

- 1 Tariq owns a retail business but does not maintain full accounting records. All goods are purchased on credit, but all sales are on a cash basis.

Tariq provided the following information for the year ended 30 September 2019.

	\$
Trade payables	
1 October 2018	4 980
30 September 2019	7 220
Payments to trade payables	70 300
Discounts received	940

REQUIRED

- (a) Calculate credit purchases for the year ended 30 September 2019.

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Additional information

Assets and other liabilities

	30 September 2019	1 October 2018
	\$	\$
Furniture and equipment at valuation	28 300	26 800
Inventory	8 080	7 410
Other receivables: rent prepaid	—	990
Cash at bank	1 960	3 360
Cash in hand	410	820
Bank loan	15 000	12 000
Other payables: rent accrued	1 040	

Summary of information taken from bank statements

	\$
Receipts	
Cash takings banked	112 400
Additional bank loan	3 000
Payments	
Trade payables	70 300
Rent of premises	14 930
New furniture	5 200
Accountant's fees	640
Loan interest	580
Drawings	25 150

Tariq took goods for personal use valued at cost \$390 during the year.

REQUIRED

- (b) Calculate the depreciation of furniture and equipment for the year ended 30 September 2019.

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Additional information

Tariq took some cash from the cash box as drawings during the year. However, no record was made of the amounts withdrawn. The following information is also available about cash.

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Cash sales	133 200
Wages of assistant	18 800

REQUIRED

(c) Calculate Tariq's cash drawings for the year ended 30 September 2019.

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(d) Prepare the income statement for the year ended 30 September 2019.

Tariq
Income statement for the year ended 30 September 2019

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Workings:

(e) Explain the accounting concepts of:

(i) business entity

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[2]

(ii) substance over form.

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Additional information

Tariq has become concerned about his business's liquidity. He is considering two options.

Option 1: reduce the inventory levels

Option 2: delay payments to suppliers

REQUIRED

(f) Advise Tariq which of these actions he should take. Justify your advice.

[5]