**2022 Chong Hwa Secondary High School Paper 2 Question 1**

The following information was extracted from the book of Rainbow Trading as at 30 June 2022:

|  |  |  |
| --- | --- | --- |
|  | **Debit (RM)** | **Credit (RM)** |
| Accounts Receivable and Accounts Payable | 7,200 | 6,170 |
| Purchases and Sales | 20,120 | 53,700 |
| Capital (1 July 2021) |  | 45,510 |
| Inventory (1 July 2021) | 2,400 |  |
| Import Duty | 690 |  |
| 5% Fixed Deposit (1 January 2022) | 8,000 |  |
| Discounts | 420 | 1,065 |
| Bank | 5,065 |  |
| Drawings | 200 |  |
| Administrative Expenses | 354 |  |
| Rent | 1,500 |  |
| Insurance | 480 |  |
| Carriage Outwards | 530 |  |
| Office Equipment (cost RM10,000) | 8,200 |  |
| Motor Van | 54,000 |  |
| Accumulated Depreciation of Motor Van |  | 8,400 |
| Salary | 5,540 |  |
| Returns | 1,050 |  |
| Bad Debts | 156 |  |
| Allowance for Doubtful Debts |  | 120 |
|  | 115,905 | 115,905 |

**Additional information:**

1. Inventory on 30 June 2022 was valued at cost RM3,290 and market value of RM2,440.
2. On 29 June 2022, a customer, Tan paid RM490 in respect of his debt written off in previous year. No records had been made in the books.
3. Allowance for doubtful debts to be increased to RM170.
4. Amongst the salaries paid, RM500 was advances to staffs.
5. Interest on fixed deposit still not yet received.
6. Annual insurance of RM480 paid on 1 January 2022, half of it was not expired yet.
7. Depreciation policy: office equipment 10% per annum on straight line method and motor van 20% per annum on reducing balance method.
8. You are required to prepare Income Statement for the year ended 03 June 2022.
9. The following details relating to Rainbow Trading’s outstanding Accounts Receivable as at 30 June 2022:

|  |  |
| --- | --- |
| Period of debts owing | Accounts  Receivable |
|  | (RM) |
| Less than 30 days | 4,800 |
| 30 - 59 days | 1,400 |
| Over 60 days | 1,000 |
|  | 7,200 |

The Allowance for Doubtful Debts of Rainbow Trading is calculated as follows:

Balance less than 30 days Nil

Balances between 30 days and 59 days 5%

Balances for 60 days and over 10%

You are required to:

1. Calculate the amount which should be provided as Allowance for doubtful debts as at 30 June 2022. (Show your working in detail)
2. Prepare the following ledger accounts by refer to the above Trial Balance and all the information given:

* Bad Debts
* Allowance for Doubtful Debts

1. Explain the differences between Bad Debts and Allowance for Doubtful Debts?
2. Extract a Statement of Financial Position of Rainbow Trading at 30 June 2022 to show the net value of Accounts Receivable to be reported.