

Single Entry / Incomplete Records

Accounting records which have not been maintained according to double entry principles are usually referred to as "Incomplete Records or Single Entry". This does not necessarily mean that the records are unsatisfactory.

Why Incomplete Records

- The owner of a small business may be unaware of the need to keep records
- Small Businesses usually cannot afford to employ book-keeping staff
- The Accounting records are destroyed or stolen.

Statement of affairs

When a list of assets and liabilities is prepared without the use of a set of double entry records it is known as a statement of affairs rather than a "Balance Sheet". Statement of affairs calculates the amount of "Capital."

Capital = Assets – Liabilities

Opening statement of affairs means "Opening Capital".

Closing statement of affairs means "Closing Capital".

(Opening capital = opening assets – opening liabilities)

(Closing capital = Closing assets – closing liabilities)

CALCULATION OF NET PROFIT / LOSS

If the assets, liabilities and capitals are known and no further information is available, the only way in which the profit can be calculated is.

Net Profit / Loss = Closing Capital + Drawings – Additional Investment - Opening Capital

(Positive answer means a profit and negative means a loss)

The above method of calculating Net Profit / Loss is not completely satisfactory, because it does not show the details about cost of goods sold, gross profit, expenses and other income. It is not possible to analyze the results and take decisions for the future time period.

Total sales

Total sales = cash sales + credit sales

Trade Receivables Control Account / SLCA

Balance b/d	XXX	Bank / Cash	XXX
Credit Sales	XXX	Discount Allowed	XXX
		Bad Debts	XXX
		Return Inwards	XXX
	<u>XXX</u>	Balance c/d	<u>XXX</u>

Total purchases

Total purchases = cash purchases + credit purchases

Trade Payables Control Account / PLCA

Bank / Cash	XXX	Balance b/d	XXX
Discount Received	XXX	Credit Purchases	XXX
Return Outwards	XXX		
Balance c/d	<u>XXX</u>		<u>XXX</u>

Incomplete Records and Missing Figures

Cash Book

	Cash	Bank		Cash	Bank
Balance b/d	XXX	-	Balance b/d (OD)	-	XXX
Cash Sales	XXX	-	Drawings	XXX	XXX
Receipt from Trade	?	XXX	Payment to Suppliers	XXX	XXX
Receivables	XXX	-	Expenses paid	XXX	XXX
Sale of NCA					
Balance c/d (OD)	-	XXX	Balance c/d	XXX	-
Totals	<u>XXX</u>	<u>XXX</u>	Totals	<u>XXX</u>	<u>XXX</u>

Profit Markup vs. Profit Margin

Markup – Cost
Margin – Sales

$$\frac{\text{Markup}}{100 + \text{Markup}}$$

$$\frac{\text{Margin}}{100 - \text{Margin}}$$

Profit Markup will be always greater than Profit Margin because Markup is applied on cost which is lower than sales figure. We have to apply greater percentage on lower figure.

Asset NBV Account (To Calculate Depreciation)

Balance b/d	xxx	Disposal (NBV)	xxx
Bank / Liability (Addition)	<u>xxx</u> xxx —	Income Statement (Current Year Depreciation)	xxx
		Balance c/d	<u>xxx</u> <u>xxx</u>

Stock stolen, lost or destroyed

when stock is stolen, lost or destroyed, its value will have to be calculated. This could be needed to justify an insurance claim or to settle problems concerning taxation, etc.

If the stock had been valued immediately before the fire, burglary, etc., then the value of the stock lost would obviously be known. Also, if a full and detailed system of stock records were kept, then the value would also be known. However, as the occurrence of fires or burglaries cannot be foreseen, and many small businesses do not keep full and proper stock records, the value of the stock lost has to be calculated in some other way. Bear in mind that you are going to be calculating figures as at the time of the fire or theft, not at the end of the accounting period.

Drawbacks of Accounts prepared through incomplete records

- In the absence of a proper double entry system a trial balance cannot be prepared to verify the arithmetical accuracy of business transactions
- There are more chances of fraud and errors and it's difficult to identify it
- Comparison between the periods is not reliable enough

A business owner with partial records may mix his personal transactions in the business thus not abiding the business entity concept.

Statement of Affairs vs. Statement of Financial Position

Statement of Affairs and Balance Sheet are two varying terms, but they too nearly resemble which causes confusion in distinguishing them. For overcoming from these doubts regarding the two entities, you need to understand their meaning clearly along with their differences. The major differences between Statement of Affairs and Balance Sheet are disclosed in detail below, so have a look on them.

Definition of Statement of Affairs

Statement of Affairs is a statement in which there are two sections left and right. The left section represents liabilities, whereas the right one is for assets. It is prepared on the basis of a single entry system of bookkeeping. As incomplete records are maintained, many times assumed figures are taken into consideration to find out the opening or closing capital (as the case may be). This opening or closing capital is also spelled as net assets because it is the result of assets over liabilities.

Statement of Affairs is prepared on the opening date if the purpose is to trace out opening capital. Likewise, it is made on the closing date if the purpose is to trace out the closing capital.

Nowadays it is mandatory for every company to maintain their books of accounts as per double entry system, but there are still some small businessman and traders who keep their books as per single entry system. In this way, proper and systematic records are not maintained by them.

Definition of Statement of Financial Position

A Balance Sheet is a statement which highlights the financial status of the company at a particular date. It has two sections, assets, and equity & liabilities. As equity is considered as a part of liabilities, it is included in the liabilities section. The assets represent the amount which the company owns. On the contrary, liabilities represent the amount which the company owes.

The preparation of Balance Sheet is obligatory for every company. It is prepared on the basis of the double entry system of bookkeeping. In a double entry system of bookkeeping, complete recording of every transaction is done along with various stages. The final stage is the preparation of Balance Sheet. If it is not prepared correctly or if some asset or liability is omitted, then the amount of sides will not be identical. It is a mark of its exactitude.

KEY DIFFERENCES BETWEEN STATEMENT OF AFFAIRS AND BALANCE STATEMENT

BASIS FOR COMPARISON	STATEMENT OF AFFAIRS	BALANCE SHEET
MEANING	Statement of Affairs is a statement showing liabilities, assets and capital of the entity prepared on the basis of a single entry system of a book-keeping.	A Balance Sheet is a statement showing assets, liabilities and equity of the company prepared on the basis of the double entry system of bookkeeping.
PART OF FINANCIAL STATEMENTS	No	Yes
OBJECTIVES	To find out the Opening and Closing Capital	To show the company's Financial Position
ESTIMATION OF VALUES	Yes	No
ACCURACY	Very Less	More
COMPULSION OF PREPARATION	Yes	No
FORMAT	Not Specified	Specified

Conclusion

The concept of both the statements is almost same, but experts consider Balance Sheet as more accurate, reliable and versatile as it follows a complete procedure. Statement of Affairs lacks such attributes. When the double entry system was not present people used to keep the records of their transaction as per single entry system, and that is why it is the oldest one.

Single Entry in Service Business

The City School has the following receipts and payments Account for the year ended 31 Dec 2019.

Receipts & Payments A/c

	\$		\$
Fees Received	890,000	1 Jan 19 Balance b/d	50000
Canteen Receipt	75,000	Staff Salaries	250,000
Photocopy Income	20,000	Lighting	35000
Security Deposits	300,000	Purchase of Equipment	65000
Sale of Equipment	30,000	General Expense	40,000
Rent Received	110,000	Drawings	200,000
		31 Dec 19 Balance c/d	785,000
	14,25,000		14,25,000
1 Jan 20 Balance b/d	785,000		

Additional Information	1 Jan 2019	31 Dec 2019
Equipment (NBV)	100,000	83000
Fees in Arrears	122,000	50000
Fees Prepaid	-	10,000
General Expense Accrued	5000	-
Lighting Prepaid	3000	2000
Staff Salaries Owing	-	75000

Equipment that was sold during the year had a Cost of \$75000 and a total depreciation of \$32500 was charged till date.

Required:

- 1) Fees Income for the year
- 2) Income Statement for the year ended 31 December 2019
- 3) Statement of Financial Position as at 31 December 2019

Past Paper Questions

- Q1.** Sharon Woo does not maintain full accounting records but is able to provide the following cash receipts and payments information for the year ended 30 April 2012.

Cash receipts	\$	Cash payments	\$
Cash sales	260 000	Payments to credit suppliers	216 000
Receipts from trade debtors	40 000	Equipment	20 000
Disposal of surplus equipment	4 800	Wages	22 000
		Drawings	48 000
		Rent	10 000

The following information is also available:

1	Balances	1 May 2011	30 April 2012
		\$	\$
	Premises	100 000	100 000
	Bank	8 000	3 200 Cr
	Trade receivables	26 800	24 800
	Trade payables	21 200	22 400
	Equipment	24 000	36 400
	Rent prepaid	1 200	1 600
	Inventory	16 800	20 800

- Surplus equipment was sold at a loss of \$400
- The sales figure does **not** include \$18 000 of which Sharon Woo took \$6 000 for her own use and the remainder was used to pay wages.
- Discounts allowed during the year amounted to \$7200.
- Discounts received during the year amounted to \$10 800.

REQUIRED

- Calculate Sharon Woo's capital at 1 May 2011.
 - Prepare Sharon Woo's income statement for the year ended 30 April 2012.
- Q2.** Aziz has been in business for several years, but does not keep proper books of account. He provides you with the following list of balances for the financial year ended 30 June 2011.

	\$
Motor vehicles (cost \$65 000)	50 000
Fixtures (cost \$48 000)	32 000
Trade receivables	18 000
Trade payables	14 000
Accrued expenses	500
Inventory	6 000
Premises at cost	100 000

A summary of his receipts and payments for the year ended 30 June 2012 is as follows:

Receipts	\$	Payments	\$
Receipts from credit customers	132 900	Payments to credit suppliers	88 600
Sale of old motor vehicle	3 600	Purchase of vehicle	15 000
Cash sales	6 600	Expenses paid	17 400

At 30 June 2012 trade receivables were \$20 500 and trade payables were \$13 600.

REQUIRED

- (a) Calculate the purchase of goods for resale for the year ended 30 June 2012.
- (b) Calculate the total sales for the year ended 30 June 2012.

Aziz earns a uniform gross profit of 40% on all his sales. Early in June 2012 he had a flood in his premises which damaged some of his stock and made it impossible to sell. He has valued his remaining stock at 30 June 2012 at a selling price of \$14 000.

REQUIRED

- (c) Calculate the cost of the stock destroyed in the flood.

The vehicle which Aziz sold during the year ended 30 June 2012 had been purchased on 30 September 2009 for \$16 000. Aziz depreciates his vehicle at 25% per annum using the straight line method. He charges a full year's depreciation in the year of purchase and none in the year of disposal. He received \$5 000 as a trade-in allowance for the new vehicle.

REQUIRED

- (d) Calculate the profit or loss on the disposal of the vehicle.

Aziz depreciates his fixtures at 10% per annum using the reducing balance method. He also wants to create a provision for doubtful debts equal to 3% of his trade receivables. At 30 June 2012 he had prepaid expenses of \$320.

REQUIRED

- (e) Prepare Aziz's income statement for the year ended 30 June 2012.

- Q3.** Marcel owns a wholesale business supplying shops, hotels and restaurants with tea and coffee. He does not keep formal accounting records but is able to supply the following information for the year ended 30 April 2011.

	30 April 2011	1 May 2010
	\$	\$
Trade receivables	17 000	18 200
Trade payables	14 800	16 600
Inventories	20 600	33 000
Wages accrued	9 350	9 200
General expenses prepaid	—	900
General expenses owing	800	—

Transactions during the year ended 30 April 2011 were as follows:

	\$
Cash received from credit customers	103 160
Cash paid to credit suppliers	88 400
Cash sales to staff	10 750
Sales returns from credit customers	9 200
Discounts allowed	9 540
Discounts received	9 000
Bad debts	8 200
Wages	13 650
General expenses	12 300

REQUIRED

- (a) (i) Prepare a purchases ledger control account to find out the total amount of credit purchases for the year ended 30 April 2011.
- (ii) Prepare a sales ledger control account to find out the amount of credit sales for the year ended 30 April 2011.

Additional information:

- The normal gross profit to sales margin is 33.33%.
- Staff are permitted to buy goods at cost plus 25%.
- Goods sold in the annual clearance sale, \$29 700, were sold at cost price.
- On 8 March 2011 an unknown quantity of goods was destroyed by fire.

REQUIRED

- (b) There were no further losses of goods during the year. Starting with the opening inventory, calculate the value of the goods destroyed by the fire on 8 March 2011.
- (c) Prepare the income statement (trading account only) for the year ended 30 April 2011.

- Q4.** Charles Altas does not keep books on a double-entry basis. He provided the following information.

Charles Altas
Statement of Financial Position at 1 January 2013

	\$	\$
Non-current assets		60 000
Current assets		
Inventory	29 600	
Trade receivables	33 000	
Cash and cash equivalents	<u>9 800</u>	<u>72 400</u>
Total assets		<u>132 400</u>
Equity and liabilities		
Capital at 1 January 2013		108 600
Current liabilities		
Trade payables	18 200	
Other payables	<u>5 600</u>	<u>23 800</u>
		<u>132 400</u>

Additional information for the year ended 31 December 2013

	\$
Cheques received from credit customers	166 660
Discounts allowed	8 600
Cash takings banked	30 000
Cheques paid to credit suppliers	155 690
Discounts received	8 200
Expenses paid	26 100
Purchase of non-current assets	20 000
Returns inwards	4 200
Returns outwards	4 500
Bad debts	2 200

All cash takings were banked except for \$29 000. Of this \$10 000 was used to pay wages and the remainder kept for personal use. All other payments were made by cheque.

On 31 December 2013 Charles Altas had the following assets and liabilities:

	\$
Non-current assets	74 000
Trade receivables	20 832
Trade payables	14 930
Inventory	35 200
Other receivables	1 720
Cash and cash equivalents	4 670

No non-current assets were disposed of during 2013.
All purchases were made on credit.

REQUIRED

- (a) Prepare the sales ledger control account for the year ended 31 December 2013.
- (b) Prepare the purchases ledger control account for the year ended 31 December 2013.
- (c) Calculate the total expenses for the year ended 31 December 2013.
- (d) Prepare the income statement for the year ended 31 December 2013.

Q5. Khalid owns a wholesale business selling electrical goods. He does not keep proper books of account, but is able to provide the following information.

Balances at 1 January 2014

	\$
Motor vehicle at cost	38 400
Motor vehicle provision for depreciation	12 600
Fixtures and fittings at cost	41 940
Fixtures and fittings provision for depreciation	22 680
Trade receivables	26 610
Trade payables	19 920
Inventory	33 500
Prepayment of two months' property rental	3 750
General expenses accrued	410
Cash in hand	360

Summary of bank account for the year ended 31 December 2014

	Dr \$		Cr \$
Balance at 1 January 2014	4 110	Payments to credit suppliers	134 750
Receipts from credit customers	200 270	Drawings	22 185
Cash sales banked	9 675	Property rental	20 625
Balance at 31 December 2014	11 295	General expenses	6 650
		Purchase of motor vehicle	10 100
		Wages and salaries	26 150
		Motor expenses	4 890
	<u>225 350</u>		<u>225 350</u>

REQUIRED

(a) Calculate Khalid's opening capital at 1 January 2014.

Additional information

- For the year ended 31 December 2014:
Credit sales \$193 400
Cash sales \$15 180
- Trade payables at 31 December 2014 were \$21 590.
- All sales are made at 30% gross profit margin.

REQUIRED

(b) Calculate the following for the year ended 31 December 2014.

- Sales revenue
 - Purchases
- (c) Calculate the value of closing inventory at 31 December 2014.

Additional information

Before banking his receipts from cash sales, Khalid took \$400 per month for his personal drawings. The only other cash payments during the year were for motor expenses.

Cash in hand at 31 December 2014 was \$460.

REQUIRED

(d) Prepare the cash account for the year ended 31 December 2014 to identify the cash payment made for motor expenses.

Additional information

- 1 Khalid allowed a total of \$914 discount to credit customers.
- 2 Motor vehicles are depreciated at 25% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase, but none in the year of sale.
- 3 During the year, a motor vehicle that had cost \$16 000 on 1 July 2012 was traded in for \$8200. The balance of the purchase price for the new vehicle was paid by cheque.
- 4 Fixtures and fittings are depreciated at 15% per annum using the reducing balance method. There were no additions or sales of fixtures and fittings during the year.
- 5 There was no accrual for general expenses at 31 December 2014.
- 6 Prepaid rent at 31 December 2014 was \$1875.

REQUIRED

(e) Prepare Khalid's income statement for the year ended 31 December 2014.

Q6. Asif operates a delivery service and does not keep proper accounting records. He provided the following information for the year ended 30 June 2014.

	\$
Cash in hand at 1 July 2013	3 270
Cash in hand at 30 June 2014	2 349
Cash receipts and payments:	
Vehicle repairs	2 400
Fuel payments for vehicles	14 301
Driver's wages	4 748
Rent of a garage	1 600
Sundry expenses	2 972
Drawings	11 450
Receipts from sale of old vehicle	1 300
Cash stolen by Asif's driver	430
Cash received from customers	?

REQUIRED

(a) Prepare Asif's cash account for the year ended 30 June 2014.

Additional information

	\$
Trade receivables at 1 July 2013	3766
Trade receivables at 30 June 2014	2863
Bad debts written off during the year ended 30 June 2014	1648

REQUIRED

(b) Calculate Asif's revenue figure for the year ended 30 June 2014.

Additional information

- 1 The vehicle which had been sold was purchased in May 2012 for \$6200. Asif's policy is to depreciate the vehicles at 50% per annum using the reducing balance method. A full year's depreciation is charged in the year of acquisition. No depreciation is charged in the year of disposal.
- 2 At 30 June 2014 driver's wages of \$200 were owing and garage rent of \$400 was prepaid.

REQUIRED

(c) Prepare Asif's income statement for the year ended 30 June 2014.

Q7. On 1 January 2009 Clara Coyle, a sole trader, had the following balances:

	\$
Inventory (stock)	24 170
Premises	60 000
Fittings and fixtures (net book value)	28 000
Cash and cash equivalents (bank)	4 000
Rates prepaid	440
Trade receivables (debtors)	3 810
Trade payables (creditors)	3 420
Capital	117 000

There was no opening cash or cash equivalent.

Full accounting records were not kept, but the following information was available for the year ended 31 December 2009.

Bank Account Receipts	\$
Loan from uncle (interest free)	10 000
Receipts from trade receivables (debtors)	163 100
Cash sales paid into bank	34 000
Bank Account Payments	
Payments to trade payables (creditors)	141 508
Ordinary goods purchased (purchases) by cheque	6 300
Rates	2 600
Drawings	3 650
General expenses	4 410
Wages	21 300

Cash payments from cash sales	
General expenses	2 680
Purchases	1 200
Balances as at 31 December 2009	
Trade receivables (debtors)	4 100
Trade payables (creditors)	11 850
Rates prepaid	240
General expenses owing	400
Wages owing	1 620
Cash and cash equivalents (cash)	515
Bank	?

Additional Information:

- 1 The selling price on all goods is based on cost plus 25%.
- 2 During the year Clara Coyle withdrew goods, costing \$140, from the business, for her own use.
- 3 The business allowed discounts, \$1 300, to its trade receivables (debtors).
- 4 The business received discounts, \$1 600, from its trade payables (creditors).
- 5 No additions or disposals of non-current (fixed) assets took place during the year.
 Depreciation of \$3 000 is to be provided on fixtures and fittings.
 Premises are not depreciated.

REQUIRED

- (a) Calculate the total sales for the year ended 31 December 2009.
- (b) Calculate the total purchases for the year ended 31 December 2009.
- (c) Prepare the Income Statement (trading and profit and loss account) for Clara Coyle for the year ended 31 December 2009.
- (d) Prepare the Balance Sheet for Clara Coyle at 31 December 2009.

Q8 Anton, a sole trader, does not keep proper books of account. He supplies the following information for the year ended 30 September 2015.

	1 October 2014	30 September 2015
	\$	\$
Office fixtures at net book value	9 500	8 600
Delivery vehicles		
Cost	15 700	?
Accumulated depreciation	4 600	?
Trade payables	12 670	13 460
Trade receivables	10 500	9 670
Rent payable owing	1 500	2 400
Cash	980	445
Inventory	24 640	40 800
Bank	2 400 Credit	?

Summary of Anton's bank account is as follows.

Bank Account Summary

	\$
Receipts	
Receipts from credit customers	153 300
Cash sales banked	12 900
Sale of delivery vehicle	5 400
Payments	
Payments to credit suppliers	118 900
Wages	17 800
Rent	8 500
Electricity	7 540
General expenses	4 630
Purchase of delivery vehicle	13 600

Additional information

- 1 The inventory at 30 September 2015 was valued at selling price. Anton applies a mark up of 50%.
- 2 During the year a delivery vehicle which had cost \$9000 on 1 October 2012 was sold for \$5400.
- 3 Delivery vehicles are depreciated at 20% per annum using the reducing balance method. Depreciation is charged in the year of purchase but not in the year of sale.
- 4 Anton took cash drawings of \$600 per month before the cash sales were banked but has not recorded these. He also took goods for his own use which had a sales value of \$2763.
- 5 Total cash sales were \$20 476.
- 6 There are unrecorded delivery vehicle expenses not accounted for.

REQUIRED

- (a) Prepare Anton's income statement for the year ended 30 September 2015.
- (b) Prepare a statement of financial position at 30 September 2015.

Additional information

Anton is not sure if he will recover all trade receivables due and has been advised to set up a provision for doubtful debts. He plans to write off a bad debt of \$750 and set up a provision for doubtful debts at 4%.

REQUIRED

- (c) Calculate the effect these adjustments would have on his profit.
- (d) Explain why he should include the provision for doubtful debts in his accounts.

Q9 Jasper, a sole trader, has provided the following summary of his bank receipts and payments for the year ended 30 April 2010.

	Dr \$		Cr \$
Cash and cheques	424 000	Machinery	30 400
		Payments to creditors	228 000
		Rent	24 200
		Insurance	14 200
		Wages	104 200
		Postage	800
		Electricity	8 400
		Sundries	4 200

Jasper's year-end balances were as follows:

	At 30 April	
	2009	2010
	\$	\$
Trade receivables (debtors)	46 400	?
Inventory (stock)	24 400	30 600
Trade payables (creditors)	29 200	32 200
Machinery at net book value	206 400	216 000
Rent prepaid	-	6 200
Insurance prepaid	-	3 400
Bank	?	5 400 Cr

Additional information

During the year machinery with a net book value of \$5600 was sold for \$1000, which was paid into Jasper's private bank account.

Jasper took a salary of \$28 000 which was included in the wages account.

Mark-up is calculated as 75% on cost.

REQUIRED

For the year ended 30 April 2010:

- (a) Calculate Jasper's ordinary goods purchased (purchases).
- (b) Calculate Jasper's sales.
- (c) Prepare Jasper's income statement (trading and profit and loss account).
- (d) Prepare Jasper's balance sheet at 30 April 2010.

Q10 Shaun is a sole trader. He pays all the sales receipts into the business bank account. He provided his accountant with the following information for the year ended 31 December 2011.

Bank account summary for the year ended 31 December 2011

Dr.	\$	Cr.	\$
Rent received	16 800	Balance b/d	5 620
Trade receivables	203 200	Trade payables	122 460
Cash sales	18 510	General expenses	22 000
		Wages	32 560
		Motor vehicles	19 200
		Equipment	17 400
		Drawings	27 560

Shaun's remaining assets and liabilities were:

	1 January 2011	31 December 2011
	\$	\$
Inventory (at cost)	22 300	17 400
Premises (at cost)	100 000	100 000
Equipment (net book value)	28 400	27 600
Motor vehicles (net book value)	65 000	68 200
Trade receivables	22 400	28 600
Trade payables	17 500	19 470
General expenses prepaid	1 100	900
Rent received prepaid	800	—
Rent received owing	—	1 300
Wages owing	2 400	500

Additional information:

- 1 Shaun allowed his customers discounts of \$4000.
- 2 Discounts received from suppliers were \$3100.
- 3 Shaun has decided to create a provision for doubtful debts of 2% of the trade receivables outstanding at 31 December 2011.
- 4 General expenses in the bank account summary include an amount of \$660 which relates to the payment of Shaun's private house insurance.
- 5 Shaun had taken goods at a cost price of \$3700 for his personal use.

REQUIRED

- (a) Calculate the value of Shaun's sales and ordinary goods purchased for the year ended 31 December 2011.
 - (i) Ordinary goods purchased
- (b) Prepare Shaun's income statement for the year ended 31 December 2011.
- (c) Prepare Shaun's statement of financial position at 31 December 2011.

Q11 Patel, a sole trader, does not keep proper books of account. He provided the following information.

	1 January 2014	31 December 2014
	\$	\$
Land and buildings at cost	50 000	50 000
Fixtures and fittings at valuation	6 000	4 500
Motor vehicles at net book value	7 600	?
Trade payables	16 750	14 900
Trade receivables	14 670	13 690
Wages owing	1 200	1 400
Inventory	21 750	22 450
Cash in hand	800	950
Rent in advance	1 000	?

Summary of Patel's bank account for the year showed the following.

Receipts	\$	Payments	\$
Balance b/d	16 980	Payments to credit suppliers	109 620
Receipts from credit customers	156 420	Wages	22 670
Cash sales	20 700	Rent	19 000
Proceeds from sale of motor vehicle	1 500	Electricity	8 650
		General expenses	4 750
		Purchase of new motor vehicle	16 400
		Balance c/d	<u>14 510</u>
	<u>195 600</u>		<u>195 600</u>

Additional information

- 1 Before banking his receipts from cash sales Patel took \$400 per month for his personal drawings. All other payments were made from the bank.
- 2 During the year he took goods costing \$2600 for his own use.
- 3 Patel depreciates his vehicles at 20% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase. No depreciation is provided in the year of sale.
- 4 The vehicle sold had a net book value at 1 January 2014 of \$2880.
- 5 A customer has been declared bankrupt and will not pay \$750 owing. The amount was included in the trade receivables at 31 December 2014.
- 6 In addition Patel has decided to create a provision for doubtful debts of 5%.
- 7 The rent payable is \$16 000 per annum.

REQUIRED

- (a) Prepare Patel's income statement for the year ended 31 December 2014.
- (b) Prepare Patel's statement of financial position at 31 December 2014.

Additional information

Patel wishes to expand his business and is undecided about taking out a five year loan or asking the bank for an overdraft.

REQUIRED

(c) State **one** advantage and **one** disadvantage of **each** option.

Q12 Sara has a wholesale clothing business. She provides you with the following figures.

	Balance at 31 May 2008 \$	Balance at 31 May 2009 \$
Trade Payables	12 000	14 000
Trade Receivables	13 300	13 600
Inventory (cost price)	21 500	18 500

During the year ended 31 May 2009 the following transactions took place:

	\$
Cash paid to suppliers for goods	45 000
Takings banked	58 000
Cash discount received	1 000
Cash discount allowed	1 200
Bad debts written off	1 100

The takings banked during the year ended 31 May 2009 included \$250 for 31 May 2008.

Takings of \$400 for 31 May 2009 were banked on 2 June 2009.

REQUIRED

- (a) (i) Calculate total purchases for the year ended 31 May 2009.
- (ii) Calculate total sales for the year ended 31 May 2009.
- (b) Calculate the cost of sales for the year ended 31 May 2009.
- (c) (i) Calculate the payment period of trade payables in days.
- (ii) Calculate the collection period of trade receivables in days.