

# SOLE TRADER AND PARTNERSHIP ACCOUNTS TUTORIAL AND WORKBOOK

## TEXTUAL AMENDMENTS: 2011 REPRINT

The 2011 reprint of these texts contains minor updates and amendments as follows:

1 **Value Added Tax**

Standard rate VAT has been amended to 20% throughout the texts.

2 **Deletion of references to UK Accounting Standards**

The main changes are on page 131 and 139 of the Tutorial text.

3 **Updating of Control account reconciliation tasks (Chapter 10)**

This has been done to bring the reconciliations in line with current accounting practice.

The changes in the **Tutorial** are as follows:

Pages 181 - 184: Worked examples.

Pages 191 - 192: Activities 10.9 and 10.10

Page 362: Answer to 10.9 (10.10 answer unchanged)

The changes in the **Workbook** are as follows:

Pages 47 - 48: Activities 10.3 and 10.4 (answers on page 118)

Page 147: Task 2.4 (answer on page 196)

**These changes (No 3) to the text are shown in full on the pages that follow.**

## SOLE TRADER AND PARTNERSHIP ACCOUNTS TUTORIAL

### UPDATED TEXT

#### Page 181

The following shows examples of the adjustments that will be necessary to reconcile **sales ledger control account** to sales ledger.

The sales ledger has been compared with sales ledger control account and the following differences identified:

1. The total column of sales day book has been undercast (underadded) by £100.
2. Settlement (cash) discount of £320 allowed to trade receivables and entered in their sales ledger accounts has not been entered in sales ledger control account.
3. A credit sale of £250 to J Williams has been debited to the account of J Wilson – both are sales ledger accounts.
4. The account of T Basili, £150, has been written off as irrecoverable in sales ledger, but has not been recorded in sales ledger control account.

The total of the account balances in sales ledger is £28,340 debit and the balance of sales ledger control account is £28,710 debit.

## Page 182

The following table shows the three adjustments that need to be made to sales ledger control account.

Adjustment number	Amount £	Debit ✓	Credit ✓
1.	100	✓	
2.	320		✓
4.	150		✓

Tutorial notes:

1. As the total column of sales day book has been undercast (underadded) this error will be carried through into sales ledger control account. It is necessary to increase the amount for sales by debiting sales ledger control account with £100.
2. Settlement (cash) discount allowed is credited to sales ledger control account – here it has been omitted, so the adjustment is a credit of £320.
3. Although there is an error – which needs to be corrected – it is an error within sales ledger, so there is no adjustment to make to sales ledger control account.
4. The irrecoverable debt of £150 must be recorded in sales ledger control account as a credit entry.

All of these adjustments will need to be corrected by means of a journal entry (see Chapter 11) which gives the book-keeper the authority to record the transactions in the double-entry accounts.

## Page 183

The following shows examples of the adjustments that will be necessary to reconcile **purchases ledger control account** to purchases ledger.

The purchases ledger has been compared with purchases ledger control account and the following differences identified:

1. The total column of purchases day book has been overcast (overadded) by £100.
2. A payment of £200 made to J Smithson has been debited to the account of T Simpson – both are purchases ledger accounts.
3. Settlement (cash) discount of £450 received from trade payables has been entered on the wrong side of purchases ledger control account.
4. A set-off entry for £450 has been entered as £540 in purchases ledger control account.

The total of the account balances in purchases ledger is £44,235 credit and the balance of purchases ledger control account is £45,145 credit.

The table on the next page shows the three adjustments that need to be made to purchases ledger control account.

Adjustment number	Amount £	Debit ✓	Credit ✓
1.	100	✓	
3.	900	✓	
4.	90		✓

Tutorial notes:

1. As the total column of purchases day book has been overcast (overadded) this error will be carried through into purchases ledger control account. It is necessary to decrease the amount for purchases by debiting purchases ledger control account with £100.
2. Although there is an error – which needs to be corrected – it is an error within purchases ledger, so there is no adjustment to make to purchases ledger control account.
3. The amount of settlement (cash) discount received should be debited to purchases ledger control account – here it has been credited. To correct this error we need to double the amount of £450 to £900 (if we correct only £450 all that we do is to cancel out the error). £900 is debited to purchases ledger control account. In practice, rather than showing the difference, it is better to correct this error by taking out the wrong amount and recording the correct amount.
4. Set-off entries are debited to purchases ledger control account. Here the amount recorded has been overstated, so we must credit purchases ledger control account with the difference being £540 – £450 = £90. Again, it would be better to correct by taking out the wrong amount and recording the correct amount.

All of these adjustments will need to be corrected by means of a journal entry (see Chapter 11) which gives the book-keeper the authority to record the transactions in the double-entry accounts.

Page 191

10.9 This Activity is about preparing reconciliations.

The sales ledger has been compared with sales ledger control account and the following differences identified:

1. The total column of sales returns day book has been overcast (overadded) by £200.
2. A set-off entry for £150 has been omitted from sales ledger control account.
3. The account of D Clarke, £125, has been written off as irrecoverable in sales ledger, but has not been recorded in sales ledger control account.
4. Settlement (cash) discount of £20 has been credited to the sales ledger account of K Fairbank instead of the sales ledger account of S Fairweather.

The total of the account balances in sales ledger is £32,705 debit and the balance of sales ledger control account is £33,180 debit.

Use the following table to show the three adjustments you need to make to sales ledger control account.

Adjustment number	Amount £	Debit ✓	Credit ✓

**Page 192**

**10.10** This Activity is about preparing reconciliations.

The purchases ledger has been compared with purchases ledger control account and the following differences identified:

1. The total of settlement (cash) discount received from trade payables of £240 has been recorded in purchases ledger control account as £420.
2. A payment of £195 has been debited to the purchases ledger account of M Touoson instead of the purchases ledger account of B Toulson.
3. The total column of purchases returns day book has been undercast (underadded) by £400.
4. A set-off entry for £220 has been entered on the wrong side of purchases ledger control account.

The total of the account balances in purchases ledger is £29,640 credit and the balance of purchases ledger control account is £30,300 credit.

Use the following table to show the three adjustments you need to make to purchases ledger control account.

Adjustment number	Amount £	Debit ✓	Credit ✓

**ANSWERS**

**Page 362**

**10.9**

Adjustment number	Amount £	Debit ✓	Credit ✓
1	200		✓
2	150		✓
3	125		✓

**10.10** This answer remains the same as originally published.