1 Iqbal runs a small trading business which has been in operation for several years. Iqbal pays all sales receipts into the business bank account. The following is a summary of the bank account for the year ended 31 March 2011.

Bank account summary for the year ended 31 March 2011

	$		$
Balance b/d	4 650	Trade payables	37 000
Trade receivables	85 000	Motor expenses	4 100
Cash sales	24 000	Rent	6 000
Capital	36 000	Rates	2 200
Loan	14 000	Wages	43 000
		Fixtures and fittings	40 000

Additional information

1 Discounts received from suppliers during the year ended 31 March 2011 were $500.

2 Iqbal allowed his customers discounts of $1400 during the year ended 31 March 2011.

3 Iqbal had taken goods at a cost price of $2400 for his personal use.

4 The loan was received on 1 October 2010 and interest is payable at 10% per annum.

5 The loan is due to be repaid in five years' time.

6 Iqbal has decided to create a provision for doubtful debts of 3% of the trade receivables outstanding at 31 March 2011.

7 Included in the wages figure in the bank account summary are Iqbal's drawings of $25 000.

The remaining assets and liabilities of Iqbal were:

	1 April 2010	31 March 2011
	$	$
Inventory at cost	8 000	9 200
Fixtures and fittings (Net Book Value)	36 000	68 000
Delivery van (Net Book Value)	10 000	7 500
Trade receivables	7 200	8 300
Trade payables	3 400	3 700
Motor expenses owing	300	–
Rent prepaid	400	600
Rates owing	200	–
Rates prepaid	–	300

REQUIRED

(a) Prepare the income statement (trading and profit and loss account) for Iqbal for the year ended 31 March 2011.

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(b) Prepare the statement of financial position (balance sheet) for Iqbal at 31 March 2011.

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[Total 30]

2 Klix Limited's book-keeper prepared the following details about the firm's outstanding trade receivables at 31 December 2010.

Age of debt	Trade Receivables
	$
Up to 30 days	16 800
31 to 60 days	12 600
61 to 90 days	7 100
Over 90 days	1 300

The following rates are applied for the estimation of doubtful debts.

Age of debt	%
Up to 30 days	1
31 to 60 days	2
61 to 90 days	3
Over 90 days	10

A provision for doubtful debts account is maintained. This had a balance of $800 on 1 January 2010.

The bad debts written off for the year ended 31 December 2009 amounted to $1420.

Debbie, a customer who owed the company $700, has recently been declared bankrupt. This amount had been included in the details above as 'outstanding for 61 to 90 days'. It has been decided to write off the debt immediately.

On 2 October 2010, Harvey, a credit customer, ceased trading and Klix Limited received payment of $0.25 in the dollar in final settlement of the debt of $600. The remainder had been written off as a bad debt.

Other bad debts written off during the year ended 31 December 2010 totalled $350. These had been taken into account when drawing up the list of trade receivables above.

REQUIRED

(a) Calculate the amount which should be provided as a provision for doubtful debts at 31 December 2010. Show your workings.

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(b) Prepare the following ledger accounts for the year ended 31 December 2010, showing the closing entry to the final accounts at the end of the year.

(i) Provision for doubtful debts account

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(ii) Bad debts account

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(iii) Harvey account

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(c) Prepare an extract from the statement of financial position (balance sheet) at 31 December 2010 showing the net amount of trade receivables.

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Klix Limited's directors are reviewing the existing policy for calculating the provision for doubtful debts.

They are considering applying a 4% rate to all debts as the basis for calculation.

REQUIRED

(d) (i) Calculate the effect of this change on the provision for doubtful debts.

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(ii) Explain how this change would affect the company's income statement and statement of financial position.

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(iii) Explain why this change might be necessary.

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(e) State **three** factors that the directors should consider when creating a provision for doubtful debts.

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(ii) ....

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(iii) ....

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[Total 30]

3 Tattersall Ltd manufactures a single product. They have two production and two service departments.

The following information relates to a four-week period.

	Production Departments		Service Departments	
	Machining	Assembly	Maintenance	Canteen
Overheads	$143 500	$154 700	$165 800	$176 900
Direct machine hours	18 845	14 050	–	–
Direct labour hours	6 065	20 350	–	–

The service departments' overheads are apportioned to the production departments on the following basis:

	Machining	Assembly	Canteen
Maintenance	60%	30%	10%
Canteen	40%	60%	–

REQUIRED

(a) Prepare an overhead absorption apportionment table clearly showing the reapportionment of the service departments' overheads to the appropriate departments for one period.

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(b) Calculate the overhead absorption rate for **each** production department.

State the bases used.

Show your answer to **two** decimal places.

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The manager of Tattersall Ltd calculates selling price per unit based on full cost plus a 25% mark-up.

The costs per unit are:

Materials   3 metres at $4 per metre
Labour   7 hours at $8 per hour

Each unit takes 3 hours in the machining department and 4 hours in the assembly department.
All overheads are fixed.

REQUIRED

(c) Calculate the full cost per unit.

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(d) Calculate the selling price per unit.

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(e) Calculate the number of units Tattersall Limited has to produce and sell in each period to break-even.

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(f) State **two** limitations of break-even analysis.

(i) ....

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(ii) ....

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[Total 30]