

## Answer both questions

1. You are required to write up a Statement of Financial Position for Gordon as at Sept. 30, 2014, after making the necessary adjustments.

Land and buildings	500 000
Loan	125 000
Account payables	45 000
Account receivables	36 000
Inventory	29 000
Bank	18 000
Cash	12 000
Computer	50 000
Equipment	38 000
Capital	513 000

The following transactions took place during September:

- Took \$5 000 cash from the bank to buy equipment.
- Received \$9 000 from debtors, 80% by cheque and the remainder in cash.
- Repaid part of the loan by cheque \$2 000.
- Paid a creditor of \$4 000 by cheque.
- Bought desk and chair of \$2 600 on credit.
- Took \$2 000 cash from the bank.

2. Write up ledger accounts from the following, then balance off at the end of the month.

June 1	Started business with \$65 000 by cheque and \$12 000 cash.
June 4	Bought goods on credit from O. Richards \$18 000, D. Williams \$12 500 and by cheque \$10 000.
June 8	Returned goods to O. Richards \$2 500 and D. Williams \$1 200.
June 12	Paid the following expenses by cheque: rent \$6 000, rates \$2 900, electricity \$3 800, insurance \$8 000, wages \$9 000 and commission \$2 100.
June 16	Received insurance refunds by cheque \$3 800.
June 17	Paid O. Richards \$14 500 by cheque and \$1 000 in cash.
June 19	Introduced \$12 000 by cheque and \$3 000 in cash in the business.
June 22	Sold goods on credit to M. Bennett \$29 000, S. Jones \$17 000 and in cash \$22 000.
June 24	The owner took \$2 300 cash and \$3 900 by cheque for private use.
June 25	S. Jones returned \$2 000 worth of goods to us.
June 26	Received \$15 000 by cheque from S. Jones.

Write these notes in your book

#### Provision for bad debts

- All provision have credit balances in the trial balance
  - Three ways to treat provision for bad debt
  
- Creation of provision = expense
- In the Journal Debit profit and loss account and Credit provision for bad debt account
  
- Increase in provision for bad debt = expense
- In the Journal Debit profit and loss account and Credit provision for bad debt account
  
- Decrease in provision for bad debt = revenue
- In the Journal credit profit and loss account and debit provision for bad debt account
  
- The provision for bad debt for the current year (this year's) must be subtracted from debtors in the balance sheet
- In the provision for bad debts account the **balance b/f** must be entered on the **credit side**, The **balance c/d** must be entered on the **debit side** and the difference between both sides must be transferred to the **profit and loss account**