2 A Lee Quinn has $150 000 which she intends to use to fund a new business. The business will commence on 1 December 2008 and expenditure on that date is expected to be as follows.

	$
Land and buildings	70 000
Motor vehicle	20 000
Fixtures and fittings	18 000

The remaining cash will be deposited in the business bank account.

During the first year of business, Lee anticipates the following:

Sales	$220 000 of which 15% will be on credit
Gross profit as a percentage of sales	45%
Discount allowed	2% of total sales
Discount received	2% of total purchases
Wages and salaries	9% of total sales
Depreciation on motor vehicles	40% reducing balance
Depreciation on fixtures and fittings	20% on cost
Bad debts	3% of credit sales
Sundry expenses	5% of total sales
Drawings	$10 000 plus 10% of net profit

At 30 November 2009, projected balances are:

	$
Stock	19 500
Debtors	12 000
Creditors	11 000
Bank	?

No outstanding accruals or prepayments are anticipated at 30 November 2009.

REQUIRED

(a) the year ending 30 November 2009, calculate:

(i) total receipts from debtors;

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(ii) total purchases, all of which will be on credit;

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.... [3]

(iii) total payments to creditors.

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.... [3]

(b) (i) Prepare a projected trading and profit and loss account for the year ending 30 November 2009.

[8]

(ii) Prepare a projected balance sheet at 30 November 2009.

[6]

B Ahmed Khan is a sole trader. During the year ended 30 September 2007, his percentage of net profit to sales was 22 %. The following year, this dropped to 18 %, despite the year's net profit having increased from $60 000 to $70 000.

REQUIRED

State **six** possible reasons for the decrease in the ratio of net profit to sales.

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