



CAMBRIDGE
UNIVERSITY PRESS



Cambridge Assessment
International Education

Endorsed for full syllabus coverage

Catherine Coucom

Cambridge IGCSE® and O Level

Accounting

Coursebook

Second edition

Completely **Cambridge**
Cambridge resources
for
Cambridge qualifications

Catherine Coucom

Cambridge IGCSE® and O Level

Accounting

Coursebook

Second edition



CAMBRIDGE
UNIVERSITY PRESS

CAMBRIDGE
UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom
One Liberty Plaza, 20th Floor, New York, NY 10006, USA
477 Williamstown Road, Port Melbourne, VIC 3207, Australia
314–321, 3rd Floor, Plot 3, Splendor Forum, Jasola District Centre, New Delhi – 110025, India
79 Anson Road, #06 -04/06, Singapore 079906

Cambridge University Press is part of the University of Cambridge.
It furthers the University’s mission by disseminating knowledge in the pursuit of education, learning and research at the highest international levels of excellence.

Information on this title: www.cambridge.org

© Cambridge University Press 2018

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 2018

20 19 18 17 16 15 14 13 12 11 10 9 8 7 6 5 4 3 2 1

Printed in Dubai by Oriental Press.

A catalogue record for this publication is available from the British Library

ISBN 978-1-316-50277-8 Paperback
ISBN 978-1-108-43901-5 Cambridge Elevate enhanced edition (2 years)
ISBN 978-1-108-33917-9 Paperback + Cambridge Elevate enhanced edition (2 years)

Additional resources for this publication at cambridge.org/9781316502778

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party internet websites referred to in this publication, and does not guarantee that any content on such websites is, or will remain, accurate or appropriate. Information regarding prices, travel timetables, and other factual information given in this work is correct at the time of first printing but Cambridge University Press does not guarantee the accuracy of such information thereafter.

.....
NOTICE TO TEACHERS IN THE UK

It is illegal to reproduce any part of this work in material form (including photocopying and electronic storage) except under the following circumstances:
(i) where you are abiding by a licence granted to your school or institution by the Copyright Licensing Agency;
(ii) where no such licence exists, or where you wish to exceed the terms of a licence, and you have gained the written permission of Cambridge University Press;
(iii) where you are allowed to reproduce without permission under the provisions of Chapter 3 of the Copyright, Designs and Patents Act 1988, which covers, for example, the reproduction of short passages within certain types of educational anthology and reproduction for the purposes of setting examination questions.

.....
Example answers and all other end-of-chapter questions were written by the author.

®IGCSE is the registered trademark of Cambridge Assessment International Education.

Contents

Introduction	iv
Where to find each section of the syllabus	v
How to use this book	vi
Acknowledgements	ix
Section 1	1
1 Introduction to accounting	2
2 Double entry book-keeping – Part A	10
3 The trial balance	29
4 Double entry book-keeping – Part B	38
5 Petty cash books	52
Section 1: Practice questions	61
Section 2	66
6 Business documents	67
7 Books of prime entry	78
Section 2: Practice questions	89
Section 3	93
8 Financial statements – Part A	94
9 Financial statements – Part B	110
10 Accounting rules	120
11 Other payables and other receivables	132
12 Accounting for depreciation and disposal of non-current assets	153
13 Irrecoverable debts and provisions for doubtful debts	171
Section 3: Practice questions	185
Section 4	193
14 Bank reconciliation statements	194
15 Journal entries and correction of errors	206
16 Control accounts	228
17 Incomplete records	241
18 Accounts of clubs and societies	261
19 Partnerships	277
20 Manufacturing accounts	290
21 Limited companies	302
22 Analysis and interpretation	312
Section 4: Practice questions	331
Glossary	345
Index	349

Introduction

The aim of this book is to provide an up-to-date text covering the Cambridge IGCSE and O Level Accounting syllabuses (0452 and 7707).

This book covers all the topics included on the latest syllabuses for IGCSE Accounting and O Level Accounting. The topics are not necessarily included in the order in which they appear in the syllabus. They have been presented in what the author's long teaching experience has shown to be a suitable order for an accounting student commencing a course at this level. However, there is some flexibility in the sequence in which the topics are studied. Whichever the order in which the topics are studied, it is essential that the whole of the syllabus is covered. The table on page v shows the chapter(s) of the book in which each section of the syllabus may be found. The learning objectives at the beginning of each chapter are exactly the same as the syllabus topics with the following exceptions. The syllabus topics (4.3) '*prepare ledger accounts and journal entries to record accrued and prepaid expenses*' and '*prepare ledger accounts and journal entries to record accrued and prepaid incomes*' have each been split into two learning objectives across two separate chapters. Chapter 11 contains '*prepare ledger accounts to record accrued and prepaid expenses*' and '*prepare ledger accounts to record accrued and prepaid incomes*.' Chapter 15 contains '*prepare journal entries to record accrued and prepaid expenses*' and '*prepare journal entries to record accrued and prepaid incomes*.'

No prior knowledge of accounting is required as this book provides an introduction to accounting and covers all the topics on the syllabus. Each chapter is complete in itself and contains appropriate walkthroughs. There are also short-answer questions at regular intervals which students can use to test their understanding of each section. There are exam-style questions at the end of each chapter and also at the end of each section. Answers to all questions in this Coursebook are provided on the accompanying Teacher's Resource.

In common with most accounting textbooks, dates used in the examples, walkthroughs and questions throughout this book are expressed as 20–0, 20–1, 20–2, and so on.

Where to find each section of the syllabus

Chapter	Syllabus																												
	1		2			3			4				5					6				7							
	1	2	1	2	3	1	2	3	4	1	2	3	4	5	1	2	3	4	5	6	1	2	3	4	5	1	2		
One	✓	✓													✓														
Two			✓																										
Three						✓																							
Four			✓		✓																								
Five					✓																								
Six					✓	✓																							
Seven					✓	✓																							
Eight			✓													✓													
Nine															✓														
Ten										✓				✓													✓	✓	
Eleven												✓																	
Twelve										✓					✓														
Thirteen													✓																
Fourteen												✓																	
Fifteen					✓					✓	✓	✓																	
Sixteen																													
Seventeen																													
Eighteen																													
Nineteen																													
Twenty																													
Twenty one																													
Twenty two																													

How to use this book

The book is designed to be a practical guide to help build knowledge and understanding of accounting terms, principles and procedures and assumes no prior knowledge of the topics. The book is aligned to the syllabus and will enable you to analyse and present information in the appropriate accounting form as well as interpret and evaluate accounting data so you can draw reasoned conclusions.

Each chapter focuses on developing knowledge and understanding using easy-to-follow walkthroughs that explain accounting concepts. Key terms are highlighted and there are regular opportunities to check progress, test understanding and practice accounting skills.

Learning objectives

In this chapter you will learn to:

- understand and explain the difference between book-keeping and accounting 1.1
- state the purposes of measuring business profit and loss 1.1
- explain the role of accounting in providing information for monitoring progress and decision-making 1.1
- explain the meaning of assets, liabilities and owner's equity 1.2
- explain and apply the accounting equation 1.2
- understand that statements of financial position record assets and liabilities on a specified date. 5.5

Learning objectives – Each chapter begins with the key accounting concepts that you will learn to help you navigate your way through the book and remind you what is important about each topic for your revision. The number after each learning objective refers to the topic number in the syllabus.

LINK

You will learn more about double entry book-keeping in Chapter 4.

Link – Links show you where you can find additional information about related topics.

TIP

If you know two elements of the accounting equation you can easily calculate the third element.

Tip – Tips provide additional context, reminders and useful information about key points.

KEY TERMS

Carriage is the cost of transporting goods.
Carriage inwards is the cost of bringing the goods to the business and **carriage outwards** is the cost of delivering the goods to the customer.

Key terms – Definitions help you identify and understand important accounting terminology and concepts.

Walkthrough 22.9

Using the financial statements shown in **Walkthrough 22.1**, calculate (to the nearest whole day) Arun's trade payables turnover.

$$\frac{\$12\,500}{\$97\,000} \times \frac{365}{1} = 47.04 \text{ days} = 48 \text{ days}$$

Walkthrough – Walkthroughs guide you step-by-step through different accounting processes, helping to build your knowledge and skills.

TEST YOURSELF 2.1

- 1 Explain why it is necessary to make a double entry in the ledger for each transaction.
- 2 Explain the use of the folio column in a ledger account.

Test yourself – Test yourself questions aid self-assessment and reinforce knowledge and understanding.

Revision checklist

- A trial balance is a list of the balances on the accounts in the ledger at a certain date.
- A trial balance is prepared to check the arithmetical accuracy of the double entry book-keeping.
- If a trial balance fails to balance, it indicates that an error has been made.
- There are six types of error which are not revealed by a trial balance.

Revision checklist – Checklists at the end of each unit provide a useful summary of the learning points covered.

Exam-style questions

- Which account will appear in the sales ledger?
 - Dan, a credit supplier
 - Gill, a credit customer
 - Sales
 - Sales returns
- Mariam is a trader. On 1 March 20–2 the balances in her cash book were:

Cash	\$100 debit
Bank	\$494 credit

The following transactions took place in March 20–2:

March 4	Paid for repairs to office equipment by cheque, \$293
7	Received a cheque from Nawaz, \$110
11	Purchased motor vehicle paying by credit transfer, \$5 130
13	Took \$1 500 from the bank for personal use
19	Paid \$286 to Anwar by credit transfer
21	Paid office expenses in cash, \$67
27	Cash sales, \$2 150
28	Paid wages in cash, \$953
31	Paid all cash into bank except \$150

 - Prepare Mariam's cash book for March 20–2. Balance the book and bring down the balances on 1 April 20–2.
 - Explain the significance of the credit balance on the bank column on 1 March 20–2.
 - Explain why it is not possible to have a credit balance on the cash column.
 - Explain the term 'contra'. Illustrate your answer with reference to an appropriate entry in the cash book in **a**.
- Raminder paid a cheque, \$975, to Kumar in full settlement of a debt of \$1 000. How did Kumar record this?

	Debit	\$	Credit	\$
A	bank discount allowed	975	Raminder	1 000
B	bank discount received	975	Raminder	1 000
C	Raminder	1 000	bank discount allowed	975 25
D	Raminder	1 000	bank discount received	975 25

Practice questions – Additional questions at the end of each section help to practice both multiple choice and structured questions relating to the section's topics.

Exam-style questions – Exam-style questions will help you familiarise yourself with the style of the questions seen in examination, and assess your own understanding and skills to answer them.

Section 4: Practice questions

- A trader's cash book had a credit balance of \$480. On the same date, his bank statement showed a credit balance of \$389. The difference in the balances was caused by bank charges, \$25, which appeared only on the bank statement, and a cheque not yet presented. What was the amount of the unrepresented cheque?
 - \$66
 - \$116
 - \$848
 - \$894

- Goods returned by Zeena, \$100, were debited to her account as \$1 000. What entries are required to correct this error?

	Account to be debited	\$	Account to be credited	\$
A	suspense	900	Zeena	900
B	suspense	1 100	Zeena	1 100
C	Zeena	900	suspense	900
D	Zeena	1 100	suspense	1 100

- Gary is both a customer and a supplier to Leroy. On 28 June Leroy's account in Gary's purchases ledger had a credit balance of \$275, and his account in Gary's sales ledger had a debit balance of \$140. A contra entry was made to set the balance of one account against the balance of the other account. What entry will be made in the control accounts prepared on 30 June?

	Debited	\$	Credited	\$
A	purchases ledger control account	135	sales ledger control account	135
B	purchases ledger control account	140	sales ledger control account	140
C	sales ledger control account	135	purchases ledger control account	135
D	sales ledger control account	140	purchases ledger control account	140

- A sports club provided the following information at the end of its first financial year:

	\$
Subscriptions received for the current year	9 750
Subscriptions received in advance for the following year	150
Expenses of sports competition	2 040
Rates and insurance	1 986
General expenses	787
General expenses accrued at the end of the year	103
Balance at bank at the end of the year	7 403
Receipts from sports competition entry fees	?

How much was received from the sports competition entry fees?

- \$2 316
- \$2 466
- \$3 103
- \$3 253

Acknowledgements

Thanks to the following for permission to reproduce images:

Cover image: Sudarshan v/Getty Images

Chapter Opener 1 Atomic Imagery/The Image Bank/Getty Images; Chapter Opener 2 Marekuliasz/iStock/Getty Images Plus; Chapter Opener 3 Vasily Nesterov/Hemera/Getty Images Plus; Chapter Opener 4 Peter Kirillov/Hemera/Getty Images Plus; Chapter Opener 5 Marina Datsenko/Hemera/Getty Images Plus; Chapter Opener 6 Lite Productions/Lite Productions/Getty Images Plus; Chapter Opener 7 Inok/iStock/Getty Images Plus; Chapter Opener 8 Deepblue4you/E+/Getty Images; Chapter Opener 9 Chris Cheadle/All Canada Photos/Getty Images; Chapter Opener 10 Pixel_dreams/iStock/Getty Images Plus; Chapter Opener 11 3dts/iStock /Getty Images Plus; Chapter Opener 12 Alzay/iStock/Getty Images Plus; Chapter Opener 13 Valeriya/iStock/Getty Images Plus; Chapter Opener 14 Ekapol/iStock/Getty Images Plus; Chapter Opener 15 Aslan Alphan/iStock/Getty Images Plus; Chapter Opener 16 Maciek905/iStock/Getty Images Plus; Chapter Opener 17 Gam1983/iStock/Getty Images Plus; Chapter Opener 18 Srisakorn/iStock/Getty Images Plus; Chapter Opener 19 Baona/iStock/Getty Images Plus; Chapter Opener 20 Monsitj/iStock/Getty Images Plus; Chapter Opener 21 Evgeny_Kozhevnikov/iStock/Getty Images Plus; Chapter Opener 22 Monsitj/iStock/Getty Images Plus.

Section 1

Chapter 1

Introduction to accounting

Learning objectives

In this chapter you will learn to:

- understand and explain the difference between book-keeping and accounting 1.1
- state the purposes of measuring business profit and loss 1.1
- explain the role of accounting in providing information for monitoring progress and decision-making 1.1
- explain the meaning of assets, liabilities and owner's equity 1.2
- explain and apply the accounting equation 1.2
- understand that statements of financial position record assets and liabilities on a specified date. 5.5

1.1 Introduction

Accounting is regarded as the language of business. Accounting can be divided into two sections:

Book-keeping

Book-keeping is a process of **detailed recording of all the financial transactions of a business**. It is necessary for even the smallest business to make a record of every transaction which affects the business. If the records are not maintained, it is likely that something will be forgotten or overlooked. The basis of maintaining these detailed records is **double entry book-keeping**. The actual records maintained by one business may vary from those maintained by another business because each business is different. However, all businesses apply the same principles while maintaining double entry records.

Accounting

Accounting uses the book-keeping records to prepare financial statements at regular intervals. The owner of a business needs to know whether the business is making a profit or a loss. Periodically (often at yearly intervals), **an income statement** is drawn up. This shows the calculation of the profit or loss earned by the business. If the business has earned a profit then the owner is receiving a return on his investment and funds are available for expanding or improving the business. However, if the business has made a loss then it may eventually close down as the owner is not receiving any return on his investment and funds are not available for running or maintaining the business.

You can now answer **Question 1** at the end of this chapter.

The owner of the business also needs to know the financial position at regular intervals so a **statement of financial position** is prepared. This shows what the business owns and what is owing to it, its **assets**; and what the business owes, its **liabilities**. The term **financial statements** is often used as a collective name for an income statement and a statement of financial position.

The progress of the business can be measured by comparing the financial statements of one year with those of previous years, or with those of other similar businesses. The calculation of various accounting ratios is used to measure the relationship between figures within a set of financial statements. These are also useful for comparison purposes.

The information provided by the financial statements shows the owner of the business what has happened during a certain period of time and helps in monitoring the progress of the business. The plans for the future development of the business are also based on these financial statements.



KEY TERMS

Book-keeping is the detailed recording of all the financial transactions of a business.

Accounting is using book-keeping records to prepare financial statements and to assist in decision-making.

A **statement of financial position** shows the assets and liabilities of a business on a certain date.



LINK

You will learn more about financial statements in Chapters 8 and 9.

TEST YOURSELF 1.1

- 1 Define the term book-keeping.
- 2 Define the term accounting.
- 3 State **two** reasons why it is necessary to prepare financial statements at regular intervals.
- 4 State what is included in the term financial statements.



LINK

You will learn more about assets and liabilities in Chapter 9.



KEY TERMS

Capital is the total resources provided by the owner and represents what the business owes the owner.

Assets represent anything owed by or owing to the business.

Liabilities represent anything owed by the business.

1.2 Assets, liabilities and capital

It is important to remember that the accounting records of a business relate only to the business. From an accounting viewpoint, the owner of that business is regarded as being completely separate from the business.

When a person decides to start a business he will have to provide the necessary funds (resources). This is often in the form of monetary funds, but may consist of buildings, motors, goods and so on. Any resources provided by the owner of the business are known as **capital**. This represents the amount owed by the business to the owner of that business.

Once the business is formed and capital introduced, the business will own the money or other items provided by the owner. Things owned by the business (or owed to the business) are regarded as the resources of the business or the **assets** of the business.

In addition to the owner, other people may also provide assets to the business. The amount owed by the business to these people is known as **liabilities**.



TIP

Anything provided for a business by the owner represents capital. This is not necessarily in the form of money.

Many businesses are set up and operated by one person. These are known as **sole traders**. The early chapters in this book cover accounts maintained by sole traders.



LINK

You will learn about the accounting records of partnerships and limited companies in Chapters 19 and 21.

TEST YOURSELF 1.2

- 1 Define **each** of the following terms.
 - a assets
 - b liabilities
 - c capital

1.3 The accounting equation

Like any other mathematical equation, the two sides of the equation will always be equal. The formula for this equation is:

$$\text{Assets} = \text{Capital} + \text{Liabilities.}$$

Capital is sometimes referred to as **owner's equity**. So the previous equation can also be written as:

$$\text{Assets} = \text{Owner's equity} + \text{Liabilities.}$$

Like any mathematical equation, the accounting equation can be used to find any one of the three elements if the other two are present.

This equation illustrates that the assets of a business (the resources used by a business) are always equal to the liabilities and capital of a business (the resources provided for the business by others). The assets represent how the resources are used by the business and the liabilities and capital represent where these resources come from.



TIP

If you know two elements of the accounting equation you can easily calculate the third element.

Walkthrough 1.1

20–7

- January 1 Leena set up a business to trade under the name of The Dress Shop. She opened a business bank account and paid in \$20 000 as capital.
- 2 The business purchased premises, \$15 000, and paid by cheque.
- 3 The business purchased goods, \$3 000, on credit.
- 4 The business sold goods, at the cost price of \$1 000, on credit.

Show the accounting equation after **each** of the above transactions.

Date	Assets	=	Capital	+	Liabilities
1 January	Bank <u>\$20 000</u>		<u>\$20 000</u>		Nil
2 January	Premises Bank <u>5 000</u>				
	<u>\$20 000</u>		<u>\$20 000</u>		Nil
3 January	Premises Inventory Bank <u>5 000</u>				
	<u>\$23 000</u>		<u>\$20 000</u>		Trade payable <u>\$3 000</u>
4 January	Premises Inventory Trade receivable Bank <u>5 000</u>				
	<u>\$23 000</u>		<u>\$20 000</u>		Trade payable <u>\$3 000</u>

- 1 January The assets of the business are equal to the capital of the business.
- 2 January The money in the bank has decreased because a new asset has been bought. The total assets are equal to the capital.
- 3 January Purchasing on credit means that the business does not pay immediately. A new asset **inventory** has been acquired, but the business has also acquired a liability as it owes money to the supplier (who is known as a **creditor**). In a statement of financial position this is described as a **trade payable**. The total assets are equal to the capital plus the liabilities.
- 4 January Selling on credit means that the business does not immediately receive the money. The inventory has decreased but a new asset has been acquired in the form of money owing to the business by a customer (who is known as a **debtor**). In a statement of financial position this is described as a **trade receivable**. The total assets are equal to the capital plus the liabilities. (For the sake of simplicity, the goods were sold to the customer at cost price. In practice, they need to be sold at a price above cost price to enable the business to make a profit.)



LINK

You will learn more about buying and selling on credit in Chapter 2.



KEY TERMS

Inventory is the goods a business has available for resale.

Trade payables represent the amount the business owes to the credit suppliers of goods (the trade creditors).

Trade receivables represent the amount owed to the business by its credit customers (the trade debtors).

TEST YOURSELF 1.3

1 Fill in the missing figures in the following table.

	Assets	Capital	Liabilities
	\$	\$	\$
a	35 000	?	12 500
b	?	44 400	19 300
c	67 300	55 000	?

You can now answer Question 2 at the end of this chapter.

1.4 The statement of financial position

The accounting equation may be shown in the form of a statement of financial position. This shows the three elements of the accounting equation – the assets, the capital and the liabilities. The statement of financial position will be affected every time the business makes changes to the assets, liabilities or capital.

Walkthrough 1.2

Prepare the statement of financial position of The Dress Shop after **each** of the transactions shown in Walkthrough 1.1.

The Dress Shop			
Statement of financial position at 1 January 20–7			
Assets	\$	Liabilities	\$
Bank	20 000	Capital	20 000
	<u>20 000</u>		<u>20 000</u>

The Dress Shop			
Statement of financial position at 2 January 20–7			
Assets	\$	Liabilities	\$
Premises	15 000	Capital	20 000
Bank	5 000		
	<u>20 000</u>		<u>20 000</u>

The Dress Shop			
Statement of financial position at 3 January 20–7			
Assets	\$	Liabilities	\$
Premises	15 000	Capital	20 000
Inventory	3 000	Trade payable	3 000
Bank	5 000		
	<u>23 000</u>		<u>23 000</u>

The Dress Shop
Statement of financial position at 4 January 20–7

Assets	\$	Liabilities	\$
Premises	15 000	Capital	20 000
Inventory	2 000	Trade payable	3 000
Trade receivable	1 000		
Bank	5 000		
	23 000		23 000

TEST YOURSELF 1.4

- 1 Give **two** examples of **each** of the following (excluding those shown in **Walkthrough 1.1** and **1.2**):
 - a asset
 - b liability.
- 2 Explain the meaning of **each** of the following terms:
 - a trade payable
 - b trade receivable

The statements of financial position shown in **Walkthrough 1.2** were presented in a horizontal format. There are different ways to present a statement of financial position and these are explained in Chapter 9. A statement of financial position is also more useful if the assets and liabilities are divided into different types (see Chapter 9).

Walkthrough 1.1 showed that every single transaction involves a change to the assets and/or the liabilities and/or the capital. This means that it is necessary to prepare a statement of financial position after every single transaction, as shown in **Walkthrough 1.2**. However, this is not possible in practice as many transactions can take place every hour of each working day. In practice, the day-to-day business transactions are recorded using **double entry book-keeping** and a statement of financial position is prepared only periodically. This is usually done at the closing of a business on the last day of the financial year as part of the **financial statements**. As the business can be started on any day of the year, its financial year may not necessarily match the calendar year (i.e. from 1 January to 31 December). The financial statements are prepared for 12 month periods from the date the business started.

You can now answer Questions 3–6 at the end of this chapter.



LINK

You will learn more about statements of financial position in Chapter 9.



TIP

The totals of a statement of financial position must always agree: if they do not you know that there is an error.



LINK

You will learn more about double entry book-keeping in Chapters 2 and 4.

Revision checklist

- Book-keeping is the detailed recording of all the financial transactions of a business. Accounting uses these book-keeping records to prepare financial statements.
- It is necessary to prepare financial statements to show the profit or loss of the business and the financial position of the business and to help in decision-making.
- The accounting equation shows that the assets are always equal to the capital plus the liabilities of the business.
- A statement of financial position shows the assets and liabilities of a business on a certain date.

Exam-style questions

- 1 Which task is performed by a book-keeper?
- A analysing the trading results
 - B entering transactions in the ledger
 - C preparing year-end financial statements
 - D providing information for decision-making

- 2 A trader provided the following information:

	\$
Premises	180 000
Inventory	23 420
Trade payables	26 180
Trade receivables	21 710
Office fixtures and fittings	32 600
Loan from bank	80 000
Cash at bank	2 550
Motor vehicles	15 900

- a Calculate the value of the assets.
 - b Calculate the value of the liabilities.
 - c Use the accounting equation to calculate the trader's capital.
- 3 What is a statement of financial position?
- A a calculation of the amount owed to the owner of the business
 - B a list of assets and liabilities of a business on a certain date
 - C a list of everything owned by and owed to a business
 - D a summary of money paid to and received by a business
- 4 A business had \$9 420 in its bank account. The following transactions took place:

	\$
Bought goods on credit	250
Sold goods on credit	1 100
Repaid a loan by cheque	5 000

How much was there in the bank after these transactions?

- A \$3 570 B \$4 420 C \$4 670 D \$5 270

- 5 Complete the following table to show the effect of each of the following transactions. The first one has been completed as an example.

- a Bought a motor vehicle and paid by cheque
- b Bought goods on credit from a credit supplier
- c Received a cheque from a credit customer
- d Sold goods on credit
- e Paid off a loan in cash

	Effect on assets	\$	Effect on liabilities	\$
a	Motor vehicles Bank	Increase Decrease	No effect	
b				
c				
d				
e				

- 6 The statement of financial position of Bharwani Traders on 31 October 20–4 is shown below.

Bharwani Traders			
Statement of financial position at 31 October 20–4			
Assets	\$	Liabilities	\$
Machinery	19 000	Capital	35 000
Motor vehicles	6 000	Trade payables	8 000
Inventory	4 900		
Trade receivables	3 000		
Bank	<u>10 100</u>		
	<u>43 000</u>		<u>43 000</u>

On 1 November 20–4 the following transactions took place:

A cheque for \$3 000 was paid to a credit supplier.

A credit customer paid \$500 in cash.

A loan for \$8 000, which was paid into the bank, was received from Lenders Limited.

A cheque for \$7 000 was paid for an additional machine.

Prepare the statement of financial position of Bharwani Traders on 1 November 20–4 after the above transactions have taken place.