

2 Sofia has provided the following information relating to her trade receivables at 31 December 2018:

	Analysis of trade receivables		
	0-60 days	61-90 days	Over 90 days
Percentage of total trade receivables	68%	20%	12%

- 1 At 31 December 2018 total trade receivables were \$54 500.
- 2 Dixie, who had been declared bankrupt, owed \$1500. This debt was 110 days old at 31 December 2018 and was to be written off.
- 3 Sofia's policy is to make a provision for doubtful debts as follows:
- 5% for debts aged between 61 and 90 days old  
7.5% for debts aged over 90 days old.

The balance on the provision for doubtful debts at 1 January 2018 was \$1100.

**REQUIRED**

(a) State the journal entry to write off an irrecoverable debt.

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(b) Calculate the amount of provision for doubtful debts at 31 December 2018.

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- (c) Prepare the provision for doubtful debts account for the year ended 31 December 2018. Dates are required.

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- (d) Explain **one** accounting concept which is applied when making a provision for doubtful debts.

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#### Additional information

Sofia is considering changing the basis of the provision for doubtful debts to a general provision of 2.5% on all trade receivables.

She has calculated her profit for the year ended 31 December 2018 as \$4300 after writing off Dixie's debt but before making any adjustment for the provision for doubtful debts.

#### REQUIRED

- (e) Describe how this change will affect Sofia's profit. Support your answer with relevant calculations.

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