1 Fred Sinatra set up business on 1 April 2003 selling watches from a market stall.

Fred has asked you to calculate his profit for the year ended 31 March 2004 using the following information.

- (i) All sales were made for cash. Payments were made by cheque unless otherwise stated.
- (ii) Opening capital was \$17 600 which was paid into a bank account opened on 1 April 2003.
- (iii) The bank balance on 31 March 2004 was \$2120 Dr.
- (iv) Fred's purchases for the year totalled \$33 120, but on analysing this figure it was found to include \$2000 paid for secure display cabinets and \$800 for petrol for Fred's motor car. The remainder was for the purchase of watches for resale.
- (v) Fred bought a motor car to be used in the business for \$5750.
- (vi) Rent of \$60 per month had been paid from cash sales.
- (vii) Drawings of \$100 per week were taken from cash sales.
- (viii) Motor car expenses for the year cost \$515.
- (ix) Fred kept a petty cash float of \$100.
- (x) Fred's pricing policy was cost plus 75%.
- (xi) The motor car and display units are both to be depreciated over five years on a straightline basis, with no residual value. A full year's depreciation is applied in the year of purchase.

## **REQUIRED**

(a)

Prepare Fred's bank account for the year ended 31 March 2004.
[7]

` '	Calculate Fred's total sales for the year ended 31 March 2004.
	[4]
(c)	Calculate Fred's stock at 31 March 2004.
(c)	

(d)	Prepare Fred's Trading and Profit and Loss Account for the year ended 31 March 2004.
	[9]

(e)	State <b>five</b> advantages or disadvantages of limited liability companies over sole traders or partnerships.
	[5]