

Answer all questions.

- 1 Speedy Limited is a business providing delivery services. On 1 September 2019, Speedy Limited purchased five motor vehicles at \$92 000 each from Best Vans, on credit.

Speedy Limited depreciates the motor vehicles at 10% per annum using the reducing-balance method. A full year's depreciation is charged in the year of purchase and no depreciation is charged in the year of sale.

**REQUIRED**

- (a) State one of the causes of depreciation.

..... [1]

- (b) State the source document used to record the purchase of motor vehicles on 1 September 2019.

..... [1]

- (c) Prepare journal entries to record the purchase of motor vehicles on 1 September 2019. Narrations are required.

**Journal**

Date	Particulars	Debit \$	Credit \$

[4]

The sale of non-current asset account for the year ended 30 June 2022 is as follows:

Sale of non-current asset account				
		Dr	Cr	Balance
		\$	\$	\$
2022				
Apr 14	Motor vehicles (i)	92 000		92 000 Dr
14	Accumulated depreciation (ii)		17 480	
14	Cash at bank (iii)		76 000	
Jun 30	Income summary	1 480		—

## REQUIRED

**(d) Interpret the three entries on 14 April 2022 in the sale of non-current asset account.**

(i) .....

.....

(ii) .....

.....

(iii) .....

..... [3]

**(e) State the effect of the sale of the motor vehicle on profit for the year ended 30 June 2022.**

..... [2]

**[Total: 11]**

- 2 Iris Store's financial year ends on 31 March. The business maintains an allowance for impairment of trade receivables at 5% of the trade receivables balance at every financial year-end.

On 1 April 2021, Iris Store has a credit balance of \$940 in the allowance for impairment of trade receivables account.

Jayden is a credit customer of Iris Store. On 14 February 2022, Jayden declared bankrupt and Iris Store decided to write-off the \$670 owing by Jayden.

On 31 March 2022, Iris Store has a debit balance of \$36 000 in the trade receivables account.

#### REQUIRED

- (a) Prepare journal entries to record the write-off on 14 February 2022. Narrations are not required.

#### Journal

Date	Particulars	Debit \$	Credit \$

[2]

- (b) Calculate the amount recorded in the allowance for impairment of trade receivables account at 31 March 2022.

.....  
 .....  
 ..... [1]

- (c) Calculate the impairment loss on trade receivables for the year ended 31 March 2022.

.....  
 .....  
 .....  
 ..... [2]

- (d) Prepare journal entries to adjust the allowance for Impairment of trade receivables account on 31 March 2022. Narrations are required.

Journal

Date	Particulars	Debit \$	Credit \$

[3]

Wynn Trading is a close competitor of Iris Store. The following information is extracted from the books of Wynn Trading for the year ended 31 March 2022:

	\$
Credit sales revenue	87 270
Cash sales revenue	36 490
Average net trade receivables	10 350

**REQUIRED**

- (e) Calculate the trade receivables collection period for the year ended 31 March 2022. Round off your answer to 1 decimal place.

.....

.....

.....

.....

..... [2]

- 1 Iris Store's trade receivables collection period for the year ended 31 March 2022 is 32.4 days.
- 2 Due to the gloomy economic outlook, Iris Store reviewed their credit policies and made it more stringent to grant credit to new customers.
- 3 Iris Store has reduced their credit terms from 40 days to 35 days. The credit terms for Wynn Trading is 45 days.
- 4 Iris Store imposes a late payment charge of 6% of the outstanding balance. This is higher than the interest rate imposed by the other businesses in the same industry.

(f) Compare the trade receivables collection period of Iris Store and Wynn Trading. Suggest reasons for the difference in the trade receivables collection period between the two businesses.

[4]

**(g) State one consequence if the trade receivables collection period worsens.**

.....

.....

..... [1]

**[Total: 15]**



**3 Dane Limited buys goods on credit from Sassy Goodies.**

The following transactions took place in June 2022.

- Jun 3 Bought goods on credit from Sassy Goodies at a list price of \$7 000, less 15% trade discount. If payment is made within 10 days, the business will be entitled to a 4% cash discount.
- 9 Returned damaged goods with a list price of \$1 000 to Sassy Goodies. These goods were previously purchased on 3 June 2022.
- 11 Issued a cheque to Sassy Goodies for the purchase on 3 June 2022.

**REQUIRED**

- (a)** Prepare the account of Sassy Goodies in the books of Dane Limited for the month of June 2022.

**Sassy Goodies account**

.....

.....

.....

.....

.....

.....

.....

..... [4]

- (b)** Complete the following table. State the source documents used to record the transactions on 9 June 2022 and 11 June 2022. [2]

Transaction	Source document
June 9	
June 11	

**[Total: 6]**

- 1 Receipt of rental income of \$4 100 was wrongly recorded on both sides of the accounts.
- 2 Bey Limited sold goods on credit to Will. The cost price of the goods sold was \$6 000 but was wrongly recorded as \$6 600.

## REQUIRED

Journal

..... [4]

- of Day Limited. It is not a

Error	Effect on profit for the year \$
1	
2	

[Total: 8]