

Solution 2.1

Indicate, by circling the correct classification, whether each of the following are assets or liabilities

Loan from AIF	Asset	Liability
Motor vehicles	Asset	Liability
Office equipment	Asset	Liability
Stock of goods	Asset	Liability
Cash	Asset	Liability
Bank Overdraft	Asset	Liability
Debtors	Asset	Liability
Creditors	Asset	Liability

Solution 2.2

Indicate, by circling either true or false, whether the following classifications for assets and liabilities are correct

Machinery = Asset	True	False
Creditors = Asset	True	False
Premises = Asset	True	False
Motor vehicles = Asset	True	False
Stock = Asset	True	False
Bank overdraft = Asset	True	False
Creditors = Liability	True	False
Debtors = Liability	True	False
Cash = Liability	True	False
Loan = Liability	True	False

Solution 2.3

1 Capital = 38,000	i.e. 100,000 – 62,000
2 Liabilities = 40,000	i.e. 85,000 – 45,000
3 Assets = 150,000	i.e. 75,000 + 75,000
4 Liabilities = 0	i.e. 42,000 – 42,000
5 Capital = 30,000	i.e. 72,000 – 42,000
6 Assets = 25,000	i.e. 10,000 + 15,000

Solution 2.4

	Assets	Liabilities	Capital
1. Investment	Increase	-	Increase
2. Asset bought on credit	Increase	Increase	-
3. Loan obtained	Increase	Increase	-
4. Stock purchased	-	-	-
5. Stock purchased on credit	Increase	Increase	-
6. Goods sold on credit	-	-	*
7. Paid creditors	Decrease	Decrease	-
8. Debtors pay	-	-	-

In transaction 4, 6, and 8 there is movement within the category of assets but the net result is that total assets remain the same.

* Capital would increase if a profit was made on the sale.

Solution 2.5**Part a) Balance sheet as at 31 December**

Assets:			
Premises	298,000		
Equipment	20,000		
Fixtures & fittings	26,000		
Debtors	15,000		
Cash	1,000		
Stock	9,800	369,900	
Liabilities:			
Creditors	22,000		
Bank overdraft	5,000		
Loan	78,000	(105,000)	
		<u>264,800</u>	
Capital		<u>264,800</u>	

Part b) Balance sheet as at 7 January

Assets:			
Premises		298,000	
Equipment		20,000	
Fixtures & fittings	26,000 + 500	26,500	
Debtors	15,000 – 9,000	6,000	
Cash	1,000 + 9,000 – 5,000	5,000	
Stock	9,800 + 1,200	<u>11,000</u>	366,500
Liabilities:			
Creditors	22,000 + 500 + 1,200 – 2,000	21,700	
Bank overdraft	5,000 + 2,000	7,000	
Loan	78,000 – 5,000	<u>73,000</u>	(105,000)
		<u>264,800</u>	
Capital		<u>264,800</u>	

Solution 2.6

		Account to be debited	Account to be credited
May 1	Capital invested	Bank a/c	Capital a/c
May 2	Asset bought on credit	Equipment a/c	KE Suppliers a/c
May 3	Asset bought on credit	Furniture a/c	RF Ltd a/c
May 10	Float from bank	Cash a/c	Bank a/c
May 11	Paid creditor	Fittings a/c	Interior Des. a/c
May 15	Asset bought paid cheque	Vehicles a/c	Bank a/c
May 16	Paid creditor	KE Suppliers a/c	Bank a/c
May 19	Paid creditor	RF Ltd a/c	Bank a/c

Solution 2.7

DR		Capital Account		CR	
Sept	€	Sept	€		
		1	Bank a/c		40,000

DR		Bank Account		CR	
Sept	€	Sept	€		
1	Capital a/c	40,000	3	Premises a/c	330,000
2	Loan a/c	300,000	5	Furniture a/c	5,000
			12	QE Ltd a/c	4,000
			15	Cash a/c	500
			23	Computer a/c	1,200
			30	Style Int. a/c	1,200

DR		Loan – IBB Account		CR	
Sept	€	Sept	€		
		2	Bank a/c		300,000

DR		Premises Account		CR	
Sept	€	Sept	€		
3	Bank a/c	330,000			

DR		Furniture Account		CR	
Sept	€	Sept	€		
5	Bank a/c	5,000			
26	Style Interiors a/c	1,400			

DR		Equipment Account		CR	
Sept	€	Sept	€		
7	QE Ltd a/c	7,000	10	QE Ltd a/c	3,000

DR		Premises Account		CR	
Sept	€	Sept	€		

DR		Computer Equipment Account		CR	
Sept	€	Sept	€		
23	Bank a/c	1,200			

DR		Cash Account		CR	
Sept	€	Sept	€		
15	Bank a/c	500			

DR		Creditor – QE Ltd Account		CR		
Sept		€		Sept	€	
10	Equipment a/c	3,000		7	Equipment a/c	7,000
12	Bank a/c	4,000				

DR		Creditor – Style Interior Account		CR		
Sept		€		Sept	€	
30	Bank a/c	1,200		26	Furniture a/c	1,400