1 Vikran, a sole trader, has extracted the following trial balance from his books of account at 30 June 2014.

	Dr $	Cr $
Bank	7 600	
Capital		200 000
Carriage inwards	4 200	
Factory supervision salaries	12 400	
General factory expenses	8 100	
Heat and light	5 400	
Indirect factory wages	36 800	
Insurance	12 000	
Inventory at 1 July 2013 at cost		
Raw materials	39 000	
Work in progress	48 000	
Finished goods	57 000	
Manufacturing wages	259 100	
Office salaries	37 300	
Office equipment at cost	90 000	
Plant and machinery at cost	270 000	
Provision for depreciation at 1 July 2013		
Office equipment		38 000
Plant and machinery		90 000
Provision for doubtful debts		1 600
Purchase of finished goods	2 100	
Purchase of raw materials	162 000	
Returns outwards (raw materials)		1 200
Rent and rates	42 000	
Returns inwards	1 800	
Revenue		768 500
Trade payables		30 300
Trade receivables	34 800	
	1 129 600	1 129 600

Additional information

1 Inventory at 30 June 2014 at cost:

	$
Raw materials	46 000
Work in progress	54 000
Finished goods	52 000

2 Depreciation is to be provided on all non-current assets at 15% per annum using the reducing balance method.

3 The following expenses are to be apportioned.

	Factory	Office
Rent and rates	85%	15%
Insurance	80%	20%
Heat and light	85%	15%

4 At 30 June 2014 insurance of $4000 had been paid in advance.

5 At 30 June 2014 heat and light of $600 had accrued but remained unpaid.

6 A bad debt of $1800 is to be written off at 30 June 2014.

7 The provision for doubtful debts is to be maintained at 3% of trade receivables.

REQUIRED

(a) Prepare Vikran's manufacturing account for the year ended 30 June 2014.

[14]

(b) Prepare Vikran's income statement for the year ended 30 June 2014.

[12]

(c) Explain why a business should depreciate its non-current assets.

....

....

....

....

....

....

....

....

.... [4]