

- 2 Rowsell does not keep full accounting records. However, the following information is available for the year ended 31 May 2017:

	\$
Inventory at cost	
1 June 2016	19 600
31 May 2017	16 300
Trade payables	
1 June 2016	14 350
31 May 2017	17 220
Rent paid	19 500
Telephone charges paid	2 750
Non-current assets net book value at 1 June 2016	24 600
Cheque payments to trade payables	144 715

Additional information

- 1 All goods were sold with a 20% mark-up on cost.
- 2 A non-current asset with a net book value of \$9380 was sold during the year for \$10 175.
- 3 Non-current assets are depreciated using the reducing balance method at a rate of 25% per annum. It is the policy to provide depreciation for the full year in the year of addition and none in the year of disposal.
- 4 The charge for rent is \$1500 per month.
- 5 Telephone charges paid cover the period up to 31 March 2017. An amount for the quarter to 30 June 2017 of \$840 was paid in July 2017.
- 6 All purchases were made on a credit basis.

(a) Prepare the income statement for the year ended 31 May 2017.

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(b) State **three** benefits of keeping full double entry accounting records for a business.

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