

- 2 The following summary of receipts and payments for the year ended 31 December 2021 has been prepared from the business's bank statements.

Receipts	\$	\$
Cash sales banked	132 200	
Disposal of furniture and fittings	<u>3 480</u>	
Total receipts		135 680
Payments		
Drawings	18 390	
Trade payables	93 100	
Rent	14 750	
Additional furniture and fittings	8 000	
Installation costs for new fittings	380	
General expenses	<u>5 940</u>	
Total payments		140 560

- 3 Rafiq purchases all goods for resale on a credit basis.
- 4 All sales are on a cash basis.
- 5 A cash discount of 5% was received when Rafiq settled debts with trade payables during the year ended 31 December 2021.
- 6 At 31 December 2021 trade payables totalled \$9230.

REQUIRED

- (c) Calculate the total purchases for the year ended 31 December 2021.

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Additional information

During the year ended 31 December 2021:

- 1 Some cash takings were not banked but were used to pay wages, \$21 540, and drawings, \$2580.
- 2 Rafiq took goods costing \$480 for private use.
- 3 Furniture and fittings with a value of \$2950 were sold.

At 31 December 2021:

- 1 Cash takings of \$1200 had not yet been banked.
- 2 The balance of cash in hand was \$920.
- 3 Inventory was valued at \$11 920.
- 4 Furniture and fittings were valued at \$23 400.
- 5 Rent of \$1440 was prepaid.

REQUIRED

(d) Prepare the income statement for the year ended 31 December 2021.

Workings:

[illegible]

Additional information

Rafiq would like to expand his business but requires additional finance to carry out this plan. He is considering two options.

Option 1: Invite a friend, Khaled, to become a partner in the business. Khaled would introduce capital of \$10 000.

Option 2: Apply for a bank loan of \$10 000.

REQUIRED

- (e) Advise Rafiq which option he should choose. Justify your answer by discussing **both** financial and non-financial issues of **each** option.

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