

F230.8-43

K

791



8090871

外文书库

30.8-43  
=601

# KEY TO CARTER'S ADVANCED ACCOUNTS

0596

BY

R. A. GOODMAN

REVISED BY

HENRY H. SMITH



LONDON  
SIR ISAAC PITMAN & SONS, LTD.

*Published 1952*  
*Reprinted 1955*

SIR ISAAC PITMAN & SONS, LTD.

PITMAN HOUSE, PARKER STREET, KINGSWAY, LONDON, W.C.2  
THE PITMAN PRESS, BATH

PITMAN HOUSE, BOUVERIE STREET, CARLTON, MELBOURNE  
27 BECKETTS BUILDINGS, PRESIDENT STREET, JOHANNESBURG

ASSOCIATED COMPANIES

PITMAN MEDICAL PUBLISHING COMPANY, LTD.  
45 NEW OXFORD STREET, LONDON, W.C.1

PITMAN PUBLISHING CORPORATION  
2 WEST 45TH STREET, NEW YORK

SIR ISAAC PITMAN & SONS (CANADA), LTD.  
(INCORPORATING THE COMMERCIAL TEXT BOOK COMPANY)  
PITMAN HOUSE 381-383 CHURCH STREET, TORONTO

KEY TO CARTER'S  
ADVANCED ACCOUNTS

## **BOOK-KEEPING AND ACCOUNTING**

By A. J. BOOTH, C.A.

Fundamental principles and practical methods. With revision questions and answers.

In demy 8vo, cloth gilt, 146 pp. 6s. Key, 7s. 6d. net.

## **BOOK-KEEPING: The Modern Approach**

By SQUIRE H. FLITCROFT. 7s. 6d.

"... the book is outstanding in that it introduces the student to such subjects as 'The Calculation and Comparison of Results,' 'Provisions and Adjustments' ... We consider the work should be very helpful to the private student and an excellent textbook in the hands of a class teacher ... Mr. Flitcroft's modern approach creates a new interest in the subject ..."—  
*The Commercial Accountant.*

## **THE PRINCIPLES OF AUDITING**

**A Practical Manual for Students and Practitioners**

By F. R. M. DE PAULA, C.B.E., F.C.A.

The principles of auditing are explained in a thoroughly practical manner. Acts of Parliament and Reports of Law Cases have not been included, but the whole of the ground with which students of auditing must be familiar is explained thoroughly. One hundred examination questions are included.

In royal 8vo, cloth gilt, 348 pp. 25s.

**PITMAN**

## P R E F A C E

THIS Key has been prepared for the purpose of giving assistance to teachers and students in the correction of work. All practical exercises have been *adequately* worked.

Economy has been effected by the omission of folios and minor Ledger accounts. Narrations for Journal entries have been made only where such have been asked of the examinee.

In a few cases, questions have been passed over by a reference to the textbook, as it has been thought unnecessary to duplicate information contained in *Advanced Accounts*.

Every care has been taken to ensure that adequate and accurate working which may reasonably be expected in a book of this kind, if it is to save the teacher and the student disappointment.

The present edition is based on the completely revised edition of *Carter's Advanced Accounts*, first issued in 1950.

It will be recognized that matters relating to income tax are dealt with on the basis prevailing at the time the questions were compiled, as are the questions relating to the final accounts of limited companies.

An example of the final accounts of a limited company constructed and arranged on the lines laid down in the Companies Act, 1948, is given in the Appendix.

# APPENDIX

## CONSOLIDATED BALANCE SHEET OF ORDINARY (HOLDINGS), LIMITED, AND MADE UP TO 30TH NOVEMBER (AS TO WHICH SEE NOTE

(Adjusted to

Previous  
Period  
£

	£	£
I. SHARE CAPITAL AND SURPLUSES OF ORDINARY (HOLDINGS), LTD.		
Capital—Authorized and Issued: 70,000 Ordinary Shares of £1 each, fully paid		70,000
Share Premium Account as per last Balance Sheet		3,500
Capital Reserve—		
Surplus on book values on revaluation of fixed assets in 1946	6,000	
Add: Amount transferred from Profit and Loss Account for period	1,000	7,000
Revenue Reserves and Undistributed Profits—		
Dividend Equalization Account:		
Balance at 1st January, 1948	3,000	
Less: Transferred to Profit and Loss Account for this period	1,000	2,000
Profit and Loss Account:		
Holding Company	658	
Subsidiary Company	200	858
		83,358
II. TAXATION RESERVE—		
Income Tax Schedule D, 1949-50 (subject to agreement)		3,700
III. SHARE CAPITAL AND SURPLUS OF OUTSIDE SHAREHOLDERS OF SUBSIDIARY COMPANY		4,000
IV. DEBENTURES—		
4 per cent Mortgage—Authorized £10,000: Amount issued and outstanding (secured on certain fixed assets)		3,000
V. 4 PER CENT LOAN REPAYABLE BY 1950		2,000
VI. CURRENT LIABILITIES—		
Sundry Trade Creditors and Accruing Expense	25,940	
Interest accrued	110	
Inter-company balances (due to varying balancing dates)	500	
Current Taxation, 1948-49 (as agreed)	3,957	
Profit Tax on Profits for the year (subject to agreement)	1,400	31,907
VII. PROVISIONS—		
Contract Contingencies:		
Amount set aside from profits this period		1,000
Deferred Repairs:		
Balance at 1st January, 1948	500	
Less: Amount transferred to Profit and Loss Account being no longer required	500	
VIII. DIVIDENDS PROPOSED FOR PAYMENT (net)—		
Holding Company	3,850	
Outside Shareholders of Subsidiary Company	135	3,985

NOTES. The consolidated Balance Sheet does not include the case of a subsidiary company of which no accounts are yet available due to that company having been incorporated on 1st December, 1948.

Certain currency assets of the holding company have been converted into sterling at Bank of England official rates.

There are contingent liabilities of £2,000 in respect of investments not fully paid.

The financial year of the subsidiary company does not coincide with the holding company, as if it did, the preparation of consolidated accounts would be delayed.

ITS SUBSIDIARY DEPENDENT SERVICES, LIMITED, WHOSE ACCOUNTS ARE  
LOW AS REGARDS DATES) AT 31st DECEMBER, 1948

nearest £)

Previous  
Period  
£

	£	£
I. FIXED ASSETS at cost or valuation, including additions, less sales at cost subsequent to valuation and amounts written off—		
FREEHOLD PROPERTY—		
Holding Company at valuation in 1946 . . . . .	20,000	
At cost not included in valuation . . . . .	5,000	
	<u>25,000</u>	
Purchases less Sales subsequent to valuation at cost, in previous periods:		
Holding Company . . . . .	£18,000	
Subsidiary Company . . . . .	7,000	
	<u>25,000</u>	
	50,000	
Additions less sales at cost this period:		
Holding Company . . . . .	£2,000	
Subsidiary Company . . . . .	3,000	
	<u>5,000</u>	
	55,000	
AGGREGATE COST OR VALUATION		
	Previous periods	This period
	£	£
Less: Amounts written off—		
Holding Company . . . . .	3,000	500
Subsidiary . . . . .	1,000	250
	<u>4,000</u>	<u>750</u>
		4,750
PLANT AND MACHINERY, TRANSPORT AND OFFICE EQUIPMENT		50,250
	At Cost	Less Depreciation
	Previous periods	This period
	£	£
Plant and Machinery . . . . .	25,000	8,000
Transport . . . . .	5,000	1,000
Office Equipment . . . . .	4,000	600
	<u>34,000</u>	<u>9,600</u>
		3,700
II. GOODWILL at cost, being premium paid by holding company on acquisition of shares in subsidiary company . . . . .		5,000
III. INTEREST IN SUB-SUBSIDIARY COMPANY—SHARES at cost (no accounts have yet been prepared by this company, which was incorporated on 1st December, 1948) . . . . .		5,000
IV. INVESTMENTS at cost—		
	Quoted*	Unquoted†
	£	£
Trade: Holding Company . . . . .	5,000	—
Subsidiary Company . . . . .	5,000	—
Other: Holding Company . . . . .	10,000	1,000
	<u>£20,000</u>	<u>£1,000</u>
		21,000
* Market value at 31st December, 1948, £20,250.		
† Director's valuation, £1,100.		
V. CURRENT ASSETS—		
	Holding Company	Subsidiary Company
	£	£
Stocks on Hand at cost as certified by the company's officials . . . . .	8,000	4,000
Sundry Trade Debtors and Payments in Advance less provision for doubtful debts . . . . .	4,000	3,000
Amount owing to Sub-subsidiary Company on Current Account (not consolidated) . . . . .	1,000	—
Cash at Bank . . . . .	6,000	2,000
	<u>£19,000</u>	<u>£9,000</u>
		£28,000
VI. LOANS TO EMPLOYEES under share investment scheme per last Balance Sheet . . . . .		1,000
VII. CAPITAL EXPENSES at cost—		
Preliminary Expenses of Subsidiary Company . . . . .		2,000
		<u>£132,950</u>

£

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED  
SUBSIDIARY DEPENDENT  
(Adjusted to

Previous Period		£	£
£	To Auditor's Fees and Expenses . . . . .		750
	„ Debenture Interest (net) . . . . .	66	66
	„ Loan Interest (net) . . . . .		44
	„ Depreciation and Amounts Written off—		
	Freehold Properties . . . . .	750	
	Plant and Machinery . . . . .	2,500	
	Transport . . . . .	1,000	
	Office Equipment . . . . .	200	
			4,450
	„ British Taxation—		
	Schedule D, 1949-50 (subject to agreement) . . . . .	3,700	
	Profit Tax on profits for the year . . . . .	1,400	
	Schedule A, 1948-49, and tax on investment income, less tax retained on interest paid during the year . . . . .	780	5,880
	„ Reserves—Amount transferred to Capital Reserve Account . . . . .		1,000
	„ Provisions—Amount transferred to Contracts Contingencies Account . . . . .		1,000
	„ Balance, being Consolidated Income for the Year—		
	Belonging to Minority Shareholders of Subsidiary Company . . . . .	500	
	Belonging to Group . . . . .	1,743	
			2,243
£			<u>£15,433</u>
	To Dividends Proposed (net)—		
	10 per cent Ordinary Dividend for the year ended 31st December, 1948, less tax at 9s. in the £ . . . . .		3,850
	10 per cent Ordinary Dividend provided for minority interests in subsidiary company, less tax at 9s. in the £ (in respect of the subsidiary year ended 30th November, 1948) . . . . .		135
	„ Balance, being Undistributed Profits carried forward to next year—		
	Group Interest (£200 is retained in the accounts of the subsidiary company) . . . . .		858
	Minority Interest . . . . .		400
£			<u>£5,243</u>

31st DECEMBER, 1948, OF ORDINARY (HOLDINGS), LIMITED, AND ITS  
SERVICE, LIMITED

nearest £)

Previous  
Period  
£

By Combined Trading Profit after providing for Expenses of Working and Management, but before charging the items per contra or the receipts shown below		£
„ Investment Income (gross)—		13,303
Trade	830	
Other	300	
(Tax deducted—£284)		630
„ Provisions—		
Past over-provision for deferred repairs		500
„ Non-recurring Profits—		
Profit on Sale of Property.		1,000

£

£15,433

By Balance of Consolidated Income for the year, brought down—		
Belonging to Group	1,743	
Belonging to Minority Interests	500	
„ Balance brought forward from 1947		2,243
„ Reserves—Amount transferred from Dividend Equalization Account		2,000
		1,000

£

£5,243

# KEY TO ADVANCED ACCOUNTS

## EXERCISE I—No. 1.

### JOURNAL ENTRIES

		£	s.	d.	£	s.	d.
19..							
(a) Jan. 15	Office Furniture and Fittings, etc.—NEW To Office Furniture and Fittings, etc.—OLD Exchange of 3 carpets, valued £4 each, for 2 office desks worth £12.	12	—	—	12	—	—
19..							
(b) Jan. 17	Office Furniture and Fittings, etc.—NEW To Office Furniture and Fittings, etc.—OLD Exchange of office safe, valued £20, for typewriter worth £25.	25	—	—	25	—	—
" 17	Office Furniture and Fittings, etc.—OLD To Gain on Sale/or Exchange of Furniture, etc. For adjustment of value for which OLD furniture was exchanged.	5	—	—	5	—	—
		£42	—	—	£42	—	—

## EXERCISE I—No. 2.

### PURCHASES BOOK

		£	s.	d.	£	s.	d.
19..							
Jan. 1	A. Brown— 20 Bags of Coffee . . . . . Less 10% trade discount . . . . .	81 8	— 2	— —	72	18	—
" 5	R. Smith & Co.— 12 cases of Sugar . . . . . Less 12½% trade discount . . . . .	48 6	16 2	— —	42	14	—
" 9	T. Titus— 6 chests of Tea . . . . . Less 20% trade discount . . . . .	45 9	15 3	5 1	36	12	4
" 15	O. Omicron & Son— 20 bags of Coffee . . . . . Less 7½% trade discount . . . . .	80 6	16 1	8 3	74	15	5
" 23	P. Peters, Ltd.— 20 cases of Sugar . . . . . Less 5% trade discount . . . . .	61 3	— 1	— —	57	19	—
" 27	L. Lucas— 12 bags of Cocoa . . . . . Less 25% trade discount . . . . .	38 9	6 11	0 6	28	14	6
					£313	13	3

## EXERCISE I—No. 3.

## JOURNAL ENTRIES

(P. SMITH'S BOOKS)

(1)

		£	s.	d.	£	s.	d.
19..							
Feb. 1	J. Swift . . . . .	580	—	—	580	—	—
	To Sales . . . . .						
" "	Bills Receivable . . . . .	450	—	—	450	—	—
	To J. Swift . . . . .						
	For bills of exchange of £250 and £200 for periods of two and four months respectively						
" "	J. Swift . . . . .	8	16	8	4	10	—
	To Commission . . . . .						
	1% of £450.				1	13	4
	To Discount . . . . .						
	4% of £250 for two months.				2	13	4
	To Discount . . . . .						
	4% of £200 for four months.						
" "	Cash . . . . .	138	16	8	138	16	8
	To J. Swift . . . . .						
	£130 as agreed and £8 16s. 8d. (the amount of the commis- sion and discounts).						
		£1,177	13	4	£1,177	13	4

## LEDGER

Dr.		(1)			JOHN SWIFT			(1)			Cr.	
19..			£	s.	d.	19..		£	s.	d.		
Feb. 1	To Sales . . . . .	580	—	—	Feb. 1	By Bills Receivable	450	—	—			
" "	" Commission . . . . .	4	10	—	" "	" Cash . . . . .	138	16	8			
" "	" Discount . . . . .	4	6	8								
		£588	16	8			£588	16	8			

## EXERCISE I—No. 4.

## RECONCILIATION STATEMENT

	£	s.	d.	£	s.	d.
Bank Balance as per Pass Book . . . . .				205	15	5
<i>Add</i> cheques paid in NOT credited—						
Plumer . . . . .	98	—	2			
Methuen . . . . .	208	16	4			
Cronje . . . . .	84	14	9			
				391	11	3
<i>Deduct</i> cheques paid away NOT yet presented—				597	6	8
Chernside . . . . .	41	—	10			
Hunter . . . . .	101	4	8			
				142	5	6
Bank Balance as per Cash Book, 31st Dec. . . . .				£455	1	2

## EXERCISE I—No. 5.

## BANK RECONCILIATION STATEMENT

	£	s.	d.
Balance shown in Bank Sheet . . . . .	1,123	4	7
<i>Add</i> cheques paid in NOT credited . . . . .	72	—	8
	1,195	5	3
<i>Less</i> cheques unrepresented . . . . .	240	6	2
Balance as Cash Book (a) . . . . .	954	19	1
<i>Add</i> Amounts not posted to Cash Book . . . . .	20	14	4
Balance as Cash Book (b) . . . . .	975	13	5
<i>Less</i> amounts not posted to Cash Book . . . . .	2	6	8
	£973	6	9

(a) After adjustment of omitted items.

(b) The Cash Book balance should have been £973 6s. 9d., and not £968 3s. 2d., as stated in the question.

There is thus a difference of £5 3s. 7d. which should be located by a check of the entries in the bank columns of the Cash Book with the entries on the Bank Sheets.

NOTE. The question does not seem to be perfectly clear as regards the item of Bank Interest. If it is intended to be a charge and not an allowance, the difference will be £9 16s. 11d.

# EXERCISE I—No. 6.

Dr.

## PETTY CASH BOOK OF W. MEARS

Cr.

Cash Received			Date	Particulars	Cash Paid			Trade Expenses			Office Expenses			Postages			Travelling Expenses		
£	s.	d.			£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
100	-	-	Jan. 2	To Bank															
			" 2/7	By Sundry Payments (a)	84	8	10	50	2	1	13	6	9	12	-	-	9	-	-
84	8	10	" 7	To Bank	100	-	-		Fo.			Fo.			Fo.			Fo.	
			" 7	By Balance c/d															
£184	8	10			184	8	10												
100	-	-	" 9	To Balance b/d															
			" 9/14	By Sundry Payments	76	9	8	38	6	1	18	4	8	10	4	6	9	14	5
76	9	8	" 14	To Bank	100	-	-		Fo.			Fo.			Fo.			Fo.	
			" 14	By Balance c/d															
£176	9	8			176	9	8												
100	-	-	" 16	To Balance b/d															
			" 16/21	By Sundry Payments	89	6	11	54	4	7	15	2	11	11	2	3	8	17	2
89	6	11	" 21	To Bank	100	-	-		Fo.			Fo.			Fo.			Fo.	
			" 21	By Balance c/d															
£189	6	11			189	6	11												
100	-	-	" 23	To Balance b/d															
			" 23/28	By Sundry Payments	90	4	2	52	1	9	14	7	8	12	10	-	11	4	9
90	4	2	" 28	To Bank	100	-	-		Fo.			Fo.			Fo.			Fo.	
			" 28	By Balance b/d															
£190	4	2			190	4	2												
100	-	-	" 30	To Balance b/d															

(a) In practice, each item would be enumerated as under—  
By Trade Expenses  
" Office  
" Postages  
" Travelling

(a) In practice, each item would be enumerated as under—  
 By Trade Expenses  
 " Office  
 " Postages  
 " Travelling

## EXERCISE I—No. 7.

See *Advanced Accounts*, page 6 (under "Present-day Use of Journal").

Books in daily use in the Counting-house of a City Warehouseman are as enumerated below—

(1) Ledger; (2) Cash Book; (3) Purchases Book; (4) Sales Book; (5) Returns Books [(a) In, (b) Out]; (6) Bills Books. [(a) Receivable, (b) Payable.]

## EXERCISE I—No. 8.

## SALES BOOK

19..		£	s.	d.
July 1	A. Bunn— 1 bale Stuff Goods. (20 pieces, each 25 yds. @ 9d. a yard).	18	15	—

Terms : 1 month 6% prompt Cash.

## CASH BOOK

(DEBIT SIDE)

		Discount.			Cash.		
19..		£	s.	d.	£	s.	d.
Aug. 1	To A. Bunn . . . . .	1	2	6	17	12	6

## EXERCISE I—No. 9.

See *Advanced Accounts*, Chapter IX.

## EXERCISE I—No. 10.

## JOURNAL OF JOHN FARMER, WOOD MERCHANT

		£	s.	d.	£	s.	d.
(a)	Commission . . . . . Dr.	233	11	2	233	11	2
	To Mr. Low . . . . .						
	2½% of £9,342 6s. 6d.						
(b)	Solicitor's Charges . . . . . Dr.	9	4	6			
	Cash . . . . .	78	6	2			
	To H. Smith . . . . .				87	10	8
	Settlement of H. Smith's Account .						
(c)	Sundry Assets . . . . . Dr.	40	—	—			
	To D. Harris . . . . .				40	—	—
	Second-hand car purchased from D. Harris (debtor).						

## EXERCISE I—No. 11.

A reference to *Advanced Accounts*, pages 3 to 5, will give the necessary information on the question.

## EXERCISE I—No. 12.

The books generally used in a Merchant's Office are as follows—

- |                            |                                |
|----------------------------|--------------------------------|
| (1) Journal.               | (6) Bank Cash Book.            |
| (2) Purchases Book.        | (7) Petty Cash Book (Imprest). |
| (3) Sales Book.            | (8) Bills Receivable Book.     |
| (4) Returns Inwards Book.  | (9) Bills Payable Book.        |
| (5) Returns Outwards Book. | (10) Ledger.                   |

The Cash Book ruling recommended is as example in Chapter IX of *Advanced Accounts*.

## EXERCISE I—No. 13.

## JOURNAL ENTRIES

		£	s.	d.	£	s.	d.
19..							
July 5	J. Smith . . . . . Dr.	147	10	—			
	To Bills Payable . . . . .				147	10	—
	For acceptance at 3 mos. dated 1st July						
„ 5	Bills Receivable. . . . . Dr.	126	4	—			
	To Wm. Dart . . . . .				126	4	—
	For acceptance at 2 mos. dated 2nd July						
		£273	14	—	£273	14	—

## PURCHASES BOOK

		£	s.	d.
19..				
July 7	Wallace & Co.—			
	20 bales Fancy @ £25 a bale. . . . .	500	—	—

## SALES BOOK

		£	s.	d.
19..				
July 2	P. Jones—			
	12 pieces Tapestry (240 yds. @ 1/9) . . .	21	—	—
„ 10	F. Humble—			
	20 pieces Fancy @ £35 a piece . . . . .	700	—	—
		£721	—	—

Dr.

## CASH BOOK

Cr.

			Discount.	Bank.			Discount.	Bank.
19..	To Sales	.	£	s. d.	19..	By W. Smith (Cheque No. 40)	£	s. d.
July 2	" Sales	.		10 -	July 2	Wallace & Co. (Cheq. No. 41)	54 -	- -
" 3	" " J. Brown	.		39 15 -	" 9	" " Salaries (Cheque No. 42)	485 -	- -
" 4	" Sales	.	4	10 -	" 10		12 10 6	- -
" 4	" Sales	.		54 -				
" 5	" Sales	.		47 -				
" 5	" Sales	.		40 -				
" 7	" Sales	.		25 6 -				
" 9	" P Jones	.	10	9 6				
" 9	" Sales	.		20 -				
" 10	" Sales	.		14 10 -				
" 31	" Sales	.		25 -				
	" Bank Overdraft	.		160 -				
			£5 -	6			£17 14 -	10 6
				£551 10 6				