$
closing inventory	15 000
total payments to suppliers	60 000
amount owing to suppliers	5 000
total receipts from customers	85 000
amount owed by customers	10 000

What was the gross profit for the year?

A $10 000 **B** $15 000 **C** $25 000 **D** $45 000

[Nov 2024/P11/Q13]

Q40. Lu had the following capital account balances.

End of year 1	End of year 2
$45 700	$63 400

During year 2 the following took place:

1 cash drawings $33 000
2 personal motor vehicle introduced to the business at a value of $24 500.

Expenses for the year include a payment for rent of $10 000, of which 40% was for Lu's personal use.

What was his profit for year 2?

A $5200 **B** $13 200 **C** $22 200 **D** $30 200

[Nov 2024/P11/Q14]

Q41. A sole trader's statement of profit or loss shows the following information.

	$
opening inventory	5000
operating expenses	3000
profit for the year	5400

Closing inventory is 10% less than opening inventory.

All goods sold are marked up by 50%.

What were the purchases for the year?

A $10 300 **B** $15 700 **C** $16 300 **D** $17 300

[Nov 2024/P12/Q16]

Q42. Sam was unable to conduct a physical count of inventory at 31 December 2024.

On 3 January 2025, inventory was sold to Abdul for $11 950. The cost price of this inventory was $9560.

On 4 January 2025, inventory had been returned by Sita. It had been sold on 21 December 2024 for $2390. The cost price of this inventory was $1912.

Sam valued his inventory on 5 January 2025 at a cost of $59 750.

What was the value of inventory at 31 December 2024?

A $50 190 **B** $52 012 **C** $67 398 **D** $69 310

[June 2025/P11/P13/Q14]

Q43. Jaime provided the following information.

	$
capital at the beginning of the year	14 000
capital at the end of the year	12 300
loan received during the year	4 000
cash drawings	17 200
private phone charges paid by the business	300

What was the profit for the year?

A $11 800 **B** $15 500 **C** $15 800 **D** $19 200

[Nov 2025/P11/Q15]

Q44. Jane has just completed her first year in business as a sole trader.

The following details are available for the year ended 31 December.

	$
profit for the year	89 200
bank loan at 31 December	10 000
drawings for the year	46 500
capital at 31 December	202 000
capital introduced during the year	20 000

How much capital did Jane begin the business with?

A $92 800 **B** $129 300 **C** $139 300 **D** $159 300

[Nov 2025/P13/Q16]

SOLUTIONS

Topic 11: Incomplete Records

1. **C** Equity ($30 000) = Capital accounts ($36 000) – Current account debit balances ($6000)
   Total liabilities ($23 000) = $8000 + $15 000
   Total assets ($53 000) = Equity ($30 000) + Liabilities ($23 000)
   Current assets = Total assets ($53 000) – Non-current assets ($42 000) = $11 000

2. **D** Payment to suppliers ($190 000) + Discount received ($10 000) + Closing payables ($15 000) – Opening payables ($13 000) = Purchases ($202 000)

3. **C** Current capital ($175 000) – profits ($73 000) + drawings ($52 000) – additional capital ($35 000) + non-current asset taken over ($4000) = capital at start ($123 000)

4. **B** 1 – margin = Cost of sales as a percentage of sales
   Cost of sales + Closing inventory – Opening inventory = Purchases

5. **D** Net assets / equity at year end ($12 000 + $2000) + Drawings ($3000) – Net asset / equity at start ($9000 + $1000) = ($7000) Profit for the year

6. **B** Closing Capital = closing assets – closing liabilities assets ($41 000 + $12 500) – liabilities ($4500 + $3900 + $6000) = $39 100

7. **B** Loan to a friend is asset, not liability.
   Assets ($2500 + $4000 + $1000) – liabilities ($500) = $7000

8. **A** Return outwards & goods withdrawn are deducted from purchases thus resulting decrease in cost of sales.
   Carriage inwards are added in purchases thus increasing cost of sales.
   $4820 – $2750 – $1460 = $610 increase

9. **C** Expenses are not part of trading account, its post gross profit item.

10. **C** Capital at start ($19 800) + Profit ($24 000) – Drawings ($20 600) + Additional capital ($6000) = ($29 200) Capital at end

11. **B** Transactions 2 & 3 relate to bank account instead of cash.

12. **D** First year, no opening balances
    Sales ($85 000 + $10 000) – [Purchases ($60 000 + $5000) + Closing inventory ($15 000) = Gross profit

13. **D** Cash at start ($150) + Cash sales ($10 500) – Cash banked ($10 200) – Cash lost (??) = Cash at end ($100)
    Cash lost = $350

14. **D** Capital at end ($135 000 – $40 000) + Drawings ($18 000) – Capital at start ($100 000 – $35 000) = Profit ($48 000)

15. **D** Increase in capital due to introduction of capital ($12 000) & profit ($7800).
    Decrease in capital due to drawings ($8000 + $1000) $9000
    Overall capital increase by ($12 000 + $7800 – $9000) = $10 800

16. **A** Gross margin can be used to calculate gross profit which can later be used to get cost of sales etc.

17. **D** Closing gross trade receivables $\left(\frac{\$25\ 745}{95\%}\right)$
    + Receipts ($42 670) + Bad debts ($450)
    – Trade receivables at start ($21 650)
    = ($48 570) Sales

33. C Payments ($158 000) + Return outwards ($3000) + Contra ($2000) + Discount received ($6000) + Trade payables at end ($14 000) – Trade payables at start ($18 000) = Purchases ($165 000)

34. A Sales ($70 000 + $4000) – [purchases ($65 000 + $2000) + closing inventory at cost ($20 000)] = gross profit ($27 000)

Gross profit ($27 000) – expenses ($3000) = profit for the year ($24 000)

35. C Capital at start ($85 000) + additional capital ($30 000) – drawings ($15 000) – loss for the period ($22 000) = Closing capital ($78 000)

36. D Receipts ($168 000) + discount allowed ($3 400) + closing receivables ($31 200) – opening receivables ($22 400) = credit sales ($180 200)

Payments ($74 000) + closing payables ($14 300) – opening payables ($16 600) = credit Purchases ($71 700)

Opening inventory ($17 500) + purchases ($71 700) – drawings ($3 200) – closing inventory ($19 200) = $66 800 (cost of sales)

Sales ($180 200) – $66 800 (cost of sales) = $113 400 (Gross profit)

37. D Capital at end ($18 000 + $3 000 + $1 800 – $3 600 – $350) = $18 850

Opening capital ($19 100) + profit ($9 200) – drawings (??) = closing capital ($18 850)

Drawings = $9 450

38. B Cash calculations only involves cash. Bank items are not relevant.

39. D Total payments to suppliers ($60 000) + amount owing to suppliers ($5000) = ($65 000) credit purchases

Total receipts from customers ($85 000) + amount owed by customers ($10 000) = ($95 000) credit sales

Credit sales ($95 000) – [credit purchases ($65 000) – closing inventory ($15 000)] = ($45 000) gross profit

40. D Capital at year end ($63 400) + drawings [$33 000 + ($10 000 × 40%)] – additional capital ($24 500) – capital at start ($45 700) = ($30 200) profit for the year

41. C Profit for the year ($5400) + operating expenses ($3000) = ($8400) gross profit

Gross profit ($8400) = 50% of cost of sales, so cost of sales $16 800

Closing inventory ($5000 × 90%) = $4500

Opening inventory ($5000) + purchases (??) – closing inventory ($4500) = ($16 800) cost of sales

So, Purchases = $16 300

42. C Inventory on 5 Jan at cost ($59 750) – sales return at cost ($1912) + sales at cost price ($9 560) = $67 398

43. C Capital at end ($12 300) + drawings ($17 200 + $300) – capital at start ($14 000) = ($15 800) profit

Note: Loan is a liability already used in calculation of capital at end.

44. C X + profit ($89 200) – drawings ($46 500) + capital during year ($20 000) = capital at 31 December ($202 000)

X = $202 000 – $62 700

X = $139 300