

Sole Trader

Final Accounts



- 1 Amah Retto's ledger accounts for the year ended 30 April 2008 showed the following balances:

	\$
Premises at cost	250 000
Machinery at cost	52 000
Provision for depreciation on machinery at 1 May 2007	15 600
Provision for doubtful debts at 1 May 2007	500
Sales	243 000
Purchases	184 000
Sales returns	2 040
Purchases returns	1 980
Carriage inwards	350
Carriage outwards	800
Rent received	2 420
Discount allowed	1 800
Discount received	1 300
Electricity	2 100
General expenses	9 340
Stock at 1 May 2007	13 500
Debtors	9 000
Creditors	11 460
Bank (Credit)	8 260
Cash	990
Drawings	18 600
Long-term loan at 11 % per annum	60 000
Capital	?

Additional information at 30 April 2008

- 1 Stock was valued at \$15 100.
- 2 No interest had been paid or provided for on the loan, which had been taken out on 1 November 2007.
- 3 Amah Retto's tenant had paid only eleven months' rent; one month's rent was due and unpaid.
- 4 Electricity prepaid amounted to \$40.
- 5 General expenses accrued amounted to \$50.
- 6 Debts of \$200 were to be written off.

Depreciation was to be provided on machinery at 40 % using the reducing (diminishing) balance method.

Doubtful debts provision was to be 3 % of debtors at the end of the year.

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(c) Use the answers to (a) and (b) to calculate the following ratios to **two** decimal places.

- (i) Current ratio;
- (ii) Liquid ratio;
- (iii) Rate of stock turnover;
- (iv) Gross profit as a percentage of sales;
- (v) Net profit as a percentage of sales.

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(d) (i) State **two** reasons for calculating ratios.

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(ii) State **four** user groups who might be interested in or make use of accounting ratios.

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[Total: 30]

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- 1 The following trial balance was extracted from the Mighty Wholesale Company's books at 30 April 2010.

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	Dr	Cr
	\$000	\$000
Revenue (Sales)		1600
Ordinary goods purchased (Purchases)	946	
Property (Buildings) at cost	1490	
Warehouse fittings at cost	348	
Inventory (Stock) at 1 May 2009	124	
Capital		1400
12% loan repayable 2015		100
Wages	160	
Provisions for depreciation at 1 May 2009:		
Property (Buildings)		320
Warehouse fittings		197
Trade receivables (Debtors)	360	
Trade payables (Creditors)		92
Cash and cash equivalents (Bank)	48	
Distribution expenses	43	
Business rates	50	
Insurance	30	
Advertising	79	
Drawings	25	
Loan interest	6	
	<u>3709</u>	<u>3709</u>

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Additional information:

- Inventory (stock) at 30 April 2010 cost \$230 000. This includes inventory (stock) costing \$20 000 which has a net realisable value of \$9000.
- Warehouse fittings were sold during the year. The proceeds of \$10 000 were debited to the bank account and credited to the property (buildings) at cost account. No other entry has been made regarding this transaction. The fittings sold had cost \$52 000 and the total depreciation charged to them by 1 May 2009 amounted to \$41 000. No depreciation is charged in the year of disposal.
- Depreciation is to be provided for as follows:

Property (buildings)	2% on cost
Warehouse fittings	25% reducing (diminishing) balance
- Other payables (accruals) at 30 April 2010 are:

Wages	\$12 000
Distribution expenses	\$5 000
Loan interest	? (The loan was taken out in 2005)
- Other receivable (prepayment) at 30 April 2010 is:

Insurance	\$2000
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REQUIRED

(a) Prepare the income statement (trading and profit and loss account) for the year ended 30 April 2010.

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

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	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:

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- (a) Calculate Jasper's ordinary goods purchased (purchases).

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- (b) Calculate Jasper's sales.

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

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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:

- The selling price on all goods is based on cost plus 25%.
- During the year Clara Coyle withdrew goods, costing \$140, from the business, for her own use.
- The business allowed discounts, \$1 300, to its trade receivables (debtors).
- The business received discounts, \$1 600, from its trade payables (creditors).
- 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.

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(b) Calculate the total purchases for the year ended 31 December 2009.

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(d) Prepare the Balance Sheet for Clara Coyle at 31 December 2009.

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