

37.1 A drill on the presentation of accruals, etc. in the extended trial balance

REQUIRED: for each separate extract from an extended trial balance below, with notes, show the values that should be included in the P&L Account, and the values that should be included in the balance sheet. Where values are to be included in the balance sheet, state what they should be called.

FIRM A

	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		4 000				
expense	1 500					

Option 1

Note: the value of sales actually delivered in the period was £4 500, and it is estimated that only £1 300 of the expense paid for has actually been consumed.

Response

	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		4 000		4 500	500	
expense	1 500		1 300		200	

The £500 DR in the balance sheet from the Sales Account represents accrued income (the right to collect payment for goods delivered but not yet paid for in money or recorded promises).

The £200 DR in the balance sheet from the Expense Account represents a prepayment (the right to receive goods or services paid for in money or recorded promises, but not yet received).

FIRM A continued

	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		4 000				
expense	1 500					

Option 2

Note: the value of sales actually delivered in the period was £3 700, and it is estimated that £2 200 of the expense paid for has actually been consumed.

Response

	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		4 000		3 700		300
expense	1 500		2 200			700

The £300 CR in the balance sheet from the Sales Account represents deferred income (the liability to deliver goods already paid for in money or promises).

The £200 CR in the balance sheet from the Expense Account represents an accrual (the liability to pay for goods or services received but not yet paid for in money or recorded promises).

FIRM B

	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		6 000				
expense	2 000					

Option 1

Note: the value of sales actually delivered in the period was only £6 000, while in fact a total of £2 300 of the expense has actually been consumed.

Response

	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		6 000		6 000		
expense	2 000		2 300			300

The £300 CR in the balance sheet from the Expense Account represents an accrual (the liability to pay for goods or services received but not yet paid for in money or recorded promises).

FIRM B continued

	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		6 000				
expense	2 000					

Option 2

Note: the value of sales actually delivered in the period was £6 750, while only £1 800 of the expense has actually been consumed.

Response

	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		6 000		6 750	750	
expense	2 000		1 800		200	

The £750 DR in the balance sheet from the Sales Account represents accrued income (the right to collect payment for goods delivered but not yet paid for in money or recorded promises).

The £200 DR in the balance sheet from the Expense Account represents a prepayment (the right to receive goods or services paid for in money or recorded promises, but not yet received).