

SKH Leung Kwai Yee Secondary School
First Term Examination 2009/10
F.5 Principles of Accounts

24.11.2009

8.15 am – 10.45 am (2.5 hours)

This paper must be answered in English

Instructions:

1. Answer **FIVE** questions: **THREE** from Section A (42%), and **TWO** from Section B (58%).
2. Write your answers on the answer book provided.
3. Show your workings.

Setter: WHF

Section A

Answer any **THREE** questions from this section. Each question carries 14 marks. Write your answers on the answer sheets provided.

Question 1

The trial balance totals of Wing Cheung Co. as at 31 December 2008 failed to agree and the difference was debited to a suspense account.

Subsequent checks on the records revealed the following:

- (1) Credit sale of office equipment for \$6,200 had been recorded in the sales day book. The office equipment was acquired for \$12,000 on 1 July 2005. The company charges a full year's depreciation at 20 percent on the cost of office equipment held at end of each financial year.
- (2) Free sample of goods costing \$500 sent to a customer had been recorded as a credit sale.
- (3) The purchases journal and the returns outwards journal had both been undercast by \$1,130.
- (4) Discounts received of \$257 had been credited to the interest received account as \$275.
- (5) A bad debt \$5,180 had been treated as an increase in the provision of doubtful debts.
- (6) Carriage inwards of \$3,870 had been credited to the returns inwards account as \$3,780.
- (7) A cheque payment of \$1,280 had been recorded **TWICE** in the electricity account, but none in the cash book.

You are required to prepare:

- (a) The necessary journal entries to correct the above errors. (Narrations not required)
(10 marks)
- (b) The suspense account to ascertain the difference in the trial balance before corrections.
(4 marks)

Question 2

(A) Stocktaking at Asia First Manufacturing Company was done on 6 January 2009, arriving at a stock figure of \$47,940. During the six days from the last year end, 31 December 2008, the following transactions or events occurred:

- (i) Goods invoiced at \$31,920 were sold on credit to a loyal customer. These goods were marked up by a normal rate of 40% but an extra trade discount of 5% was allowed to that customer.
- (ii) Goods costing \$29,400 were received from a supplier on a sale or return basis and counted in stocktaking.
- (iii) Five boxes of goods costing \$650 each were destroyed in an accident.

Upon checking the stocktaking records, the following was found:

- (iv) Two boxes of goods costing \$460 each should have been purchased for the owner's personal use but were still stored in the warehouse.
- (v) A stock sheet had been overcast by \$160.
- (vi) Four boxes of goods costing \$2,400 had been valued at their current market values of \$2,180.

You are required to:

Prepare a statement to calculate the closing stock as at 31 December 2008. (8 marks)

(B) The bank account of Victor Lee showed a credit balance of \$3,560 on 31 October 2009, which did not agree with the balance on the bank statement on the same date. Upon investigation, the following information was obtained:

- (i) A deposit of \$10,630 made after banking hours on 31 October 2009 did not appear in the bank statement.
- (ii) Three cheques totalling \$1,786 had not yet been presented.
- (iii) The credit side of the bank account had been overcast by \$1,800.
- (iv) Auto-payment of an electricity charge of \$820 and bank charges of \$125 were shown in the bank statement.
- (v) A cheque for \$700 paid into the bank had been dishonoured and was shown as such by the bank, but the dishonoured cheque had not been recorded in the bank account.

You are required to:

Prepare a bank reconciliation statement as at 31 October 2009 commencing with the balances as per cash book and ending with the balance as per bank statement. (6 marks)

Question 3

The treasurer of the International Club submitted the following receipts and payments account to club members covering the year to 31 December 2008:

Receipts and Payments Account			
	\$		\$
Balance (1 Jan 2008)	32,000	Insurance	2,800
Subscriptions	45,000	Secretary's expenses	5,100
Bar takings	28,000	Administrative expenses	6,200
Sales of dance tickets	18,800	Payment for bar supplies	10,100
		Hire of hall and band	6,000
		Wages of bar staff	2,700
		Lighting and heating	5,000
		Purchases of sports equipment	5,000
		Balance (31 Dec 2008)	80,900
	123,800		123,800

Notes:

(i) Some of the club's balances as at 31 December were as follows:

	31/12/2007	31/12/2008
	\$	\$
Bar stock	12,000	13,000
Subscriptions in arrears	600	1,700
Subscriptions in advance	500	800
Sports equipment	25,000	?
Administration expenses outstanding	-	400
Lighting and Heating prepaid	-	1,000
Creditors for bar supplies	13,000	8,200

(ii) The club depreciates the sports equipment at the rate of 10%.

(iii) Of the lighting and heating, one quarter will be regarded as bar expenses.

(iv) Subscriptions of \$100 from two members had long been outstanding, and therefore the club wrote off this amount in the current year.

Required:

(a) Prepare the bar trading account for the year ended 31 December 2008. (5 marks)

(b) Prepare the income and expenditure account for the year ended 31 December 2008. (9 marks)

Question 4

Mr. Wong is a wholesaler of toys. He had the following balances in his books:

	1 January 2009	31 March 2009
	\$	\$
Stock	97,700	?
Trade debtors	73,650	61,400
Bank	65,000	50,800
Trade creditors	46,750	52,300

On 31 March 2009, a fire occurred which destroyed all the stock. It was also discovered that the cashier had misappropriated cash from the bank account.

After a careful investigation, the following information was made available:

- (i) All purchases and sales were made on credit. The business made a gross profit mark-up of 20% on cost.
- (ii) The business banked all receipts from debtors amounting to \$483,200 and paid the following out of the bank account:

	\$
Trade creditors	328,600
Rent and rates	120,000
Administrative expenses	28,800

- (iii) Discounts received and discounts allowed amounted to \$6,150 and \$9,050 respectively.

You are required to:

- (a) Draw up the bank account for the period. (6 marks)
- (b) Calculate the cost of stock destroyed by the fire. (8 marks)

Section B

Answer any **TWO** questions from this section. Each question carries 29 marks. Write your answers on the answer sheets provided.

Question 5

Below is the trial balance at 31 December 2008 of Cauliflower Company which manufactures toys for wholesale:

	Dr	Cr
	\$	\$
Plant and Machinery, at cost	7,500,000	
Office equipment, at cost	675,000	
Motor vehicles, at cost	250,000	
Accumulated depreciation at 1 January, 2008:		
Plant and Machinery		655,000
Office equipment		350,000
Motor vehicles		180,000
Sales		19,500,000
Trade debtors	2,270,000	
Trade creditors		430,000
Provision for doubtful debts		99,000
Purchases of raw materials	4,530,000	
Wages and salaries	8,400,000	
Carriage outwards	36,000	
Rent and rates	1,000,000	
Telephone	71,000	
Capital		1,934,000
Bad debts	22,000	
Carriage inwards	38,000	
Stock at 1 January, 2008		
Raw materials	162,000	
Work-in-progress	20,000	
Finished goods	80,000	
10% Loan		2,500,000
Insurance	43,000	
Factory power	525,000	
Repairs to machinery	158,000	
Sundry expenses	15,000	
Bank	28,000	
Suspense		175,000
	25,823,000	25,823,000

Additional information:

(1) Stock at 31 December 2008:

	\$
Raw materials	464,000
Work-in-progress	80,000
Finished goods	240,000

(2) The following adjustments were to be made on 31 December 2008:

	\$
Prepaid rent and rates	200,000
Accrued telephone	9,000
Prepaid insurance	7,000
Accrued repairs to machinery	2,000

(3) It is the policy of the company to provide for depreciation on pro-rata basis as follows:

Plant and machinery	10% on cost
Office equipment	20% on reducing balance
Motor vehicles	20% on cost

Motor vehicles are used solely by the manufacturing department.

(4) Analysis of the wages and salaries revealed:

	\$
Direct labour	1,880,000
Indirect labour	4,790,000
Salaries to office	1,730,000
	<u>8,400,000</u>

(5) Expenses should be apportioned as follows:

	Factory	Office
Rent and rates	75%	25%
Telephone	40%	60%
Insurance	85%	15%
Sundry expenses	20%	80%

(6) Provision for doubtful debts was to be maintained at 5% of debtors.

(7) On 1 July 2008, an obsolete machinery costing \$600,000 bought on 30 June 2005 was sold. The proceeds received had been entered in the suspense account. No other entries have been made in the books for this transaction.

(8) During the year, a 5 year 10% loan repayable on 31 March 2013 was borrowed from a bank on 1 April 2008.

Required:

- (a) Prepare the manufacturing account for the year ended 31 December 2008, showing clearly the cost of raw materials consumed, the prime cost and the production cost of finished goods. (12 marks)
- (b) Prepare the trading, profit and loss and appropriation account for the year ended 31 December 2008. (9 marks)
- (c) Prepare the balance sheet as at 31 December 2008. (8 marks)

Question 6

Chan, Wong and Chow were in partnership sharing profits and losses in the ratio 3:2:1 respectively. It was agreed that Chan was entitled to a salary of \$3,000 per annum and all partners would be credited with interest at 4% per annum on their opening capital balances.

The trial balance for the partnership as at 31 December 2008 is as follows:

	Dr	Cr
	\$	\$
Machinery (net book value, 1 January 2008)	174,000	
Motor vehicles (net book value, 1 January 2008)	80,000	
Fixtures and fittings (net book value, 1 January 2008)	34,000	
Stock as at 1 January 2008	124,800	
Debtors	69,960	
Bank overdraft		6,880
Capital account		
Chan		170,000
Wong		130,000
Chow		126,000
Current account		
Chan		7,450
Wong	4,980	
Chow		9,340
Creditors		38,070
Sales		500,000
Purchases	200,000	
Wages	32,000	
Office expenses	93,000	
Rent and rates	145,000	
Discounts allowed	30,000	
	987,740	987,740

You are given the following additional information:

- (i) On 31 December 2008, stock was valued at \$180,000.
- (ii) Depreciation is to be provided at 10% per annum on the net book value of machinery, motor vehicles and fixtures and fittings.

On 1 January 2009, Chan was injured in an accident and retired from the partnership. Lee was admitted as a partner on the same date. The following details were agreed on:

- (i) The following assets of the partnership were valued at 1 January 2009 as below:

	\$
Machinery	171,000
Motor vehicles	82,000
Fixtures and fittings	33,800

- (ii) An item of stock costing \$1,200 was considered as worthless.
- (iii) On 1 January 2009, goodwill was \$150,000 and no goodwill was to be maintained by the partnership.
- (iv) Wong, Chow and Lee share profits and losses equally. They are not entitled to salary nor

interest on capital.

- (v) Lee paid \$180,000 cash into the partnership, including the amount required to settle his share of goodwill.
- (vi) Chan agreed that the amount due to him be considered as a loan to partnership.

Required:

- (a) the partnership profit and loss appropriation account for the year ended 31 December 2008; (9 marks)
- (b) revaluation account of the partnership; (5 marks)
- (c) the partners' capital and current accounts in columnar form; and (10 marks)
- (d) a balance sheet for the new partnership as at 1 January 2009. (5 marks)

Question 7

Adrian, Ricky and Joey have been in partnership for several years sharing profits and losses in the ratio 2:2:1. Because of increasing competition, they decided to dissolve the partnership on 31 March 2009. The balance sheet as at that date was as follows:

Fixed Assets			\$
Land and buildings			56,580
Furniture			60,200
Motor vehicles			53,700
			<hr/>
			170,480
Goodwill			120,000
Current Assets			
Stock		23,230	
Trade debtors		20,400	
Prepaid rent		3,400	
Cash at bank		2,310	
		<hr/>	
		49,340	
Less: Current Liabilities			
Trade creditors	34,500		
Accrued expenses	5,320	39,820	
		<hr/>	
Net current assets			9,520
			<hr/>
			300,000
			<hr/>
Financed by			
Capital – Adrian			90,000
– Ricky			50,000
– Joey			50,000
			<hr/>
			190,000
Current – Adrian		11,750	
– Ricky		(1,800)	
– Joey		4,050	14,000
		<hr/>	
			204,000
Long-term Liabilities			
Bank Loan			96,000
			<hr/>
			300,000
			<hr/>

It was agreed that the partnership be dissolved on the following terms:

- (i) Half of the land and building was to settle 40% of bank loan. The remaining bank loan was to be paid by cash.
- (ii) The remaining land and building was sold for 90% of the net book value.
- (iii) Furniture was sold at 80% of the net book value.
- (iv) Adrian took over the motor vehicles at \$48,000.

- (v) Goodwill was to be written off.
- (vi) Stock in trade was realized at \$23,500.
- (vii) A debt-collecting company was appointed to collect the debts on the books. All the debts were collected with the exception of \$6,500. It was agreed that the debt-collecting company was entitled to a 10% commission on the amount collected.
- (viii) 70% of the prepaid rent was refunded while accrued wages were paid in full.
- (ix) Realization expenses paid amounted to 10,500.
- (x) All the trade creditors were settled at \$30,620.
- (xi) Since Ricky was insolvent, his deficiency was to be borne by the other partners.

Required:

- (a) Prepare the realization account. (12.5 marks)
- (b) Prepare the bank account; and (8.5 marks)
- (c) Prepare the partners' capital accounts in columnar form, including the final settlement among them. (8 marks)

END OF PAPER

SKH Leung Kwai Yee Secondary School
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F.5 Principles of Accounts
Suggested Answers:

Question 1

(a)

Journal		Dr	Cr
		\$	\$
(1)	Sales	6,200	0.5
	Accumulated depreciation – Office equipment	7,200	1
	Office equipment		12,000 0.5
	Profit and loss		1,400 0.5
(2)	Sales	500	0.5
	Debtors		500 0.5
(3)	Purchases	1,130	0.5
	Returns outwards		1,130 0.5
(4)	Interest received	275	0.5
	Discounts received		257 0.5
	Suspense		18 0.5
(5)	Provision for doubtful debts	5,180	0.5
	Debtors		5,180 0.5
(6)	Return inwards	3,780	0.5
	Carriage inwards	3,870	0.5
	Suspense		7,650 0.5
(7)	Suspense	2,560	0.5
	Electricity		1,280 0.5
	Bank		1,280 0.5

(b)

Suspense					
	\$		\$		
Bal b/f	5,108	1	Interest received	18	1
Electricity	1,280	0.5	Returns inwards	3,780	0.5
Bank	1,280	0.5	Carriage inwards	3,870	0.5
	7,668			7,668	

Question 2

(A)

Statement to calculate the value of stock as at 31 December 2008

	\$	\$	
Value per stock take at 6 January 2009		47,940	0.5
Add Sales (\$31,920 ÷ 95% ÷ 140%)	24,000		2
Goods destroyed	650		1
Stock valued at market price	220	24,870	1
		<hr/>	
		72,810	
Less Goods received on sale or return basis	29,400		1
Goods purchased for owner's personal use	920		1
Stock sheet overcast	160	30,480	1
		<hr/>	
Adjusted value of stock as at 31 December 2008		42,330	0.5
		<hr/> <hr/>	

(B)

Bank reconciliation Statement as at 31 October 2009

	\$	\$	
Balance as per cash book		(3,560)	0.5
Add: (ii) Unpresented cheques	1,786		1
(iii) Credit side overcast	1,800	3,586	1
		<hr/>	
		26	
Less: (i) Uncredited deposit	10,630		1
(iv) Autopay	945		
(v) Dishonoured cheque	700	12,275	1
		<hr/>	
Balance as per bank statement		(12,249)	0.5
		<hr/> <hr/>	

Question 3

(a)

International club			
Trading account for the year ended 31 December 2008			
	\$	\$	
Sales		28,000	0.5
Less: Cost of sales			
Opening stock	12,000		0.5
Purchases (\$10,100 + 8,200 – 13,000)	5,300		1
	17,300		
Less: Closing stock	13,000	4,300	0.5
Gross profit		23,700	
Less: Wages	2,700		0.5
Lighting and heating (\$5,000 – 1,000) × 1/4	1,000	3,700	1
Bar profit		20,000	0.5

(b)

International club			
Income and expenditure account for the year ended 31 December 2008			
	\$	\$	
Income			
Bar profit		20,000	0.5
Subscriptions (\$45,000 – 600 + 1,700 + 500 – 800 + 100)		45,900	2.5
Profit from dance function (\$18,800 – 6,000)		12,800	1
		78,700	
Expenditure:			
Insurance	2,800		0.5
Secretary's expenses	5,100		0.5
Administrative expenses (\$6,200 + 400)	6,600		1
Lighting and heating (\$5,000 – 1,000) × 3/4	3,000		1
Depreciation (\$25,000 + 5,000) × 10%	3,000		1
Bad debts	100	20,600	1
Surplus		78,100	0.5

Question 4

(a)

Bank						
			\$			
Bal b/f	65,000	0.5	Trade creditors	328,600	1	
Trade debtors	483,200	1	Rent and rates	120,000	1	
			Administrative expenses	28,800	1	
			Cash misappropriated	20,000	1	
			Bal c/f	50,800	0.5	
	<u>548,200</u>			<u>548,200</u>		

(b)

Trading account for 3 months ended 31 March 2009

			\$	\$		
Sales				480,000	2.5	
Less: Cost of sales						
Opening stock			97,700		0.5	
Purchases			340,300		2.5	
			<u>438,000</u>			
Less: Stock loss			38,000	400,000	1.5	
Gross profit (\$480,000 × 20/120)				<u>80,000</u>	1	

Workings:

Trade debtors						
			\$			
Bal b/f	73,650	0.5	Bank	483,200	0.5	
Sales	480,000	0.5	Discounts allowed	9,050	0.5	
			Bal c/f	61,400	0.5	
	<u>553,650</u>			<u>553,650</u>		

Trade Creditors						
			\$			
Bank	328,600	0.5	Bal b/f	46,750	0.5	
Discounts received	6,150	0.5	Purchases	340,300	0.5	
Bal c/f	52,300	0.5				
	<u>387,050</u>			<u>387,050</u>		

Question 5

(a),(b)

Cauliflower Company

Manufacturing, Trading and Profit and Loss account for the year ended 31 December 2008

	\$	\$	\$
Raw materials consumed			
Opening stock		162,000	0.5
Add Purchase	4,530,000		0.5
Carriage inwards	38,000	4,568,000	0.5
		<u>4,730,000</u>	
Less Closing stock		464,000	0.5
Manufacturing wages		<u>1,880,000</u>	0.5
Prime cost		6,146,000	0.5
Factory overhead:			
Indirect labour		4,790,000	0.5
Rent and rates $(\$1,000,000 - 200,000) \times 75\%$		600,000	1
Telephone $(\$71,000 + 9,000) \times 40\%$		32,000	1
Insurance $(\$43,000 - 7,000) \times 85\%$		30,600	1
Factory power		525,000	0.5
Repairs to machinery $(\$158,000 + 2,000)$		160,000	0.5
Sundry expenses $(\$15,000 \times 20\%)$		3,000	0.5
Loss on disposal of plant and machinery $(\$600,000 \times 70\% - 175,000)$		245,000	1
Provision for depreciation – plant and machinery $(\$7,500,000 - 600,000) \times 10\% + \$600,000 \times 10\% \times 6/12$		720,000	1
Provision for depreciation – motor vehicles $(\$250,000 \times 20\%)$		50,000	0.5
		<u>13,301,600</u>	
Add: Work-in-progress as at 1.1.2008		20,000	0.5
		<u>13,321,600</u>	
Less: Work-in-progress as at 31.12.2008		80,000	0.5
Production cost of goods completed		<u>13,241,600</u>	0.5
Sales		19,500,000	0.5
Less: Cost of goods sold			
Opening stock		80,000	0.5
Add: Production cost of goods completed		13,241,600	0.5
		<u>13,321,600</u>	
Less: Closing stock		240,000	0.5
Gross Profit		<u>6,418,400</u>	0.5
Less: Expenses			
Office salaries		1,730,000	0.5

Carriage outwards	36,000		0.5
Rent and rates $(\$1,000,000 - 200,000) \times 25\%$	200,000		0.5
Telephone $(\$71,000 + 9,000) \times 60\%$	48,000		0.5
Insurance $(\$43,000 - 7,000) \times 15\%$	5,400		0.5
Bad debts	22,000		0.5
Sundry expenses $(\$15,000 \times 80\%)$	12,000		0.5
Provision for depreciation – Office equipment $(675,000 - 350,000) \times 20\%$	65,000		0.5
Increase in provision for doubtful debts $(\$2,270,000 \times 5\% - 99,000)$	14,500		1
Loan interest $(\$2,500,000 \times 10\% \times 9/12)$	187,500	2,320,400	1
Net profit		4,098,000	0.5

(c)

Cauliflower Company
Balance Sheet as at 31 December 2008

	\$	\$	\$	
Fixed Assets	Cost	Accum. Depre.	NBV	
Plant and machinery	6,900,000	1,195,000	5,705,000	1
Office equipment	675,000	415,000	260,000	1
Motor vehicles	250,000	230,000	20,000	1
			<u>5,985,000</u>	
Current Assets				
Stock – Raw materials	464,000			
– Work-in-progress	80,000			
– Finished goods	240,000	784,000		0.5
Debtors	2,270,000			0.5
Less: Provision for doubtful debts	113,500	2,156,500		0.5
Prepayments		207,000		0.5
Cash in hand		28,000		0.5
		<u>3,175,500</u>		
Less: Current liabilities				
Creditors	430,000			0.5
Accrual	198,500	628,500		0.5
Net current assets			<u>2,547,000</u>	
Less: Long-term liabilities				
10% Bank Loan			<u>2,500,000</u>	0.5
			<u>6,032,000</u>	
Financed by:				
Share Capital			1,934,000	0.5
Add: Net profit			<u>4,098,000</u>	0.5
			<u>6,032,000</u>	

Question 6

(a)

Chan, Wong and Chow

Trading and Profit and Loss and Appropriation Account for the year ended 31 December 2008

	\$	\$	
Sales		500,000	0.5
Less: Cost of sales			
Opening stock	124,800		0.5
Add: Purchases	200,000		0.5
	<u>324,800</u>		
Less: Closing stock	180,000	144,800	0.5
Gross profit		<u>355,200</u>	0.5
Less: Wages	32,000		0.5
Office expenses	93,000		0.5
Rent and rates	145,000		0.5
Discounts allowed	30,000		0.5
Depreciation on fixed assets (\$288,000 × 10%)	28,800	328,800	0.5
Net profit		<u>26,400</u>	0.5
Less: Appropriations			
Salary – Chan	3,000		0.5
Interest on capital			
– Chan	6,800		0.5
– Wong	5,200		0.5
– Chow	5,040	20,040	0.5
Residual profit		<u>6,360</u>	
Share of profit			
– Chan		3,180	0.5
– Wong		2,120	0.5
– Chow		1,060	0.5
		<u>6,360</u>	

(b)

Revaluation

	\$		\$		
Stock	1,200	0.5	Machinery	14,400	1
Profit on revaluation			Motor vehicles	10,000	1
– Chan	13,200	0.5	Fixtures and fittings	3,200	1
– Wong	8,800	0.5			
– Chow	4,400	0.5			
	<u>27,600</u>			<u>27,600</u>	

(c)

Capital										
	Chan	Wong	Chow	Lee		Chan	Wong	Chow	Lee	
GW		50,000	50,000	50,000	1	Bal b/f	170,000	130,000	126,000	0.5
write off										
Loan	278,630				0.5	Profit on revaluation	13,200	8,800	4,400	1
Bal c/f		138,800	105,400	130,000	1.5	Goodwill	75,000	50,000	25,000	1
						Bank			180,000	0.5
						Current	20,430			0.5
	<u>278,630</u>	<u>188,800</u>	<u>155,400</u>	<u>180,000</u>			<u>278,630</u>	<u>188,800</u>	<u>155,400</u>	<u>180,000</u>

Current										
	Chan	Wong	Chow	Lee		Chan	Wong	Chow	Lee	
Bal b/f		4,980				Bal b/f	7,450	9,340	0.5	
Capital	20,430				0.5	Salary	3,000		0.5	
Bal c/f		2,340	15,440	1	Interest on capital	6,800	5,200	5,040	1	
						Share of profit	3,180	2,120	1,060	1
	<u>20,430</u>	<u>7,320</u>	<u>15,440</u>				<u>20,430</u>	<u>7,320</u>	<u>15,440</u>	

(d)

Wong, Chow and Lee
Balance Sheet as at 31 December 2008

	\$	\$	\$
Fixed Assets			
Machinery			171,000
Motor vehicles			82,000
Fixtures and fittings			33,800
			<u>286,800</u> 0.5
Current assets			
Stock		178,800	0.5
Debtors		69,960	0.5
Bank		173,120	0.5
		<u>421,880</u>	
Less: Current Liabilities			
Creditors		38,070	383,810 0.5
			<u>670,610</u>
Less: Long-term Liabilities			
Loan from Chan			278,630 0.5
			<u>391,980</u>
Financed by			

Capital			
– Wong	138,800		
– Chow	105,400		
– Lee	<u>130,000</u>	374,200	1
Current			
– Wong	2,340		
– Chow	<u>15,440</u>	<u>17,780</u>	1
		<u>391,980</u>	

Question 7

(a)

Realization						
	\$			\$		
Land and buildings	56,580	0.5		Bank loan	38,400	1
Furniture	60,200	0.5		Bank – Furniture	48,160	1
Motor vehicles	53,700	0.5		Capital – Adrian (Motor vehicles)	48,000	0.5
Goodwill	120,000	0.5		Bank – Stock	23,500	0.5
Stock	23,230	0.5		Bank – Debtors	13,900	1
Trade debtors	20,400	0.5		Bank – Prepaid rent	2,380	1
Prepaid rent	3,400	0.5		Discounts received	3,880	1
Commission	1,390	1		Loss on realization:		
Realization expenses	10,500	0.5		Capital – Adrian	68,472	0.5
				Capital – Ricky	68,472	0.5
				Capital – Joey	34,236	0.5
	<u>349,400</u>				<u>349,400</u>	

(b)

Bank						
	\$			\$		
Bal b/f	2,310	0.5		Bank loan	57,600	1
Realization – Furniture	48,160	1		Commission	1,390	1
Realization – Stock	23,500	0.5		Accrued expenses	5,320	0.5
Realization – Debtors	13,900	1		Realization expenses	10,500	0.5
Realization – Prepaid rent	2,380	1		Creditors	30,620	0.5
Capital – Adrian	27,754	0.5		Capital – Joey	12,574	0.5
	<u>118,004</u>				<u>118,004</u>	

(c)

Capital accounts											
	Adrian			Ricky			Joey				
	\$			\$			\$				
Current		1,800	0.5				Bal b/f	90,000	50,000	50,000	0.5
Realization – Motor vehicles	48,000		0.5				Current	11,750		4,050	1
Loss on realization	68,472	68,472	34,236	1.5			Capital – Adrian		13,032		1
Capital – Ricky	13,032		7,240	1			Capital – Ricky		7,240		1
Bank			12,574	0.5			Bank	27,754			0.5
	<u>129,504</u>	<u>70,272</u>	<u>54,050</u>					<u>129,504</u>	<u>70,272</u>	<u>54,050</u>	