

4 Rachel is a trader.

The totals of Rachel's trial balance prepared on 30 September 2023 did not agree and the difference was placed in a suspense account.

Rachel later discovered the errors shown in the following table.

REQUIRED

- (a) Complete the following table to show the entries required to correct **each** error. The first one has been completed as an example.

Error	Entries required to correct the error			
	Debit		Credit	
	Account	\$	Account	\$
<i>A payment for rent, \$350, had been debited to the wages account.</i>	<i>Rent payable</i>	<i>350</i>	<i>Wages</i>	<i>350</i>
The sales journal for September had been overcast by \$90.

Sales returns, \$110, had been recorded as purchases returns.

A payment for office expenses, \$18, had been recorded in the office expenses account as \$81.

A petty cash book payment, \$29, to Cole, a supplier, had been recorded in the column for motor expenses.

[9]

- (b) Prepare the suspense account. Include the balancing figure as the original difference on the trial balance.

Rachel
Suspense account

Date	Details	\$	Date	Details	\$
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[5]

Rachel's draft profit before the errors were discovered was \$18 243.

REQUIRED

- (c) Calculate Rachel's profit for the year ended 30 September 2023 **after** the errors in the table have been corrected.

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..... [5]

- (d) State why financial statements may still be reliable even if errors are present.

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..... [1]

[Total: 20]

Question	Answer						Marks
4(a)	Error		Entries required to correct the error				9
			Debit		Credit		
			Account	\$	Account	\$	
	A payment for rent, \$350, had been debited to the wages account. The sales journal for September had been overcast by \$90.		Rent payable	350	Wages	350	
	Sales returns, \$110, had been recorded as purchases returns.		Sales	90 (1)	Suspense	90 (1)	
	A payment for office expenses, \$18, had been recorded in the office expenses account as \$81.		Purchases returns	110 (1)	Suspense	220 (1)	
	A petty cash book payment, \$29, to Cole, a supplier, had been recorded in the column for motor expenses.		Sales returns	110 (1)			
			Suspense	63 (1)	Office expenses	63 (1)	
		Cole	29 (1)	Motor expenses	29 (1)		
4(b)	Rachel Suspense account						5
	Date	Details	\$	Date	Details	\$	
	2023 Sep 30	Difference on trial balance (1)OF Office expenses (1)	247 <u>63</u> <u>310</u>	2023 Sept 30	Sales (1) Purchases returns (1) Sales returns (1)	90 110 <u>110</u> <u>310</u>	

Question	Answer	Marks																																	
4(c)	<table> <tr> <td></td><td>\$</td><td>\$</td></tr> <tr> <td>Draft profit</td><td></td><td>18 243</td></tr> <tr> <td>Add:</td><td></td><td></td></tr> <tr> <td>Office expenses</td><td>63 (1)</td><td></td></tr> <tr> <td>Motor expenses</td><td><u>29 (1)</u></td><td><u>92</u></td></tr> <tr> <td></td><td></td><td>18 335</td></tr> <tr> <td>Less:</td><td></td><td></td></tr> <tr> <td>Sales</td><td>90 (1)</td><td></td></tr> <tr> <td>Purchases returns</td><td>110 }</td><td></td></tr> <tr> <td>Sales returns</td><td><u>110 }(1)</u></td><td><u>(310)</u></td></tr> <tr> <td>Corrected profit</td><td></td><td><u>18 025 (1)OF</u></td></tr> </table>		\$	\$	Draft profit		18 243	Add:			Office expenses	63 (1)		Motor expenses	<u>29 (1)</u>	<u>92</u>			18 335	Less:			Sales	90 (1)		Purchases returns	110 }		Sales returns	<u>110 }(1)</u>	<u>(310)</u>	Corrected profit		<u>18 025 (1)OF</u>	5
	\$	\$																																	
Draft profit		18 243																																	
Add:																																			
Office expenses	63 (1)																																		
Motor expenses	<u>29 (1)</u>	<u>92</u>																																	
		18 335																																	
Less:																																			
Sales	90 (1)																																		
Purchases returns	110 }																																		
Sales returns	<u>110 }(1)</u>	<u>(310)</u>																																	
Corrected profit		<u>18 025 (1)OF</u>																																	
4(d)	Financial statements can still be reliable if errors are present provided those errors are not material or significant (1)	1																																	