

- 1 Finn started business on 1 January 2017. He did not keep full accounting records.

A summary of his bank statements for the year ended 31 December 2017 was as follows.

Receipts	\$
Capital introduced	15 000
From credit customers	98 600
Loan taken out	<u>4 000</u>
	<u>117 600</u>
Payments	
To credit suppliers	65 100
Rent	12 000
Cash	35 600
Purchase of fixtures and fittings	<u>14 000</u>
	<u>126 700</u>

The following information was available.

- 1 Receipts from customers paid into the bank but not yet showing on the bank statement were \$1800.
- 2 Cheques paid to suppliers not yet presented to the bank amounted to \$1600.

### REQUIRED

- (a) Calculate the balance at bank which would appear in the statement of financial position at 31 December 2017.

.....

.....

.....

..... [3]

### Additional information

- 1 All sales were made on a credit basis. There were no sales returns during the year.
- 2 The total value of sales invoices issued during the year was \$144 200.
- 3 Finn had allowed one customer to pay \$100 less than the invoice amount because he had paid promptly.

**REQUIRED**

- (b) Prepare a total trade receivables account for the year ended 31 December 2017 to show the amount owed to Finn at the year end.

Total trade receivables account

	\$		\$

[4]

**Additional information**

- 1 All purchases were made on a credit basis. There were no purchases returns during the year.
- 2 The total value of purchases invoices received was \$79 300. Of these, \$12 100 had not been paid by the year end.
- 3 Finn knew that he had sometimes taken a cash discount but had kept no record of the amounts involved.

**REQUIRED**

- (c) Prepare a total trade payables account for the year ended 31 December 2017 to show the total discount Finn had taken.

Total trade payables account

	\$		\$

[4]

**Additional information**

- 1 Finn paid wages of \$1200 in cash each month. He also took cash drawings of \$500 every month.
- 2 Other operating expenses were all paid in cash.
- 3 Cash in hand was \$100 at the year end.

**REQUIRED**

- (d) Prepare a cash account for the year ended 31 December 2017 to show the amount paid for other operating expenses.

Cash account

	\$		\$

[4]

**Additional information**

- 1 The loan carried an interest rate of 10%. The loan had been received on 1 July 2017 and no interest had been paid by the year end.
- 2 The fixtures and fittings were expected to last for 10 years and have no scrap value. They are to be depreciated using the straight-line method. The policy is to provide for a full year's depreciation in the year of purchase.
- 3 At the year end other operating expenses, \$1000, were accrued.
- 4 At the year end inventory was valued at cost, \$6200.

## REQUIRED

**(e)** Prepare the income statement for the year ended 31 December 2017.

[9]

- (f) Advise Finn whether or not he should employ a book-keeper at a cost of \$500 a month. Justify your answer.

.....

.....

.....

.....

.....

.....

.....

..... [4]

- (g) State **two** reasons why a trader might maintain a provision for doubtful debts.

1 .....

.....

2 .....

..... [2]