12 Other payables and receivables

1 Paul, a sole trader, has not adjusted his financial statements for insurance accrued at the end of the financial year. What is the effect of this omission?

	Profit for the year	Current liabilities
A	Overstated	Overstated
B	Overstated	Understated
C	Understated	Overstated
D	Understated	Understated

[1 mark]

2 Gerda, a sole trader, prepared her financial statements for the year ended 31 December 2018. There was a debit balance brought down on the rent account. What does this debit balance represent?

A Rent for the year ended 31 December 2018

B Rent owing for the year ended 31 December 2018

C Rent paid during the year ended 31 December 2018

D Rent paid for the year ended 31 December 2019 *[1 mark]*

3 George's income statement for the year ended 30 June 2018 revealed that his business had made a loss of $12 000. After a check of his accounting records for the year, he found the following error:

Rent $670, prepaid for the year ended 30 June 2019, had been included as an expense in his income statement for the year ended 30 June 2018.

What is George's corrected loss for the year?

A $11 033 **C** $12 670

B $11 330 **D** $12 760 *[1 mark]*

4 The opening balances on the commission receivable account for two years ended 31 December 2018 and 2019 are given below:

	$
1 January 2018	1 500 dr
1 January 2019	800 cr

$6 000 commission was received in cash and bank transfers during the year ended 31 December 2018.

What amount should be shown for commission receivable in the income statement for the year ended 31 December 2018?

A $3 700 **B** $4 500 **C** $6 000 **D** $6 800 *[1 mark]*

5 Sneh, a sole trader, had prepaid one month's rent on 1 June 2018. During the year rent was paid in cash. On 31 May 2019, two month's rent was owing. How does Sneh calculate the rent expense for the year ended 31 May 2019?

A Opening prepayment + cash paid – closing balance

B Opening prepayment + cash paid + closing balance

C Opening prepayment – cash paid + closing balance

D Opening balance – cash paid – closing balance *[1 mark]*

6 Mala, a sole trader, receives an electricity bill each month for electricity used. At 31 January 2018, Mala had not paid $60 for electricity used in January. During the months of February and March she made the following payments by bank transfer to her electricity provider:

	$
15 February 2018	110
8 March 2018	85

On 31 March 2018, Mala received a bill for $56 for electricity used in March.

a Explain the meaning of the accounting principle of matching. *[2 marks]*

....

....

....

b Prepare the electricity account in Mala's nominal (general) ledger for the months of February and March 2018. Show the amount transferred to Mala's income statement for each month. Balance the account and bring down the balance on 1 April 2018. *[7 marks]*

Mala's nominal (general) ledger

Electricity account

Date	Details	$	Date	Details	$

7 a Identify the section of the statement of financial position in which rent received in advance would appear. *[1 mark]*

....

b Identify the accounting principle being applied when an adjustment is made for a prepaid expense. *[1 mark]*

....

c Richard is a sole trader. His general expenses account for the year ended 31 December 2018 showed the following:

2018		**$**
Jan 1	Opening balance	2690(cr)
Jan 1–Dec 31	Cash payments made	10 900
Dec 31	Closing balance	2500 (cr)

Calculate the amount of general expenses to be shown in Richard's income statement for the year ended 31 December 2018. Show your workings. *[4 marks]*

Richard's nominal (general) ledger

General expenses account

Date	Details	$	Date	Details	$

8 Vijay, a sole trader, provided the following information regarding his stationery expenses for the year ended 31 May 2019.

Vijay

Stationery account

Date	Details	$	Date	Details	$
2018			2018		
Jun 1	J.B. Office Supplies	560			
2019			2019		
			May 31	Income statement	480
				Balance c/d	80
		560			560
Jun 1	Balance b/d	80			

a Identify the amount paid for stationery during the year. *[1 mark]*

....

b Identify the amount recorded as stationery expenses in the income statement for the year ended 31 May 2019. *[1 mark]*

....

c State what is represented by the closing balance of $80 at the end of the financial year. *[1 mark]*

....

d Identify the financial statement in which the $80 will be recorded. Give a reason for your answer.

Name of the financial statement: *[1 mark]*

....

Reason: *[1 mark]*

....

....

9 Complete the following sentences with the following words: added; understated; overstated; prepaid; sales; matching; income. *[7 marks]*

When a customer has not received the goods or services by the end of the financial year, but has already paid for them, it is called ________ ________ in the books of the supplier. Due to the ________ principle, only those expenses incurred during the year should be included in the income statement. Accrued expenses should be included in the income statement or else the profit will be ________ . Accrued income from ________ is already represented by trade receivables in the trial balance. If income is owing at the end of the current financial year, it should be ________ to the amount already received, before being transferred to the income statement to ensure that profits are not ________.

10 Daniel started his business on 1 January 2017, when he paid $1 500 for insurance for the 15 months to 31 March 2018.

During his first year of trading he received commission of $17 100. Of this, $2 000 was received in advance for work being done during 2018.

a Prepare the journal entry to record the transfer of the insurance expense for the year ended 31 December 2017 to the income statement. A narrative is **not** required. *[2 marks]*

General journal

Date	Details	Debit	Credit
		$	$

b Prepare the journal entry to record the transfer of the commission receivable for the year ended 31 December 2017 to the income statement. A narrative is **not** required. *[2 marks]*

General journal

Date	Details	Debit	Credit
		$	$