

2 Daniel, a retailer, receives rent from a tenant.

The balance on the rent receivable account on 1 January 2019 was \$700. This represented rent received in advance at the beginning of the year.

During the year ended 31 December 2019 Daniel received total rent of \$4800 covering the 12-month period beginning 1 March 2019.

REQUIRED

(a) Prepare the rent receivable account for the year ended 31 December 2019.

Rent receivable account			
	\$		\$

[4]

(b) State in which section of the income statement for the year ended 31 December 2019 Daniel’s rent receivable should appear.

..... [1]

(c) State in which section of the statement of financial position at 31 December 2019 the balance of the rent receivable account should appear.

..... [1]

Additional information

Daniel had created a provision for doubtful debts of \$672 on 31 December 2018. At this date trade receivables appeared on the statement on financial position with a net value of \$16 128.

At 31 December 2019 Daniel decided to maintain the provision for doubtful debts at the same rate as in the previous year. Total trade receivables at 31 December 2019 were \$15 300 before making any adjustment for provision for doubtful debts.

REQUIRED

- (d) Calculate the increase or decrease in the provision for doubtful debts at 31 December 2019.

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..... [5]

- (e) State **two** accounting concepts which are applied when creating a provision for doubtful debts.

1

2 [2]

- (f) State **two** factors that a business could consider when setting a rate for provision for doubtful debts.

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2

..... [2]