

3 Noor, a sole trader, was preparing her business’s financial statements for the year ended 31 December 2018.

The following information is available.

At 1 January 2018

	\$
General expenses prepaid	480

During the year ended 31 December 2018

	\$
General expenses paid	12 400
Insurance premiums paid	6 480
Rent received	5 460

- At 31 December 2018
- 1 General expenses, \$1210, were due but unpaid.
  - 2 Insurance premiums paid included \$630 covering the six months ended 31 January 2019.
  - 3 Rent receivable of \$1200 for the three months ended 28 February 2019 had not yet been received.
  - 4 Inventory had been valued at a cost of \$11 400. However, it included several damaged items which had a selling price of \$840. All goods are sold with a mark-up of 50%. The damaged items could be sold but would require repairs costing \$360.

**REQUIRED**

(a) Calculate the amount to be recorded in the income statement for the year ended 31 December 2018 for each of the following items.

(i) General expenses

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..... [3]

(ii) Insurance

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..... [1]

(iii) Rent receivable

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..... [1]

(iv) Closing inventory

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..... [3]

**Additional information**

Noor's policy is to maintain a provision for doubtful debts at 5% of trade receivables at the end of the financial year.

**REQUIRED**

(b) State **two** accounting concepts which are applied when recording a provision for doubtful debts.

1 .....

2 ..... [2]

### Additional information

At 31 December 2017 Noor's trade receivables were \$34 200 after deducting the provision for doubtful debts.

At 31 December 2018 total trade receivables were \$37 200. This total included the accounts of the following two credit customers.

	\$
MN Limited	680
S Wells	360

Noor decided to write off these two accounts. She will maintain her provision for doubtful debts at 5% of trade receivables.

## REQUIRED

**(c)** Calculate the increase or decrease in the provision for doubtful debts at 31 December 2018.

[5]