

- 5 Amadi prepared the following trial balance which is not yet totalled and contains errors.

Amadi Trial balance at 31 March 2023		
	Debit	Credit
	\$	\$
Fittings and equipment at cost		30 000
Provision for depreciation of fittings and equipment	7 500	
Trade receivables	6 100	
Bank overdraft	3 106	
Trade payables		3 485
Capital		20 000
Sales		73 250
Purchases		41 785
Discount received	1 990	
Returns inwards	3 390	
Carriage inwards	1 223	
General expenses	6 430	
Rent and rates	7 380	
Drawings	9 500	
Inventory at 1 April 2022		3 752
Inventory at 31 March 2023	3 965	

REQUIRED

- (a) Prepare a corrected trial balance at 31 March 2023. Show the remaining difference between the debit and credit totals as 'suspense.'

Amadi
Corrected Trial Balance at 31 March 2023

	Debit \$	Credit \$
Fittings and equipment at cost
Provision for depreciation of fittings and equipment
Trade receivables
Bank overdraft
Trade payables
Capital
Sales
Purchases
Discount received
Returns inwards
Carriage inwards
General expenses
Rent and rates
Drawings
Inventory
Suspense

[6]

Amadi then discovered the following errors.

- 1 The general expenses account had been undercast by \$200.
- 2 A rent payment, \$516, had been posted to the rent and rates account as \$615.
- 3 The total for discount received in the cash book for February 2023, \$165, had been debited to the drawings account. No other entry for this total had been made.

REQUIRED

- (b) Prepare the suspense account.

Amadi Suspense account					
Date 2023	Details	\$	Date 2023	Details	\$
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[5]

REQUIRED

- (c) Prepare the trading section of Amadi's income statement for the year ended 31 March 2023.

Amadi
Income Statement (trading section) for the year ended 31 March 2023

	\$	\$
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[4]

(d) Calculate Amadi's gross margin, correct to two decimal places.

Gross margin	
workings	answer

[2]

Amadi's main competitor is Hector who owns his own business premises. Amadi and Hector have similar gross margins but Hector has a slightly higher profit margin.

REQUIRED

(e) Explain whether or not Amadi should be satisfied with these results.

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..... [3]

[Total: 20]

Question	Answer	Marks																																																						
5(a)	<p style="text-align: center;">Amadi Corrected Trial balance at 31 March 2023</p> <table> <tr> <th></th><th style="text-align: right;">\$</th><th style="text-align: right;">\$</th></tr> <tr> <td>Fittings and equipment at cost</td><td style="text-align: right;">30 000</td><td style="text-align: right;">}</td></tr> <tr> <td>Provision for depreciation of fittings and equipment</td><td></td><td style="text-align: right;">7 500 } (1)</td></tr> <tr> <td>Trade receivables</td><td style="text-align: right;">6 100</td><td></td></tr> <tr> <td>Bank overdraft</td><td></td><td style="text-align: right;">3 106 (1)</td></tr> <tr> <td>Trade payables</td><td></td><td style="text-align: right;">3 485</td></tr> <tr> <td>Capital</td><td></td><td style="text-align: right;">20 000</td></tr> <tr> <td>Sales</td><td></td><td style="text-align: right;">73 250</td></tr> <tr> <td>Purchases</td><td style="text-align: right;">41 785</td><td style="text-align: right;">}</td></tr> <tr> <td>Discount received</td><td></td><td style="text-align: right;">1 990 } (1)</td></tr> <tr> <td>Returns inwards</td><td style="text-align: right;">3 390</td><td></td></tr> <tr> <td>Carriage inwards</td><td style="text-align: right;">1 223</td><td></td></tr> <tr> <td>General expenses</td><td style="text-align: right;">6 430</td><td></td></tr> <tr> <td>Rent and rates</td><td style="text-align: right;">7 380</td><td></td></tr> <tr> <td>Drawings</td><td style="text-align: right;">9 500</td><td></td></tr> <tr> <td>Inventory</td><td style="text-align: right;">3 752 (1)</td><td></td></tr> <tr> <td>Suspense</td><td></td><td style="text-align: right;">229 (1) OF</td></tr> <tr> <td></td><td style="text-align: right; border-top: 1px solid black;">109 560</td><td style="text-align: right; border-top: 1px solid black;">109 560 (1) both</td></tr> </table>		\$	\$	Fittings and equipment at cost	30 000	}	Provision for depreciation of fittings and equipment		7 500 } (1)	Trade receivables	6 100		Bank overdraft		3 106 (1)	Trade payables		3 485	Capital		20 000	Sales		73 250	Purchases	41 785	}	Discount received		1 990 } (1)	Returns inwards	3 390		Carriage inwards	1 223		General expenses	6 430		Rent and rates	7 380		Drawings	9 500		Inventory	3 752 (1)		Suspense		229 (1) OF		109 560	109 560 (1) both	6
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Question	Answer						Marks
5(b)	Amadi Suspense account						5
	Date	Details	\$	Date	Details	\$	
	2023			2023			
	Mar 31	Rent and rates (1)	99	Mar 31	Trial balance difference (1)OF	229	
		Drawings (1)	165		General expenses (1)	200	
		Discount received (1)	165				
		429			429		

Question	Answer	Marks																																	
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Question	Answer	Marks
5(e)	<p>Businesses in the same trade would be expected to have similar gross profit margins (1)</p> <p>Max (1)</p> <p>The profit margins will vary because – Hector owns his own premises - he will not pay rent / may have repair / maintenance costs (1) Or Amadi has to pay rent (1)</p> <p>Max (1)</p> <p>Accept other valid points</p> <p>Conclusion (1)</p>	3