

- 1 Reece, a sole trader, does not maintain a full set of accounting records. He has provided the following information for the year ended 30 June 2022.

	30 June 2022	1 July 2021
	\$	\$
Cash	110	240
Electricity accrued	380	420
Inventory	21 400	23 600
Machinery		
Cost	?	18 480
Accumulated depreciation	?	9 685
Rent paid in advance	1 100	950
Trade payables	8 520	6 285
Trade receivables	20 620	23 580

Bank account summary

Receipts	\$	Payments	\$
Balance b/d	1 860	Credit suppliers	80 140
Credit customers	149 810	Rent	12 250
Cash sales banked	7 170	Wages	36 240
Sale of machinery	4 000	Electricity	3 680
		General expenses	18 590
		New machinery	9 200
		Balance c/d	2 740
	<u>162 840</u>		<u>162 840</u>

The following information is also available.

- 1 Total cash sales for the year were \$15 280.
- 2 Reece had also paid cash for wages during the year but had not recorded this.
- 3 Reece took \$450 per month drawings before the cash sales were banked. He had also taken goods for his own use with a selling price of \$350 after a mark-up of 25%.
- 4 During the year, machinery that had cost \$6 000 on 1 July 2019 was sold.
- 5 Machinery is to be depreciated at 15% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase, but none in the year of disposal.

REQUIRED

(a) Calculate the total credit sales for the year ended 30 June 2022.

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(b) Calculate the total credit purchases for the year ended 30 June 2022.

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(c) Calculate the total **cash** paid for wages during the year ended 30 June 2022.

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(d) Calculate the depreciation charge for the year ended 30 June 2022.

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Additional information

Inventory at 30 June 2022 included damaged goods which had cost \$1800, but needed repairs costing \$350. The goods could then be sold for 30% less than the normal selling price of \$2250.

REQUIRED

- (e)** Prepare the income statement for the year ended 30 June 2022.

Reece

Income statement for the year ended 30 June 2022

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Workings:

(f) State **two** causes of depreciation of non-current assets.

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2 [2]

(g) Explain, with reference to an accounting concept in each case, why:

(i) a business should make a provision for depreciation of non-current assets

Accounting concept

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Explanation

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(ii) a business should make an adjustment for damaged inventory.

Accounting concept

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Explanation

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Additional information

Reece has been thinking of maintaining a full set of accounting records.

REQUIRED

- (h)** Advise Reece whether or not he should maintain a full set of accounting records. Justify your answer.

[5]