

**PENANG SANGAM HIGH SCHOOL**

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**LESSON NOTES Week 21**

**SUBJECT: ACCOUNTING**

**YEAR/LEVEL: 12**

**Strand 6: SYSTEMS FOR IMPLEMENTING THE ACCOUNTING PROCESS**

**Sub-strand 6.3 ACCOUNTING FOR INCOMPLETE RECORDS**

**Content Learning Outcome:** Explore accounting for incomplete records.

Greetings to all my students, we will continue with Sub-Strand 6.3 Accounting For Incomplete Records this week (week 21). If there are any queries do contact me in our 12A Viber group.

**Lesson Notes** (For detailed **reference** use your text book MOE Year 12 Accounting Pg. 184-202)

**Memorandum Ledger Analysis or Gross Profit method**

Is where **ledger accounts** are prepared with some information to find the other missing information.

For **example** to calculate:

1. Cash sales – cash at bank ledger should be prepared
2. Credit sales - Accounts receivable/Debtors control account should be prepared
3. Credit Purchase - Accounts payables/Creditors control account should be prepared

**Mark Up** – is when gross profit is expressed as a percentage of **cost price** (COGS)

**Margin** - is when gross profit is expressed as a percentage of the **selling price (sales)**.

**1. Mark up on cost means cost price will be 100%**

e.g. Mark up of 30% on cost, cost price is 100%.

Cost price + Mark Up/ Profit = Selling price

100% + 30% = 130%

**2. Mark Up on sales/Margin means sales is 100%**

e.g. If Markup is 25% on Sales, selling price is 100%.

Cost price + Mark Up/ Profit = Selling price

75% + 25% = 100%

Stock destroyed by Fire, Flood and Theft

**Format of the Statement of Estimated Value of Stock Destroyed**

	\$
Opening stock	Xx
<b>Add:</b> Net purchases	<u>Xx</u>
Cost of goods available for sale	Xx
<b>Less:</b> Cost of goods on the date of disaster/COGS	<u>Xx</u>
	xxx
<b>Less:</b> Salvage Value( Value of stock left)	<u>Xx</u>
Estimated value of stock destroyed	<u>xx</u>

(Note: Use the trading Account Format of Calculating COGS).

**Example 1: Stock Destroyed By Fire**

The following information was obtained from the books of Salmaan, who lost all his stock during a recent fire on 31st December, 2015.

	\$
Inventory on hand at 1st April, 2015	9 540
Purchases	80 424
Purchases Returns	400
Sales	94 212
Salvage Value	8 000

The rate of gross profit on sales during the year was 25%

**Required:** Calculate the value of inventory destroyed on 31st December, 2015.

**Solution Working:** Gross profit is on Sales, therefore sales is 100% (Margin Case)

$$\begin{array}{rcl}
 \text{COGS} + \text{GP} & = & \text{Sales} \\
 75\% + 25\% & = & 100\% \\
 (75/100 \times 94\,212) + (25/100 \times 94\,212) & = & 94\,212
 \end{array}$$

COGS= 70 659

**Statement of Stock Destroyed by Fire**

	\$
Opening stock	9 540
<b>Add:</b> Net purchases(80 424 – 400)	<u>80 024</u>
Cost of goods available for sale	89 564
<b>Less:</b> Cost of goods on the date of disaster/COGS	<u>70 659</u>
	18 905
<b>Less:</b> Salvage Value( Value of stock left)	<u>8 000</u>
<b>Estimated value of stock destroyed</b>	<u>10 905</u>

(Best wishes for week 21 studies, take care and Stay Safe)