

38.2 A drill with opening and closing accruals, etc.

Each separate business below operates on a cash only basis, and does not keep double entry accounts. In each case, explain the significance of the information given, and produce a reconciliation between the value of sales or expenses paid for in the period, and the value to be reported in the P&L Account.

1.

Cash paid for rent during the period, £8 000. Opening prepayment £300. Closing accrual £700.

1 Rent	£
EXPENSE TRANSACTIONS occurring in the period (value paid for in money in current period)	8 000
plus opening prepayment (value paid for in previous period, but consumed in this period)	300
plus closing accrual (value consumed but not yet paid for)	700
EXPENSE REPORTED in P&L ACCOUNT = value consumed in current period	<u>£9 000</u>

2.

Cash paid for electricity during the period, £5 000. Opening accrual £250. Closing prepayment £750.

2 Electricity	£
EXPENSE TRANSACTIONS occurring in the period (value paid for in current period)	5 000
minus closing prepayment (value paid for in this period, but not yet consumed)	(750)
minus opening accrual (value paid for in this period, but consumed in previous period)	(250)
EXPENSE REPORTED in P&L ACCOUNT = value consumed in current period	<u>£4 000</u>

3.

Cash paid for insurance during period, £450. Opening prepayment £40. Closing prepayment £50.

3 Insurance	£
EXPENSE TRANSACTIONS occurring in the period (value paid for in current period)	450
plus opening prepayment (value paid for in previous period, but consumed in this period)	40
minus closing prepayment (value paid for in this period, but not yet consumed)	(50)
EXPENSE REPORTED in P&L ACCOUNT = value consumed in current period	<u>£ 440</u>

4.

Cash paid for subscription to trade association during period, £60. Opening accrual £15. Closing accrual £20.

4 Subscription	£
EXPENSE TRANSACTIONS occurring in the period (value paid for in current period)	60
minus opening accrual (value paid for in this period, but consumed in previous period)	(15)
plus closing accrual (value consumed but not yet paid for)	20
EXPENSE REPORTED in P&L ACCOUNT = value consumed in current period	<u>£ 65</u>

5.

Cash received for sales during the period, £8 000. Opening accrued income £750.
Closing deferred income £250.

5 Sales	£
SALES TRANSACTIONS occurring in the period (value paid for in current period)	8 000
minus closing deferred income (value paid for in this period, but not yet delivered)	(250)
minus opening accrued income (value paid for in this period, but delivered in previous period)	(750)
SALES REPORTED in P&L ACCOUNT = value delivered in current period	<u>£7 000</u>

6.

Cash received for sales during the period, £5 000. Opening deferred income £700.
Closing accrued income £300.

6 Sales	£
SALES TRANSACTIONS occurring in the period (value paid for in current period)	5 000
plus opening deferred income (value paid for in previous period, but delivered in this period)	700
plus closing accrued income (value delivered but not yet paid for)	300
SALES REPORTED in P&L ACCOUNT = value delivered in current period	<u>£6 000</u>

7.

Cash received for sales during the period, £7 900. Opening accrued income £400.
Closing accrued income £100.

7 Sales	£
SALES TRANSACTIONS occurring in the period (value paid for in current period)	7 900
minus opening accrued income (value paid for in this period, but delivered in previous period)	(400)
plus closing accrued income (value delivered but not yet paid for)	100
SALES REPORTED in P&L ACCOUNT = value delivered in current period	<u>£7 600</u>

8.

Cash received for sales during the period, £4 800. Opening deferred income £200.
Closing deferred income £700.

8 Sales	£
SALES TRANSACTIONS occurring in the period (value paid for in current period)	4 800
plus opening deferred income (value paid for in previous period, but delivered in this period)	200
minus closing deferred income (value paid for in this period, but not yet delivered)	(700)
SALES REPORTED in P&L ACCOUNT = value delivered in current period	<u>£4 300</u>