

**12** A business has trade receivables of \$52 000 at the year-end.

The allowance for irrecoverable debts in the draft statement of financial position is \$3000.

The allowance for irrecoverable debts is to be changed to 5% of trade receivables.

What is the effect of changing the allowance?

	on profit	on current assets
<b>A</b>	decrease by \$2600	decrease by \$400
<b>B</b>	decrease by \$2600	decrease by \$2600
<b>C</b>	increase by \$400	decrease by \$400
<b>D</b>	increase by \$400	increase by \$400

**13** A trader prepared her financial statements but made no adjustments for accrued rent receivable at the end of the year.

What is the effect of this omission?

	current assets	current liabilities	profit for the year
<b>A</b>	no effect	overstated	overstated
<b>B</b>	overstated	no effect	understated
<b>C</b>	understated	overstated	no effect
<b>D</b>	understated	no effect	understated

**14** A sole trader calculated her draft profit for the year as \$50 000.

She asked her accountant for advice regarding four issues which she thought might affect the draft profit.

- 1 A customer debt of \$2000 needs to be written off as irrecoverable.
- 2 She accounted for her drawings of \$10 000 as if they were staff salaries.
- 3 She wants to increase the value of a non-current asset by \$20 000.
- 4 The existing charge for depreciation is overstated by \$5000.

What was the profit for the year?

**A** \$43 000      **B** \$57 000      **C** \$63 000      **D** \$73 000