Solutions

Marking: **K** knowledge, **App** use of the case or data, **An** analysis (a chain of reasons: cause, then effect), **Ev** evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer; **B1** is an independent mark.

Each answer shows the steps, then the **result**.

2.1

(a) Dr van 12,000, Cr loan 12,000

(b) Dr wages 700, Cr cash 700

(c) Dr receivables 450, Cr revenue 450

(d) Dr cash 450, Cr receivables 450

2.2

debits $20{,}000 + 3{,}000 + 450 = 23{,}450$; credits $6{,}000 + 700 + 1{,}250 = 7{,}950$

balance £**15**,**500 debit** (cash is an asset)

2.3

(a) shown: debits exceed credits by **270**

(b) not shown: both sides are missing

(c) not shown: debit = credit, only the account is wrong

(d) shown: credits exceed debits by **4**,**500**, $= 9 \times 500$, a transposition

3.1

(a) (5) Dr cash 4,200, Cr revenue 4,200; Dr cost of sales 1,700, Cr inventory 1,700; (6) Dr wages 900, Cr cash 900; (7) Dr payables 2,000, Cr cash 2,000

(b) debits $15{,}000 + 10{,}000 + 4{,}200 = 29{,}200$; credits $8{,}500 + 900 + 2{,}000 = 11{,}400$; balance £**17**,**800** Dr

(c) Dr: cash 17,800, equipment 8,500, inventory 1,300, cost of sales 1,700, wages 900 = **30**,**200**; Cr: share capital 15,000, loan 10,000, payables 1,000, revenue 4,200 = **30**,**200** ✓

3.2

(a) $48{,}620 - 47{,}720 =$ £**900**; $900 = 9 \times 100$: a transposition such as 1,000 credited as 100; or a debit of £900 posted with no credit

(b) omission: a purchase not recorded on either side; commission: rent debited to repairs (or a double posting of wages on both sides)

3.3

(a) wages expense is £4,300 too high, so profit is £**4**,**300** too low; the trial balance still agrees, because both sides rose by 4,300

(b) **5–6**: a trial balance only proves debits equal credits (K); it misses omissions, wrong accounts, double postings and compensating errors, as the wages show (App)(An); checks: a bank reconciliation against the bank statement, supplier statement reconciliation, comparing wages with the payroll (An); judgement: agreement is necessary but not enough, so the claim is wrong (Ev). **3–4**: limits explained without checks, or checks without a judgement. **1–2**: a relevant point.

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