

## 12.1 A drill to practise corrections and transfers between accounts

For each of the separate situations below, record the given transactions on the relevant accounts, and show how any necessary corrections would be made, or how any changes in the system would be implemented.

### A

1. a business records payment of wages £100 by cheque

Wages		Bank	
(1)	100	(1)	100

2. in fact the wages above were paid in cash, not by cheque

Wages		Bank	
(1)	100	(2) 100	(1) 100

  

Cash	
(2)	100

**B**

1. a business records a sale on credit to P, value £300

<i>Promises from/to P</i>		<i>Sales</i>	
(1)	300	(1)	300

2. the sale above was actually made to Q, not to P

<i>Promises from/to P</i>		<i>Sales</i>	
(1)	300	(1)	300
	(2) 300		

  

<i>Promises from/to Q</i>	
(2)	300

**C**

1. a business records the purchase of goods for £250, with payment by cheque

<i>Purchases</i>		<i>Bank</i>	
(1)	250	(1)	250

2. the business discovers that the transaction above was recorded in error, and never in fact took place

<i>Purchases</i>		<i>Bank</i>	
(1)	250	(2) 250	(1) 250

**D**

1. a business receives an invoice for goods purchased from X, value £1 000

<i>Purchases</i>		<i>Promises from/to X</i>	
(1)	1 000	(1)	1 000

2. the invoice above contained an error. The actual value of the goods purchased was only £900

<i>Purchases</i>		<i>Promises from/to X</i>	
(1)	1 000	(2)	100
		(1)	1 000

**E**

1. a business sends an invoice to Y, for goods sold to him, value £1 500

<i>Promises from/to Y</i>		<i>Sales</i>	
(1)	1 500	(1)	1 500

2. the invoice above was sent by mistake. The customer was actually Z, and not Y

<i>Promises from/to Y</i>		<i>Sales</i>	
(1)	1 500	(1)	1 500
(2)	1 500		

**F**

1. a business buys goods on credit for £3 000

<i>Purchases</i>	
(1)	3 000

<i>Promises from/to Supplier</i>	
(1)	3 000

2. the goods above were apples and oranges, and the business decides that it would like to record the purchase of apples and the purchase of oranges on separate accounts. The purchase consisted of apples £1 000, and oranges £2 000

Purchases				Promises from/to Supplier			
(1)	3 000	(2.1)	1 000		(1)	3 000	
		(2.2)	2 000				

  

Purchases - Apples				Purchases - Oranges			
(2.1)	1 000			(2.2)	2 000		

## G

1. a business buys pencils for use in the office, cost £10, paid by cheque

<i>Pencils</i>		<i>Bank</i>	
(1)	10	(1)	10

2. the business buys paper for the office, value £40, paid by cheque

<i>Pencils</i>		<i>Bank</i>	
(1)	10	(1)	10
		(2)	40

  

<i>Paper</i>	
(2)	40

3. the business decides that it would prefer to have one single account for 'Stationery', instead of separate accounts for pencils and for paper

<i>Pencils</i>		<i>Bank</i>	
(1)	10	(1)	10
		(2)	40
		(3.1)	10

  

<i>Paper</i>		<i>Stationery</i>	
(2)	40	(3.2)	40

**H**

1. a business sells goods for £100 cash

<i>Cash</i>	
(1)	100

<i>Sales</i>	
(1)	100

2. the business sells goods on credit to Z for £400

<i>Cash</i>	
(1)	100

<i>Sales</i>	
(1)	100
(2)	400

<i>Promises from/to Z</i>	
(2)	400

3. the business decides it would prefer to keep separate records of its cash sales and its credit sales

<i>Cash</i>	
(1)	100

<i>Sales</i>	
(3.1)	100
(3.2)	400
(1)	100
(2)	400

<i>Promises from/to Z</i>	
(2)	400

<i>Cash Sales</i>	
(3.1)	100

<i>Credit Sales</i>	
(3.2)	400

**I**

1. a business buys goods on credit from S, value £1 200

<i>Purchases</i>		<i>Promises from/to S</i>	
(1)	1 200	(1)	1 200

2. some of the goods above, value £200, are unsatisfactory, and are returned to the supplier

<i>Purchases</i>		<i>Promises from/to S</i>	
(1)	1 200	(2)	200
		(1)	1 200

3. since the process of buying and returning unsatisfactory goods is a waste of time, the business decides to monitor the value of goods it has to return, by keeping a separate account for 'Purchase Returns'

<i>Purchases</i>		<i>Promises from/to S</i>	
(1)	1 200	(2)	200
(3)	200	(2)	200
		(1)	1 200

  

<i>Purchase Returns</i>	
(3)	200

1. a business pays wages of £10 000 cash

<i>Cash</i>	
(1)	10 000

2. the business then decides to keep separate records for the cost of factory labour and shop labour. The original payment of £10 000 consisted of £7 000 factory wages and £3 000 office wages

<i>Cash</i>	
(1)	10 000

Office Labour	
(3.2)	3 000



**K**

1. a business makes sales on credit by mail order, value £2 000

<i>Promises from/to Customers</i>		<i>Sales</i>	
(1)	2 000	(1)	2 000

2. goods value £500 are returned to the business by customers

<i>Promises from/to Customers</i>		<i>Sales</i>	
(1)	2 000	(2)	500
	(2)	(1)	2 000
	500		

3. in order to monitor levels of customer satisfaction, the business decides to record the value of goods returned by customers in a separate account for 'Sales Returns'

<i>Promises from/to Customers</i>		<i>Sales</i>	
(1)	2 000	(2)	500
	(2)	(1)	2 000
	500	(3)	500

  

<i>Sales Returns</i>	
(3)	500

**L**

1. a business receives a cheque for £50 from X, a customer who has previously bought goods on credit

<i>Bank</i>		<i>Promises from/to X</i>			
(1)	50	existing promises	•	(1)	50

2. X's cheque is dishonoured

<i>Bank</i>		<i>Promises from/to X</i>			
(1)	50	existing promises	•	(1)	50
		(2)	50		

**M**

1. a business pays factory wages of £4 000 and factory rent of £1 000, each by cheque

<i>Factory Wages</i>		<i>Bank</i>	
(1A)	4 000	(1A)	4 000
		(1B)	1 000

  

<i>Factory Rent</i>	
(1B)	1 000

2. the business then decides it would like to have a single account to record all factory costs

<i>Factory Wages</i>		<i>Bank</i>	
(1A)	4 000	(1A)	4 000
	(2A) 4 000	(1B)	1 000

  

<i>Factory Rent</i>		<i>Factory Costs</i>	
(1B)	1 000	(2A)	4 000
	(2B) 1 000	(2B)	1 000

## N

A business maintains separate accounts for ‘Sales’ and for ‘Sales Returns’.

1. during a year the business sells goods on credit for £10 000

<i>Promises from/to customers</i>		<i>Sales</i>	
(1)	10 000	(1)	10 000

2. during the year, customers return goods value £2 000

<i>Promises from/to customers</i>		<i>Sales</i>	
(1)	10 000	(1)	10 000
	(2)		
	2 000		

  

<i>Sales Returns</i>	
(2)	2 000

3. at the end of the year, the business needs to know the value of its *final* sales for the year (i.e. the value of goods that were sold and kept by customers)

<i>Promises from/to customers</i>		<i>Sales</i>	
(1)	10 000	(3.2)	10 000
	(2)	(1)	10 000
	2 000		

  

<i>Sales Returns</i>		<i>Final Sales</i>	
(2)	2 000	(3.1)	2 000
	(3.1)	(3.2)	10 000
	2 000		

## O

1. a business pays wages £95 cash to a part-time employee

<i>Wages</i>		<i>Cash</i>	
(1)	95	(1)	95

2. the wages above were overpaid. £5 cash is recovered from the employee

<i>Wages</i>		<i>Cash</i>	
(1)	95	(2)	5
		(1)	95