

- 1 Jing is a sole trader. He does not maintain full accounting records. All sales and purchases are on credit.

He provided the following information for the year ended 30 April 2015.

	\$
Cheques received from credit customers	96 300
Cheques paid to credit suppliers	73 540
Rent paid	5 500
Electricity paid	345
Carriage inwards	630
Carriage outwards	950
Other operating expenses	95
Irrecoverable debts written off	200
Purchases returns	2 480

Jing had the following assets and liabilities.

	At 30 April 2014	At 30 April 2015
	\$	\$
Equipment	?	?
Inventory	15 000	11 500
Trade receivables	3 750	2 250
Rent prepaid	500	400
Electricity owing	35	40
Trade payables	3 460	1 790

All equipment was originally purchased for \$2700 on 1 May 2013. Jing depreciates his equipment using the reducing balance method at a rate of 10% per annum.

## REQUIRED

- (a) (i) Calculate the sales for the year ended 30 April 2015.

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- (ii) Calculate the purchases for the year ended 30 April 2015.

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### Additional information

After preparing the financial statements, Jing remembered the following:

He had paid his cleaner \$60 cash, out of his own money, to clean the offices and his house. He agreed that this should be split in the ratio 3 : 2 respectively.

### REQUIRED

(b) Prepare the journal entry to record this transaction. A narrative is **not** required.

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(c) State **two** types of entries, other than the correction of errors, which would usually be recorded in the general journal.

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2 .....

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### Additional information

Jing calculated the gross margin and the profit margin for his business. He discovered that the gross margin had decreased for the year ended 30 April 2015. the same period the profit margin had increased.

## REQUIRED

- (d)** Assess the performance of the business for the year ended 30 April 2015. Suggest possible reasons for the changes.

[8]

- (e) State **three** benefits to a business of using ratios.

[3]