

ΛΥΣΕΙΣ

QUESTION 1

Exercise 1

Branch Stock Account

	Selling Price €	Cost Price €		Selling Price €	Cost Price €
Stock b/d (W1)	32.100	21.400	Sales Cash	5.330	5.330
Goods Sent (W2)	146.700	97.800	Sales Credit	139.560	139.560
Br. Debtors:			Goods Sent:		
Sales Returns	3.300	3.300	Sales Returns (W3)	3.300	2.200
Gross Profit	-	50.880	Goods Sent: Returns (W4)	5.700	3.800
Surplus	6.005	-	Allowances off Selling Price	480	-
			Stock c/d (W5)	33.735	22.490
	188.105	173.380		188.105	173.380
Stock B/d	33.735	22.490			

Goods Sent to Branch Account

	€		€
Branch Stock – Returns	2.200	Branch Stock Account	97.800
Branch Stock – Returns	3.800		
H.O. Trading A/c	91.800		
	97.800		97.800

Branch Debtors Account

	€		€
Balance b/d	12.300	Bad Debts	1.410
Credit Sales	139.560	Cash	120.600
		Discount Allowed	2.400
		Branch Stock – Sales Returns	3.300
		Balance c/d	24.150
	151.860		151.860
Balance b/d	24.150		

Profit and Loss Account

	€		€
Bad debts	1410	Gross Profit	50.880
Discount Allowed	2.400	Bad Debts Recovered	930
Rent	7.200		
Salaries	18.600		
Net Profit	22.200		
	51.810		51.810

Workings

- (1) Cost + Profit = Sales $21.400 \times \frac{150}{100} = 21.400 \times \frac{3}{2} = 32.100$
- | | | |
|--------|----|-----|
| 100 | 50 | 150 |
| 21.400 | | x |
- (2) $146.700 \times \frac{2}{3} = 97.800$
- (3) $3.300 \times \frac{2}{3} = 2.200$
- (4) $5.700 \times \frac{2}{3} = 3.800$
- (5) $22.490 \times \frac{3}{2} = 33.735$

Exercise 2

Machinery A/c

2006		€	2006		€
Jan 1	Balance b/d	180.000	Dec. 31	Balance c/d	204.000
Mar.31	Bank	24.000			
		204.000			204.000
2007			2007		
Jan. 1	Balance b/d	204.000	Oct. 31	Disposal	21.600
Apr. 30	M.S. Ltd (25200X3)	75.600	Dec. 31	Balance c/d	258.000
		279.600			279.600
2008			2008		
Jan. 1	Balance b/d	258.000			

Provision for Depreciation on Machinery A/c

2006		€	2006		€
Dec. 31	Balance c/d	82.300	Jan. 1	Balance b/d	52.600
			Dec. 31	P/Loss-Deprec.(w1)	29.700
		82.300			82.300
2007			2007		
Oct. 31	Disposal (w3)	17.820	Jan. 1	Balance b/d	82.300
Dec. 31	Balance c/d	102.100	Dec. 31	P/Loss-Deprec. (w3)	37.620
		119.920			119.920
2008			2008		
Jan. 1	Balance b/d	102.100			

Disposal of Machinery A/c

2007		€	2007		€
Oct. 31	Machinery	21.600	Oct. 31	Prov. For Deprec.(w2)	17.820
Oct. 31	Profit on sale of Mach.	1.920	Oct. 31	Cash	5.700
		<u>23.520</u>			<u>23.520</u>

WORKINGS

1. Depreciation of Machinery for 2006

$$\begin{array}{rcl}
 180.000 \times 15\% \times 1 \text{ year} & = & 27.000 \\
 24.000 \times 15\% \times 9/12 & = & \underline{2.700} \\
 & & \underline{\underline{29.700}}
 \end{array}$$

2. Accumulated depreciation for disposal (30/4/2002 – 31/10/2007)

$$21.600 \times 15\% \times 66/12 = \underline{\underline{17.820}}$$

3. Depreciation of Machinery for 2007

$$\begin{array}{rcl}
 (204.000 - 21.600) \times 15\% \times 1 \text{ year} & & 27.360 \\
 21.600 \times 15\% \times 10/12 & & 2.700 \\
 75.600 \times 15\% \times 8/12 & & \underline{7.560} \\
 & & \underline{\underline{37.620}}
 \end{array}$$

Question 2

Exercise 1

(a) Trading & Profit & Loss Account of A.Lefkios for the year ended 31 December 2007

	€		€
Sales			488.000
less: Cost of Sales			
Purchases ?	448.000		
less: Closing Stock	64.000		384.00
Gross Profit			104.000
less: General expenses	61.000		
Depreciation	20.000		81.000
Net Profit			<u>23.000</u>

OR

Trading & Profit & Loss Account of A. Lefkios
for the year ended 31 December 2007

Purchases ?	€ 448.000	Sales	€ 488.000
less: Closing Stock	64.000		
Cost of Sales	<u>384.000</u>		
Gross Profit	104.000		
	<u>488.000</u>		<u>488.000</u>
General Expenses	61.000	Gross Profit	<u>104.000</u>
Depreciation	20.000		
Net Profit	23.000		
	<u>104.000</u>		<u>104.000</u>

b) Balance Sheet of A. Lefkios
as at 31 December 2007

	€	€	€
Fixed Assets		200.000	
Less Depreciation		20.000	180.000
Current Assets			
Stock	64.000		
Debtors	97.600		
Cash	30.400	192.000	
Less Current liabilities			
Creditors		128.000	
Working Capital			64.000
Total Assets less: Current liabilities			<u>244.000</u>
Capital?		236.000	
Add Net profit		23.000	
		259.000	
Less Drawings		15.000	
			<u>244.000</u>

OR

Balance Sheet of A.Lefkios
as at 31 December 2007

	€	€		€	€
Fixed Assets	200.000		Capital ?	236.000	
Less Depreciation	20.000	180.000	Add Net Profit	23.000	
				259.000	
Current Assets			Less Drawings	15.000	244.000
Stock	64.000				
Debtors	97.600		Current liabilities		
Cash	30.400	192.000	Creditors		128.000
		372.000			372.000

Workings

$$1. \text{ F.A.} \cdot \frac{10}{100} = \text{€}20.000 \Rightarrow \text{F.A.} = \text{€} 200.000$$

$$2. \frac{\text{C.A.}}{\text{C.L.}} = \frac{3}{2}, \text{ C.A.} - \text{C.L.} = 1 \text{ (Working Capital)}, \text{ C.A.} = 3 \times 64.000 = \text{€} 192.000$$

$$\text{C.L.} = 2 \times 64.000 = \text{€} 128.000$$

$$3. \frac{\text{Sales}}{\text{Net Assets}} = 2 \quad \frac{\text{Sales}}{244.000} = 2 \Rightarrow \text{Sales} = \text{€}488.000$$

$$4. \frac{\text{Debtors}}{\text{Sales}} = \frac{1}{5} \quad \frac{\text{Debtors}}{488.000} = \frac{1}{5} \Rightarrow \text{Debtors} = \text{€} 97.600$$

$$5. \frac{\text{Cash} + \text{Debtors}}{\text{C.L.}} = \frac{1}{1} \quad \frac{\text{cash} + 97.600}{128.000} = 1 \Rightarrow \text{Cash} = \text{€} 30.400$$

$$6. \frac{\text{General Expenses}}{\text{Sales}} = \frac{1}{8} \quad \frac{\text{General Expenses}}{488.000} = \frac{1}{8} \Rightarrow \text{General Expenses} = \text{€} 61.000$$

$$7. \frac{\text{C.A.}}{\text{C.L.}} = \frac{3}{2} \quad \frac{\text{C.A.} - \text{Stock}}{\text{C.L.}} = \frac{2}{2} \Rightarrow \text{Stock} = 1 \text{ (Working Capital)} = \text{€} 64.000$$

$$8. \frac{\text{Cost of Sales}}{\text{Closing Stock}} = 6 \quad \frac{\text{Cost of Sales}}{64.000} = 6 \Rightarrow \text{Cost of Sales} = \text{€} 384.000$$

QUESTION 3

REVALUATION ACCOUNT

	€		€
Motor van (28300-14250)	14.050	Goodwill	18.000
Provision bad debts	1.950	Premises(65900-40700)	25.200
Profit on Revaluation		Stock (24500-18100)	6.400
M.M 33600X 11/20	18.480		
N.N 33600 X 9/20	15.120		
	<u>49.600</u>		<u>49.600</u>

GOODWILL ACCOUNT

	€		€
Revaluation a/c	18.000	Capital M.M.	9.000
		Capital N.N.	6.000
		Capital P.P.	3.000
	<u>18.000</u>		<u>18.000</u>

PARTNERS CAPITAL ACCOUNTS

	M.M	N.N	P.P		M.M	N.N	P.P
	€	€	€		€	€	€
Goodwill written off	9.000	6.000	3.000	Balance b/d	55.000	45.000	-
Balance c/d	64.480	54.120	22.000	Profit on revaluation	18.480	15.120	
				Cash	-	-	25.000
	<u>73.480</u>	<u>60.120</u>	<u>25.000</u>		<u>73.480</u>	<u>60.120</u>	<u>25.000</u>

QUESTION 4

EXERSISE 1

Journal of the Lewis Plc

DATE	PARTICULARS	DR	CR
		€	€
15 February 07	Bank (150000 X € 2)	300.000	
	Application and Allotment		300.000
15 March 2007	Application and Allotment	90.000	
	Bank(45000 X € 2)		90.000
15 March 2007	Application and Allotment	360.000	
	Ordinary Share Capital (80000 X € 3,5)		280.000
	Share Premium (80000 X € 1)		80.000
15 March 2007	Bank	150.000	
	Application and Allotment (80000X€ 2,5) - (25000X€ 2)		150.000
15 October 07	First Call	80.000	
	Ordinary Share Capital (80000X€ 1)		80.000
15 October 07	Bank (78000X€ 1)	78.000	
	Calls in Arrear (2000 X € 1)	2.000	
	First Call		80.000
15 October 07	Bank (400 X €0,50)	200	
	Calls in Advance		200
15 December 07	Second and Final Call	40.000	
	Ordinary Share Capital (80000X€0,5)		40.000
15 December 07	Bank (77600 X € 0,50)	38.800	
	Calls in Arrear (2000 X € 0,50)	1.000	
	Calls in Advance (400 X €0,50)	200	
	Second and Final Call		40.000

QUESTION 5

Exercise 1

(A)

JOURNAL

	DR	CR
	€	£
Buildings	195.000	
Office Equipment	7.200	
Motor Vans	17.600	
Stock	48.600	
Debtors	35.500	
Goodwill	31.200	
		23.500
Creditors A/c		23.500
Provision for Bad Debts A/c (35500x4%)		1.420
T.Theodosiou (vendor) A/c (333800 - 23620)		310.180
T.Theodosiou (vendor) A/c	310.180	
Cash at Bank A/c		100.180
Ordinary Share Capital A/c		200.000
Share Premium A/c (10000sh x €0,10)		10.000
Ordinary Shareholders A/c (120000sh x € 2,10)	252.000	
Ordinary Share Capital A/c (120000sh x € 2)		240.000
Share Premium A/c (120000sh x € 0,10)		12.000
Cash at Bank A/c (120000sh x € 2,10)	252.000	
Ordinary Shareholders A/c		252.000

Calculation of Goodwill

$$\text{Average Profit} = [(3.300) + 14.700 + 35400] \div 3 = 15600$$

$$\text{Goodwill: Average Profit} \times 2 \text{ years} = 15600 \times \text{€} 31200$$

(B)

BALANCE SHEET OF LINK PLC
As at 1May 2008

	€	€	€		€
INTANGIBLE ASSETS				AUTHORISED SHARE CAPITAL	
Goodwill			31.200	Ordinary Share Capital 350000 x € 2	700.000
TANGIBLE ASSETS				ISSUED SHARE CAPITAL	
Buildings		195.000		Ordinary Share Capital 220000sh x € 2	440.000
Office Equipment		7.200		RESERVES & SUPLUSES	
Motor Vans		17.600	219800	Share premium	22.000
CURRENT ASSETS				CURRENT LIABILITIES	
Stock		48.600		Creditors	23.500
Debtors	35.500				
Less Provision for Bad Debts	1.420	34.080			
Cash at Bank		151.820	234.500		
			485.500		485500

OR

BALANCE SHEET OF LINK PLC
As at 1May 2008

	€	€	€
INTANGIBLE ASSETS			
Goodwill			31.200
TANGIBLE ASSETS			
Buildings		195.000	
Office Equipment		7.200	
Motor Vans		17600	219.800
CURRENT ASSETS			
Stock		48.600	
Debtors	35.500		
Less Provision for Bad Debts	1.420	34.080	
Cash at Bank		151.820	
		234.500	
LESS CURENT LIABILITIES			
Creditors		23.500	
WORKING CAPITAL			211.000
			462.000
FINANCED BY:			
AUTHORISED SHARE CAPITAL			
Ordinary Share Capital (350000 x € 2)			700.000
ISSUED SHARE CAPITAL			
Ordinary Share Capital (220000sh x € 2)			440.000
RESERVES & SUPLUSES			
Share premium			22.000
			462.000

