

Chapter 16: Closing Entries
Chapter Review Solutions

2.

(a) General Journal of Zapper Dapper			
Date	Particulars	Debit	Credit
Dec 31	Sales	348,750	
	Trading		348,750
	Balance transferred		
	Trading	247,040	
	Cost of Goods Sold		247,040
	Balance transferred		
	Trading	101,710	
	Profit & Loss		101,710
	Gross profit transferred		
	Interest Income	2,500	
	Profit & Loss		2,500
	Balance transferred		
	Profit & Loss	42,405	
	Advertising		15,000
	Commission Expense		5,500
Bad Debts		450	
Discount Allowed		1,500	
Donations		300	
Insurance		1,000	
Audit Fee		470	
Motor Vehicle Repairs		435	
General Wages		12,500	
Salaries - Sales Staff		5,250	
Balances transferred			
Profit & Loss	61,805		
Capital		61,805	
Net profit transferred			

(b) General Ledger of Zapper Dapper – Running balance format

Trading							
Date	Details	Folio	Amount	Date	Details	Folio	Amount
31/12	Cost of Goods Sold		247,040	31/12	Sales		348,750
	Profit and Loss		101,710				
			<u>348,750</u>				<u>348,750</u>
Profit and Loss							
31/12	Advertising		15,000	31/12	Trading Account		101,710
	Commission Exp		5,500		Interest Rev		2,500
	Bad Debts		450				
	Discount Allowed		1,500				
	Donations		300				
	Insurance		1,000				
	Audit Fee		470				
	Repairs M/V		435				
	General Wages		12,500				
	Salaries – sales		5,250				
	Capital		61,805				
			<u>104,210</u>				<u>104,210</u>
Capital							
31/12	Balance c/d		161,805	31/12	Balance b/d		100,000
					Profit & Loss		61,805
			<u>161,805</u>				<u>161,805</u>
				01/01	Balance b/d		161,805

4.

(a) General Journal of of Golf Circuit Supplies			
Date	Particulars	Debit	Credit
June 30	Sales	198,000	
	Trading		198,000
	Balance transferred		
	Trading	50,600	
	Cost of Goods Sold		50,600
	Balance transferred		
June 30	Trading	147,400	
	Profit & Loss		147,400
	Gross profit transferred		
	Profit & Loss	62,600	
	Advertising		5,000
	Salaries - Office		57,100
	Insurance		500
	Balances transferred		
	Profit & Loss	84,800	
	Capital		84,800
	Net profit transferred		
	Capital	2,000	
	Drawings		2,000
	Drawings transferred		

(b) General Ledger of Golf Circuit Supplies

Bank							
Date	Details	Folio	Amount	Date	Details	Folio	Amount
30/6/19	Balance b/d		4,200	30/6/19	Balance c/d		4,200
			4,200				4,200
01/7/19	Balance b/d		4,200				

Inventory							
30/6/19	Balance b/d		18,000	30/6/19	Balance c/d		18,000
			18,000				18,000
01/7/19	Balance b/d		18,000				

Accounts Receivable							
30/6/19	Balance b/d		4,020	30/6/19	Balance c/d		4,020
			4,020				4,020
01/7/19	Balance b/d		4,020				

Land & Building							
30/6/19	Balance b/d		122,200	30/6/19	Balance c/d		122,200
			122,200				122,200
01/7/19	Balance b/d		122,200				

Office Furniture							
30/6/19	Balance b/d		4,000	30/6/19	Balance c/d		4,000
			4,000				4,000
01/7/19	Balance b/d		4,000				

Motor Vehicles							
30/6/19	Balance b/d		20,000	30/6/19	Balance c/d		20,000
			20,000				20,000
01/7/19	Balance b/d		20,000				

GST Paid							
30/6/19	Balance b/d		1,200	30/6/19	Balance c/d		1,200
			1,200				1,200
01/7/19	Balance b/d		1,200				

Equipment							
Date	Details	Folio	Amount	Date	Details	Folio	Amount
30/6/19	Balance b/d		16,000	30/6/19	Balance c/d		16,000
			16,000				16,000
01/7/19	Balance b/d		16,000				

Accounts Payable							
30/6/19	Balance c/d		1,000	30/6/19	Balance b/d		1,000
			1,000				1,000
				01/7/19	Balance b/d		1,000

GST Collected							
30/6/19	Balance c/d		1,300	30/6/19	Balance b/d		1,300
			1,300				1,300
				01/7/19	Balance b/d		1,300

Long Term Loan							
30/6/19	Balance c/d		20,000	30/6/19	Balance b/d		20,000
			20,000				20,000
				01/7/19	Balance b/d		20,000

Capital							
30/6/19	Drawing		2,000	1/7/18	Balance b/d		84,520
30/6/19	Balance c/d		167,320		Profit & Loss		84,800
			169,320				169,320
				01/7/19	Balance b/d		167,320

Drawings							
30/6/19			2,000	30/6/19	Capital		2,000
			2,000				2,000

Sales							
30/6/19	Trading		198,000	30/6/19	Balance b/d		198,000
			198,000				198,000

COGS							
30/6/19	Balance b/d		50,600	30/6/19	Trading		50,600
			50,600				50,600

Advertising							
30/6/19	Balance b/d		5,000	30/6/19	Profit & Loss		5,000
			5,000				5,000

Insurance							
30/6/19	Balance b/d		500	30/6/19	Profit & Loss		500
			500				500

Salaries							
30/6/19	Balance b/d		57,100	30/6/19	Profit & Loss		57,100
			57,100				57,100

Trading Account							
Date	Details	Folio	Amount	Date	Details	Folio	Amount
30/6/19	COGS		50,600	30/6/19	Sales		198,000
	P & L		147,400				
			198,000				198,000

Profit & Loss							
30/6/19	Advertising		5,000	30/6/19	Trading		147,400
	Insurance		500				
	Salary		57,100				
	Capital		84,800				
			147,400				147,400

(c) Post-Closing Trial Balance – Golf Circuit Supplies		
	Debit	Credit
Cash	4,200	
Inventory	18,000	
Accounts Receivable	4,020	
Land & Buildings	122,200	
Office Furniture	4,000	
Motor Vehicles	20,000	
GST Paid	1,200	
Equipment	16,000	
Accounts Payable		1,000
GST Collected		1,300
Long term Loan		20,000
Capital 01 July		167,320
	189,620	189,620

6.

(a) General Journal of Jong Jing Emporium			
Date	Details	Debit	Credit
Jun 30	Sales	175,600	
	Trading		175,600
	Close and transfer to Trading		
	Trading	107,900	
	Inventory (1 July 2019)		15,000
	Purchases		89,000
	Customs Duty		1,600
	Delivery Inwards		2,300
	Close and transfer to Trading		
	Inventory	18,000	
	Trading		18,000
	Stocktake at 30 June 2020		
	Trading	85,700	
	Profit and Loss		85,700
	Transfer Gross Profit to Profit and Loss		
	Profit and Loss	71,530	
	Accounting Fees		2,500
	Bad Debts		500
	Office Expenses		17,580
	Insurance - General		2,450
	Electricity		2,300
	Wages		46,200
	Transfer other expenses to P&L		
	Capital	14,170	
	Profit and Loss		14,170
	Transfer Net Loss to Capital		
	Capital	15,000	
	Drawings		15,000
	Close Drawings to Capital		

(b) General Ledger

Trading Account							
Date	Details	Folio	Amount	Date	Details	Folio	Amount
01/07/19	Inventory		15,000	30/06/20	Sales		175,600
30/06/20	Purchases		89,000		Inventory		18,000
	Customs Duty		1,600				
	Delivery Inwards		2,300				
	Profit and Loss		85,700				
			193,600				193,600

Profit and Loss							
Date	Details	Folio	Amount	Date	Details	Folio	Amount
30/06/20	Accounting Fees		2,500	30/06/20	Trading		85,700
	Bad Debts		500				
	Office Expenses		17,580				
	Ins. - General		2,450				
	Electricity		2,300				
	Wages		46,200				
	Capital		14,170				
			85,700				85,700

Capital Account							
30/06/20	Drawings		15,000	01/07/19	Balance b/d		100,830
	Balance c/d		100,000	30/06/20	Profit and Loss		14,170
			115,000				115,000
				01/07/20	Balance b/d		100,000

(c) Post-Closing Trial Balance – Jong Jing Emporium		
Accounts	Debit	Credit
Accounts Payable		12,000
Accounts Receivable	14,000	
Accumulated Depn – Motor Vehicles		7,000
Accumulated Depn – Shop Fittings		8,000
Cash at Bank	2,000	
Accrued Wages		400
Prepaid Insurance	800	
GST Collected		5,200
GST Paid	3,800	
Inventory	18,000	
Premises	100,000	
Loan		50,000
Motor Vehicles	24,000	
Capital		100,00
Shop Fittings	20,000	
	182,600	182,600

8. Splendid Account

(a) Periodic Inventory System

(i) General Journal of Splendid Account			
Date	Particulars	Debit	Credit
31/12	Doubtful Debts Allowance for Doubtful Debts <i>Creation an allowance for Doubtful Debts</i>	750	750
	Prepaid Expenses Insurance <i>Insurance paid in advance</i>	25	25
	Salaries - Sales Accrued Expenses <i>Salaries due but not paid</i>	500	500
	Depreciation - Machinery Accumulated Depreciation - Machinery <i>Depreciation charged for the year - Machinery</i>	250	250
	Sales Trading <i>Balances transferred</i>	34,250	34,250
	Trading Inventories - Opening Duty Purchases <i>Balances transferred</i>	22,300	7,500 300 14,500
	Inventory Closing Trading Account <i>Closing Inventory as per stocktake</i>	9,000	9,000
	Trading Profit and Loss <i>Gross Profit transferred</i>	20,950	20,950
	Discount Received Profit and Loss <i>Balance transferred</i>	2,350	2,350

31/12	Profit and Loss Advertising Bad Debts Cartage Out Depreciation Discount Allowed Doubtful Debts Electricity Insurance Rates Salaries - Office Salaries - Sales <i>Balances transferred</i>	13,825	450 200 175 250 600 750 600 100 200 5,500 5,000
	Profit and Loss Capital <i>Net Profit transferred</i>	9,475	9,475

(ii)

Income Statement of Splendid Account for the year ended 31 December 2019			
Sales			34,250
Less Cost of Goods Sold			
Opening Inventory	7,500		
Purchases	14,500		
Duty	300		
Goods available for sale	<u>22,300</u>		
Less Closing Inventory	-9,000		13,300
Gross Profit			20,950
Add other Operating Income			
Discount Received			<u>2,350</u>
Total Operating Income			23,300
Less Operating Expenses			
Marketing			
Advertising	450		
Cartage Outwards	175		
Salaries - Sales	<u>5,000</u>	5,625	
Administration			
Depreciation	250		
Electricity	600		
Insurance	100		
Rates	200		
Salaries – Office	<u>5,500</u>	6,650	
Financial			
Doubtful Debts	750		
Discount Allowed	600		
Bad Debts	<u>200</u>	1,550	13,825
Net Profit			\$9,475

8. (b) Perpetual Inventory System

(i) General Journal of Splendid Account			
Date	Particulars	Debit	Credit
31/12	Doubtful Debts Allowance for Doubtful Debts <i>Creation an allowance for Doubtful Debts</i>	750	750
	Prepaid Expenses Insurance <i>Insurance paid in advance</i>	25	25
	Salaries - Sales Accrued Expenses <i>Salaries due but not paid</i>	500	500
	Depreciation - Machinery Accumulated Depreciation - Machinery <i>Depreciation charged for the year - Machinery</i>	250	250
	Sales (net) Trading <i>Balances transferred</i>	34,250	34,250
	Trading Cost of Goods Sold <i>Balances transferred</i>	13,300	13,300
	Trading Profit and Loss <i>Gross Profit transferred</i>	20,950	20,950
	Discount Received Profit and Loss <i>Balance transferred</i>	2,350	2,350
	Profit and Loss Advertising Bad Debts Cartage Out Depreciation Discount Allowed Doubtful Debts Electricity Insurance Rates Salaries - Office Salaries - Sales <i>Balances transferred</i>	13,825	450 200 175 250 600 750 600 100 200 5,500 5,000
	Profit and Loss Capital <i>Net Profit transferred</i>	9,475	9,475

(ii)

Income Statement of Splendid Account for the year ended 31 December 2019			
Sales			34,250
Less Cost of Goods Sold			<u>-13,300</u>
Gross Profit			20,950
Add other Operating Income			
Discount Received			<u>2,350</u>
Total Operating Income			23,300
Less Operating Expenses			
Marketing			
Advertising	450		
Cartage Outwards	175		
Salaries - Sales	<u>5,000</u>	5,625	
Administration			
Depreciation	250		
Electricity	600		
Insurance	100		
Rates	200		
Salaries – Office	<u>5,500</u>	6,650	
Financial			
Doubtful Debts	750		
Discount Allowed	600		
Bad Debts	<u>200</u>	1,550	13,825
Net Profit			<u>\$9,475</u>

10. Perpetual Inventory System

(i) Alice Blue Gowns General Journal			
Date	Details	Debit	Credit
30/06	Sales	330,200	
	Trading		330,200
	Balance transferred		
	Trading	192,350	
	Cost of Goods Sold		192,350
	Balances transferred		
	Trading	137,850	
	Profit and Loss		137,850
	Gross Profit Transferred		
	Discount Received	1,350	
	Profit and Loss		1,350
	Balance Transferred		
	Profit and Loss	73,410	
	Commission Expenses - Sales		2,100
	Salaries - Office		2,590
	Insurance		1,200
	Salaries - Sales		50,870
	Office Expenses		4,400
	Advertising		3,250
	Telephone & Fax		2,100
	Depreciation		6,300
	Discount Allowed		600
	Balances Transferred		
	Profit and Loss	65,790	
	Capital		65,790
	Net Profit Transferred		
	Capital	5,000	
	Drawings		5,000
	Drawings set off against Capital		

(ii)

Income Statement of Alice Blue Gowns for the year ended 30 June 2020			
Sales			\$ 330,200
Less Cost of Goods Sold			-192,350
Gross Profit from Trading			<u>137,850</u>
Add Discount Received			1,350
Total Operating Income			<u>139,200</u>
Less Expenses			
Marketing			
Advertising	3,250		
Salaries – Sales	50,870		
Commission Paid – Sales	<u>2,100</u>	56,220	
Administration			
Depreciation	6,300		
Insurance	1,200		
Office Expenses	4,400		
Salaries – Office	2,590		
Telephone & Fax	<u>2,100</u>	16,590	
Financial			
Discount Allowed	600	600	73,410
Net Profit			<u>\$ 65,790</u>

Balance Sheet of Alice Blue Gowns as at 30 June 2020			
Current Assets			
Accounts Receivable	\$ 17,000		
Allowance for Doubtful Debts	<u>-1,000</u>	16,000	
GST Paid (Net) (2,500-2,000)		500	
Inventory		<u>10,500</u>	27,000
Non-Current Assets			
Land and Building		200,000	
Office Equipment	2,950		
Accumulated Depn - Office Equipment	<u>-2,600</u>	350	
Vehicles	56,000		
Accumulated Depn - Vehicles	<u>-15,000</u>	41,000	241,350
Total Assets			268,350
Current Liabilities			
Accounts Payable		7,250	
Bank Overdraft		<u>5,120</u>	12,370
Non-Current Liabilities			
Mortgage on Freehold		73,000	73,000
Total Liabilities			85,370
Net Assets			<u>182,980</u>
Owner's Equity			
Capital Op Balance		122,190	
Net Operating Profit		<u>65,790</u>	
		187,980	
Less Drawings		<u>- 5,000</u>	
			<u>182,980</u>