

21.2 Drills to practise recording transactions and preparing final accounts

For each separate business below, put the opening balances on to the accounts, record the given transactions, and go through all of the relevant procedures to produce a P&L Account for the period, and a balance sheet at the end of the period.

You should assume that all inputs (except stock) are consumed in the period.

Business A

21.2 BUSINESS A opening balance sheet	
Assets	
Stock	2 500
Debtors	500
Bank	1 000
	4 000
Liabilities	
Creditors	(800)
Net Assets	£3 200
Capital	£3 200

Transactions

1. buys goods on credit for £5 000
2. sells goods for £8 000 receiving payment by cheque
3. receives cheque value £250 from trade debtor
4. pays rent £800 by cheque
5. pays supplier £4 800 by cheque

NOTE: closing stock is valued at £3 000

Response

opening balances in black entries and transfers in blue

Stock			
b/f	2 500	to P&L	2 500
from P&L	3 000		
Debtors			
b/f	500	(3)	250
		c/f	250
	500		500
b/f	250		
Bank			
b/f	1 000	(4)	800
(2)	8 000	(5)	4 800
(3)	250	c/f	3 650
	9 250		9 250
b/f	3 650		
Creditors			
(5)	4 800	b/f	800
c/f	1 000	(1)	5 000
	5 800		5 800
		b/f	1 000
Capital			
		b/f	3 200
c/f	5 900	profit	2 700
	5 900		5 900
		b/f	5 900

Purchases			
(1)	5 000	to P&L	5 000
Sales			
to P&L	8 000	(2)	8 000
Rent			
(4)	800	to P&L	800
P&L Account			
purchases	5 000	sales	8 000
opening stock	2 500	closing stock	3 000
c/f	3 500		
	11 000		11 000
rent	800	b/f	
c/f	2 700	gross profit	3 500
	3 500		3 500
to capital	2 700	b/f	
		operating profit	2 700

21.2 BUSINESS A closing balance sheet	
Assets	
Stock	3 000
Trade Debtors	250
Bank	3 650
	6 900
Liabilities	
Trade Creditors	(1 000)
Net Assets	£5 900
Capital	£5 900

Business B

21.2 BUSINESS B opening balance sheet		
Assets		
Stock		1 000
Debtors		2 000
		3 000
Liabilities		
Creditors	1 300	
Bank	700	
		(2 000)
Net Assets		£1 000
Capital		£1 000

Transactions

1. buys goods on credit for £3 500
2. sells goods for £6 000 on credit
3. receives electricity bill for £1 700
4. receives telephone bill for £300
5. pays Telephone Company £300 by cheque

NOTE: closing stock is valued at £400

Response

opening balances in black entries and transfers in blue

Stock			
b/f	1 000	to P&L	1 000
from P&L	400		

Debtors			
b/f	2 000		
(2)	6 000	c/f	8 000
	8 000		8 000
b/f	8 000		

Creditors			
		b/f	1 300
c/f	4 800	(1)	3 500
	4 800		4 800
		b/f	4 800

Bank			
		b/f	700
c/f	1 000	(5)	300
	1 000		1 000
		b/f	1 000

Capital			
loss	100	b/f	1 000
c/f	900		
	1 000		1 000
		b/f	900

Purchases			
(1)	3 500	to P&L	3 500

Sales			
to P&L	6 000	(2)	6 000

Electricity			
(3)	1 700	to P&L	1 700

Electricity Company		
	(3)	1 700

Telephone		
(4)	300	to P&L
		300

Telephone Company		
(5)	300	(4)
		300

P&L Account			
purchases	3 500	sales	6 000
opening stock	1 000	closing stock	400
c/f	1 900		
	6 400		6 400
electricity	1 700	b/f	
telephone	300	gross profit	1 900
	2 000	c/f	100
			2 000
b/f			
operating loss	100	to capital	100

21.2 BUSINESS B closing balance sheet		
Assets		
Stock		400
Trade Debtors		8 000
		8 400
Liabilities		
Creditors	4 800	
Bank	1 000	
electricity Co	1 700	
		(7 500)
Net Assets		£ 900
Capital		£ 900

Business C - Data

21.2 BUSINESS C opening balance sheet	
Assets	
Stock	1 700
Debtors	3 000
	<u>4 700</u>
Liabilities	
Creditors	2 400
Bank	600
	<u>(3 000)</u>
Net Assets	<u>£1 700</u>
Capital	<u>£1 700</u>

Transactions

1. buys goods on credit for £16 500
2. sells goods on credit for £27 000
3. receives rent demand for £1 300
4. borrows £5 000 from ABC finance, receiving the money by cheque
5. pays landlord £1 200 by cheque
6. pays interest £250 by cheque
7. pays salaries £1 800 by cheque
8. receives electricity bill for £700
9. pays interest £100 by cheque
10. repays £3 000 by cheque to ABC finance

NOTE: closing stock is valued at £1 500

Business C - Response

Stock			
b/f	1 700	to P&L	1 700
from P&L	1 500		

Debtors			
b/f	3 000		
(2)	27 000	c/f	30 000
	<u>30 000</u>		<u>30 000</u>
b/f	30 000		

Creditors			
		b/f	2 400
c/f	18 900	(1)	16 500
	<u>18 900</u>		<u>18 900</u>
		b/f	18 900

Bank			
(4)	5 000	b/f	600
		(5)	1 200
		(6)	250
		(7)	1 800
		(9)	100
c/f	1 950	(10)	3 000
	<u>6 950</u>		<u>6 950</u>
		b/f	1 950

Capital			
		b/f	1 700
c/f	7 850	profit	6 150
	<u>7 850</u>		<u>7 850</u>
		b/f	7 850

Purchases			
(1)	16 500	to P&L	16 500

Sales			
to P&L	27 000	(2)	27 000

Rent			
(3)	1 300	to P&L	1 300

Landlord			
(5)	1 200	(3)	1 300
c/f	100		
	<u>1 300</u>		<u>1 300</u>
		b/f	100

ABC Finance			
(10)	3 000	(4)	5 000
c/f	2 000		
	<u>5 000</u>		<u>5 000</u>
		b/f	2 000

Interest			
(6)	250		
(9)	100	c/f	350
	<u>350</u>		<u>350</u>
b/f	350	to P&L	350

Salaries			
(7)	1 800	to P&L	1 800

Electricity			
(8)	700	to P&L	700

Electricity Company			
		(8)	700

P&L Account for Period ..			
purchases	16 500	sales	27 000
opening stock	1 700	closing stock	1 500
c/f	10 300		
	<u>28 500</u>		<u>28 500</u>
rent	1 300	b/f	
salaries	1 800	gross profit	10 300
electricity	700		
c/f	6 500		
	<u>10 300</u>		<u>10 300</u>
interest	350	b/f	
c/f	6 150	operating profit	6 500
	<u>6 500</u>		<u>6 500</u>
to capital	6 150	b/f	
		net profit	6 150

**21.2 BUSINESS C
closing balance sheet**

Assets	
Stock	1 500
Trade Debtors	30 000
	<u>31 500</u>
Liabilities	
Creditors	18 900
Bank	1 950
Landlord	100
ABC Finance	2 000
Electricity Co	700
	<u>(23 650)</u>
Net Assets	<u>£7 850</u>
Capital	<u>£7 850</u>

Business D - Data

21.2 BUSINESS D		
opening balance sheet		
Assets		
Stock		1 500
Debtors		30 000
		31 500
Liabilities		
Creditors	18 900	
Bank	1 950	
Landlord	100	
Electricity Co	700	
ABC Finance	2 000	
		(23 650)
Net Assets		£7 850
Capital		£7 850

Transactions

1. receives cheque for £24 000 from customer
2. pays supplier £18 000 by cheque
3. pays £100 interest to ABC Finance
4. repays ABC Finance £2 000 by cheque
5. pays £300 interest on bank overdraft
6. buys goods on credit for £27 000
7. sells goods on credit for £29 300
8. receives rent demand for £1 300
9. pays landlord £1 400 by cheque
10. receives electricity bill for £1 000
11. pays Electricity Co £1 700 by cheque
12. pays wages £3 200 by cheque
13. receives cheque for £30 000 from customer
14. pays supplier £20 000 by cheque
15. owner takes £1 500 out of business bank for his own use

NOTE: closing stock is valued at £5 000

Business D - Response

Stock			
b/f	1 500	to P&L	1 500
from P&L	5 000		

Debtors			
b/f	30 000	(1)	24 000
(7)	29 300	(13)	30 000
		c/f	5 300
	<u>59 300</u>		<u>59 300</u>
b/f	5 300		

Creditors			
(2)	18 000	b/f	18 900
(14)	20 000	(6)	27 000
c/f	7 900		
	<u>45 900</u>		<u>45 900</u>
		b/f	7 900

Bank			
(1)	24 000	b/f	1 950
(13)	30 000	(2)	18 000
		(3)	100
		(4)	2 000
		(5)	300
		(9)	1 400
		(11)	1 700
		(12)	3 200
		(14)	20 000
		(15)	1 500
		c/f	3 850
	<u>54 000</u>		<u>54 000</u>
b/f	3 850		

Landlord			
(9)	1 400	b/f	100
		(8)	1 300
	<u>1 400</u>		<u>1 400</u>

Electricity Company			
(11)	1 700	b/f	700
		(10)	1 000
	<u>1 700</u>		<u>1 700</u>

ABC Finance			
(4)	2 000	b/f	2 000

Capital			
drawings	1 500	b/f	7 850
loss	100		
c/f	6 250		
	<u>7 850</u>		<u>7 850</u>
		b/f	6 250

Interest			
(3)	100		
(5)	300	c/f	400
	<u>400</u>		<u>400</u>
b/f	400	to P&L	400

Purchases			
(6)	27 000	to P&L	27 000

Sales			
to P&L	29 300	(7)	29 300

Rent			
(8)	1 300	to P&L	1 300

Electricity			
(10)	1 000	to P&L	1 000

Wages			
(12)	3 200	to P&L	3 200

P&L Account for Period			
purchases	27 000	sales	29 300
opening stock	1 500	closing stock	5 000
c/f	5 800		
	<u>34 300</u>		<u>34 300</u>
rent	1 300	b/f	
electricity	1 000	gross profit	5 800
wages	3 200		
c/f	300		
	<u>5 800</u>		<u>5 800</u>
interest	400	b/f	
	<u>400</u>	operating profit	300
b/f		c/f	100
net loss	100		<u>400</u>
	<u>100</u>	to capital	100

21.2 BUSINESS D
closing balance sheet

Assets	
Stock	5 000
Trade Debtors	5 300
Bank	3 850
	<u>14 150</u>
Liabilities	
Creditors	(7 900)
Net Assets	<u>£6 250</u>
Capital	<u>£6 250</u>