

# Business studies comparison paper

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Financial Accounts  
 The Assignment  
 Liam O’Brady owns a business selling musical instruments. The following trial balance has been extracted from the books of account at 31 October 2012.

Dr	Cr
Bank balance	19281
Capital balance as at 1 November 2011	161489
Carriage inwards	480
Carriage outwards	2110
Discounts	664811
Drawings	28650
Fixtures and fittings – at cost	62200
Fixtures and fitting – provision for depreciation	27990
General expenses	7436
Insurance	1158
Purchases and sales	129745206543
Rent and rates	10926
Returns	375619
Inventory at 1 November 2011	148560

Accounts receivable and payable 1128516407 Wages and salaries 29551333140333140  
 Additional information: W ages owing to employees at the period end amounted to ? 830. The accountants invoice for preparing the full accounts is expected to be ? 720 Liam plays drums as a hobby. During the year, he took various items from the business for his own use.

The items had a cost price of ? 1760 The landlord charges a total of ? 8000 per annum and the local authority levies rates at ? 2400 per annum. Included in Accounts Receivable is an invoiced amount of ? 207.

This has been outstanding for almost 12 months, and Liam accepts that it will not be paid. He also anticipates that 5% of the Accounts Receivable balance might not be paid. He thinks that provision should be made for this now. Liam has recently discovered a small number of invoices which he paid for with his personal credit.

Card. They total ? 642 and are mostly for materials used to repair the shop counter. Depreciation is to be provided on fixtures and fittings at 20% per

annum using the straight line basis. During the year, Liam purchased a light van for ? 4200.

This is to be included in the business and depreciation provided at 25% per annum using the reducing balance basis. Stocks as at 31 October 2012 According to the stock records as at 7 November 2012, the stock, valued at cost, came to ? 55630.

During November sales of ? 3225 were recorded, as were purchases of ? 2300. The following matters also need to be taken into consideration: Eight classical guitars costing ? 220 each need to be repaired before they can be sold. It is expected that each guitar will cost ? 35 to repair and that they can then be sold for ? 260 each. Two drum kits, costing ? 00, would normally sell for ? 1200. They have been “ on sale” at ? 1175 each for several months. It is decided to drop the sale price even further to ? 975 each and to re-skin some of the drums at a total cost of ? 130.

According to the stock records, there are 27 recorders, with a value of ? 4 each. The stock-take revealed that there were only 22 recorders. G  
hjkjhlhjhjn Liam O’Brady Required tasks Task 1 Review the additional information items and prepare the journals that will be required. Each journal is to include a brief description indicating why it is required. Task 2

Stock is to be valued in accordance with accepted accounting practice. State what the standard practice is.

Prepare a memorandum note for Liam O’Brady explaining any adjustments you propose to make to the stated stock value (? 55630). State the final stock value that you propose to use. Show any workings. Task 3 Using the <https://assignbuster.com/business-studies-comparison-paper/>

information given above prepare the Income Statement (Trading, profit and loss account) for the year ended 31 October 2012 and Statement of Financial Position (Balance sheet) as at 31 October 2012 Task 4 Liam O’Brady has used a manual accounting system for several years.

After meeting with fellow businessmen at a local Chamber of Commerce workshop, he is now thinking about computerising the accounts and sales control aspects of his record systems. He is asking for your comments / advice about the matter.

After carrying out suitable research, you are to prepare a formal report for Mr O’Brady which identifies possible advantages and disadvantages of computerising the accounts function. You are not required to identify, or be familiar with, any particular accounting software package that is in the marketplace. SUBMISSION DATE: Thursday 14 January 2013