2 Deepak maintains a full set of accounting records. The trial balance at 30 September 2024 did not balance and the difference was posted to a suspense account. The sales ledger control account and the purchases ledger control account are part of the double entry system.

The following errors were discovered.

1 A cheque received, $610, from Sanjay, a credit customer, had been dishonoured by the bank but no entry had been made in the books of account.

2 Goods returned, $240, by Kamal, a credit customer, had been credited to the sales ledger control account and debited to the purchases account.

3 Goods returned, $150, to Kohli, a credit supplier, had been correctly entered in both the purchases returns journal and the purchases ledger control account but had been posted to the debit of the sales returns account.

4 A credit note, $498, received from Bharti, a credit supplier, had been correctly entered in the purchases returns journal but had been debited to the purchases ledger control account as $489.

(a) Prepare journal entries to correct each error. Narratives are **not** required.

Journal

Error		Debit $	Credit $
1			
2			
3			
4			

[9]

DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN
DO NOT WRITE IN THIS MARGIN

(b) Prepare the suspense account at 30 September 2024 clearly showing the opening balance brought down. Dates are **not** required.

Suspense account

Details	$	Details	$

[4]

Additional information

The trial balance included the following balances:

	Debit $	Credit $
Purchases ledger control account		8640
Sales ledger control account	12420	

(c) Calculate the revised balances of the:

(i) Purchases ledger control account

.....

..... [1]

(ii) Sales ledger control account.

.....

..... [1]

[Total: 15]

DO NOT WRITE IN THIS MARGIN

Question	Answer	Marks
1(d)	**Assess the directors' decision on 30 June 2024 to take out the 5% debenture (2028-2029). Justify your assessment by considering <u>both</u> advantages and disadvantages of the decision to the company.** **Advantages (Max 2 marks)** • Removed the negative cash balance **(1)** • Repaid one half of the 8% bank loan that was due for repayment with the next six months **(1)** • Beneficial interest rate compared to the bank loan **(1)** **Disadvantages (Max 2 marks)** • Tied the company into a further five years of debt **(1)** • Weakened the immediate capital structure of the company **(1)** • May cause longer-term cash flow problems to meet repayment terms **(1)** • Security is required **(1)** **Decision supported with a comment (1)** **Accept other valid responses**	**5**

Question	Answer	Marks
2(a)	**Prepare journal entries to correct each error. Narratives are <u>not</u> required.**	**9**

Journal

	Debit. $	Credit $	
Sales ledger control account	610		**(1)**
Bank		610	**(1)**
Sales returns	240		**(1)**
Purchases		240	**(1)**
Suspense	300		**(1)**
Sales returns		150	**(1)**
Purchases returns		150	**(1)**
Suspense	987		**(1)**
Purchases ledger control account		987	**(1)**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Prepare the suspense account at 30 September 2024 clearly showing the opening balance brought down. Dates are <u>not</u> required.

Suspense account
<table><tr><th>Details</th><th>$</th><th>Details</th><th>$</th></tr><tr><td>Sales returns</td><td>150 (1)</td><td>Balance b/d</td><td>1 287 (1)OF</td></tr><tr><td>Purchases returns</td><td>150 (1)</td><td></td><td></td></tr><tr><td>Purchases ledger contro account</td><td>987 (1)</td><td></td><td></td></tr><tr><td></td><td>1 287</td><td></td><td>1 287</td></tr></table></td><td>4</td></tr>
<tr><td>2(c)(i)</td><td>Calculate the revised balances of the:

Purchases ledger control account

$8 640 + $987 = $9 627 (1)</td><td>1</td></tr>
<tr><td>2(c)(ii)</td><td>Calculate the revised balances of the:

Sales ledger control account

$12 420 + $610 = $13 030 (1)</td><td>1</td></tr>
</table>

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