

- 1 Anton, a sole trader, does not keep proper books of account. He supplies the following information for the year ended 30 September 2015.

	1 October 2014	30 September 2015
	\$	\$
Office fixtures at net book value	9 500	8 600
Delivery vehicles		
Cost	15 700	?
Accumulated depreciation	4 600	?
Trade payables	12 670	13 460
Trade receivables	10 500	9 670
Rent payable owing	1 500	2 400
Cash	980	445
Inventory	24 640	40 800
Bank	2 400 Credit	?

Summary of Anton's bank account is as follows.

Bank Account Summary

	\$
Receipts	
Receipts from credit customers	153 300
Cash sales banked	12 900
Sale of delivery vehicle	5 400
Payments	
Payments to credit suppliers	118 900
Wages	17 800
Rent	8 500
Electricity	7 540
General expenses	4 630
Purchase of delivery vehicle	13 600

Additional information

- 1 The inventory at 30 September 2015 was valued at selling price. Anton applies a mark up of 50%.
- 2 During the year a delivery vehicle which had cost \$9000 on 1 October 2012 was sold for \$5400.
- 3 Delivery vehicles are depreciated at 20% per annum using the reducing balance method. Depreciation is charged in the year of purchase but not in the year of sale.
- 4 Anton took cash drawings of \$600 per month before the cash sales were banked but has not recorded these. He also took goods for his own use which had a sales value of \$2763.
- 5 Total cash sales were \$20 476.
- 6 There are unrecorded delivery vehicle expenses not accounted for.

REQUIRED

(a) Prepare Anton's income statement for the year ended 30 September 2015.

[illegible]

[illegible]

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Additional information

Anton is not sure if he will recover all trade receivables due and has been advised to set up a provision for doubtful debts. He plans to write off a bad debt of \$750 and set up a provision for doubtful debts at 4%.

REQUIRED

(c) Calculate the effect these adjustments would have on his profit.

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(d) Explain why he should include the provision for doubtful debts in his accounts.

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