



WORKSHEET 21

School: Ba Sangam College
Subject: Accounting

Year: 1201

Name _____

Strand -6	System for Implementing the accounting process
Sub Strand -6.3	Accounting for Incomplete records
Content Learning Outcome 6.3.1	Explore accounting for incomplete records.

Memorandum Ledger Analysis or Gross Profit method

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

Calculation of Missing Information to complete the accounting records

Example 1: Calculation of Cash Sales

Litia's business had missing records due to some mishap. Information relating to cash transactions is given below:

Receipts	\$	Payments	\$
Accounts Receivable	22500	Rent	200
		Accounts Payable	35000
		Drawings	1000
		Expenses	4500

Additional Information:

Cash at bank 1/2/14: \$3200 Bank 1/02/15: \$2300

Cash at Bank					
Feb 1	Opening balance	3200	Feb 28	Accounts Payable	35000
	Account Receivables	22500		Drawings	1000
	<u>CASH SALES</u>	17300		Rent	200
				Expenses	4500
				Closing Balance	2300
		<u>\$43000</u>			<u>\$43000</u>

Remember: Dr Side must equal Cr side. If it doesn't then the difference is the missing information

The missing figure is **Cash Sales \$17300.**

Example 2: Calculation of Credit Sales

Varesi does not keep proper records but provides the following information for the month of June 2015.

	\$
Days Takings	3400
Cash received from Accounts Receivable	4000
Discount allowed to Accounts receivable	150
Accounts receivables at 1 st June 2015	2560
Accounts receivables at 30 th June 2015	6780
Interest charged to accounts receivable	50
Bad debts written off	180
Dishonored cheques	390
Transfer to creditors ledger	200
Credit notes issued to Accounts receivables	145

Prepare the Accounts Receivable control account to ascertain the **credit sales** and **Total sales**

Solution:

<u>Accounts Receivables Control Account</u>					
June 1	Opening balance	2560	June 30	Cash	4000
	Interest	50		Discount Allowed	150
	Cash (dish Cheque)	390		Bad debts	180
	CREDIT SALES	8455		Sales Returns	145
				Transfer to Creditors	200
				Closing Balance	6780
		\$11455			\$11455

Credit Sales + Cash sales = Total sales

$$8455 + 3400 = \$11855$$

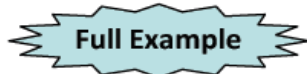
Example 3: Calculation of Credit Purchases

Cash purchases	25000
Cash paid to Accounts Payable	30000
Discount received from Accounts Payable	450
Accounts Payable at 1 st June 2015	35840
Accounts Payable at 30 th June 2015	78930
Freight charged by accounts payable	800
Transfer to accounts receivables ledger	2580
Credit notes received from accounts payable	4870

Accounts Payable Control Account

	\$		\$
Cash	30000	Opening balance	35840
Discount received	450	Freight	800
Purchase returns	4870	CREDIT PURCHASES	80190
Transfer – Accounts Receivables ledger (contra)	2580		
Closing balance	78930		
	<u>116830</u>		<u>116830</u>

Converting Incomplete Records to Double Entry System



Merebuli provides the following information and records for her business.

Assets and Liabilities :

	1/1/2015	31/12/2015
	\$	\$
Account Receivables	5321	8100
Account Payables	3500	4820
Advertising Prepaid	100	200
Inventory	4550	3250
Furniture	7200	6450

Cash at bank 1st January 2015 \$280.

Total Banking for the year \$75230.

Cheques drawn during the year \$60950.

Cash at bank 31st December 2015 \$14560.

Information relating to Receipt and Payments during the year.

	\$
Cash paid to accounts Payable	28300
Wages	10500
Advertising	6000
Electricity	1550
Cash Purchases	2500
Cheques received from Accounts Receivable	43000
Sale of furniture (Book Value \$750)	1000
Internet Expenses paid	500
Loan from Susan	7000

Additional Information:

- Discount allowed \$235.
- Bad debts written off \$320.
- Provide depreciation on furniture 10% per annum at cost.

Required:

1. Prepare memorandum accounts for cash, accounts receivables and accounts payables to determine the missing information.
2. Prepare the Statement of Financial Performance and Statement of Financial Position as at 31st December 2015.

Solutions:

Step 1

Cash at Bank					
Date	Particulars	\$	Date	Particulars	\$
Dec 1	Opening Balance	\$280	Dec 31	Internet Expense	\$500
	Accounts Receivable	43000		Cash Purchases	2500
	Furniture	1000		Electricity	1550
	Loan	7000		Advertising	6000
	Cash sales	24230		Wages	10500
				Account Payable	28300
				Drawings	11600
				Balance c/d	14560
	Balance b/f	<u>75510</u>			<u>75510</u>

Opening Balance	280	Total Payments	60950
Total receipts	<u>75230</u>	Closing Balance	<u>14560</u>
	\$ 75510		\$ 75510

Assume missing information on credit side is drawings and cash sales on the debit side.

Step 2

Account Receivables Control Account					
Date	Particulars	\$	Date	Particulars	\$
Dec 1	Opening balance	5321	Dec 31	Cash	43000
	Credit Sales	46334		Discount allowed	235
				Bad debts	320
				Balance c/d	8100
		51655			51655
	Balance b/f	8100			

Cash + Credit sales = Total Sales
 24230 + 46334 = \$70564.

Accounts Payable Control Account					
Date	Particulars	\$	Date	Particulars	\$
Dec 31	Cash	28300	Dec 1	Opening Balance	3500
	Balance c/d	4820		Credit Purchases	29620
		33120			33120
				Balance b/f	4820

Cash + Credit Purchases = Total Purchases
 2500 + 29620 = \$32120

Statement of Financial Performance of Merebuli for the year ended 31/12/15		
Sales		70564
Less Cost of Goods Sold:		
Inventory	4550	
Add Purchases	32120	
	36670	
Less Closing Inventory	3250	33420
Gross Profit		37144
Add Other Income		
Gain on Sale of Furniture		250
		37394
Less Expenses		
Wages	10500	
Advertising (6000 +100 -200)	5900	
Electricity	1550	
Internet Expense	500	
Discount Allowed	235	
Bad debts	320	
Depreciation on Furniture	645	19650
Net profit		\$17744

Statement of Financial Position of Merebuli as at 31st December 2015			
	\$	\$	\$
Current Assets			
Cash at bank	14560		
Inventory	3250		
Accounts Receivable	8100		
Advertising Prepaid	200	26110	
Add Fixed Assets			
Furniture	6450		
Less Accumulated Depreciation	645	5805	31915
Less Liabilities			
Current Liabilities			
Accounts Payable		4820	
Non-Current Liability			
Loan		7000	11820
Net Assets			\$20095
Proprietorship			
Opening capital		13951	
Add Net profit		17744	
		31695	
Less Drawings		11600	
			\$20095

Activity

Rohit Kumar operates a grocery business. The business sells goods on cash and credit. However, the owner needs your assistance to calculate the amount of credit purchases made during the year, 2016.

Summary of Information	Amount (\$)
Cash Purchases	30 000
Cash Sales	32 000
Cash paid to Accounts Payable	23 000
Accounts Payable as at 1 st April 2015	32 650
Accounts Payable as at 31 st March 2016	56 740
Cash received from Accounts Receivable	10 000
Accounts Receivable as at 1 st April 2015	54 020
Accounts Receivable as at 31 st March 2016	25 470
Bad Debts Written Off	180
Discount Received from Accounts Payable	18
Freight charged by Accounts Payable	900
Transfer to Accounts Receivable ledger	1 200
Purchases Returns and Allowances	2 560

Required

Prepare the Accounts Payable Control Account to ascertain Credit Purchases made by the business during the year.

(4 marks)

Payable control account

THE END