

- 3 Jason prepared the following statement of financial position which contained errors.

Statement of financial position at 31 December 2020

	\$	\$
Non-current assets		
Cost	65 000	
Provision for depreciation	<u>31 000</u>	
		34 000
Current assets		
Inventory	17 390	
Trade receivables	14 800	
Other payables	700	
Bank overdraft	<u>490</u>	
		<u>33 380</u>
		<u>67 380</u>
Capital		
Opening balance	56 950	
Profit for the year	11 270	
Drawings	<u>(18 450)</u>	
		49 770
Non-current liabilities		
Bank loan (repayable March 2021)		4 900
Current liabilities		
Provision for doubtful debts	480	
Other receivables	490	
Trade payables	<u>11 360</u>	
		<u>12 330</u>
		<u>67 000</u>

In addition to some items being recorded in the incorrect sections of the statement of financial position, the following errors have also been discovered.

- 1 Closing inventory had been overvalued by \$510.
- 2 The balance of the rent receivable account, debit \$220, had been included in other payables in the statement of financial position.
- 3 Depreciation at 20% per annum had been charged using the straight-line method instead of the reducing balance method at 20% per annum.
- 4 The balance of the drawings account had been understated by \$580.

REQUIRED

- (a)** Calculate the revised profit for the year ended 31 December 2020.

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(b) Prepare the corrected statement of financial position at 31 December 2020.

Corrected statement of financial position at 31 December 2020

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(c) Identify **three** types of error which do not affect the balancing of the trial balance.

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