

- 1 Sariah owns a business selling ladies' clothing. She maintains a system of double entry bookkeeping.

The following occurred during September 2020.

- 1 Purchased a motor vehicle on credit from Sharpe Motors \$6350.
- 2 Ruhee, a credit customer, was declared bankrupt owing Sariah \$1200. The debt is to be written off.

REQUIRED

- (a) Prepare journal entries to record the above transactions. Narratives are **not** required.

Sariah Journal

Details	Debit \$	Credit \$
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[4]

Sariah is preparing her financial statements for the year ended 30 September 2020. She provides the following information for fixtures and fittings.

		\$
2019		
October 1	Fixtures and fittings at cost	28 600
	Provision for depreciation of fixtures and fittings	6 185
2020		
January 31	Sold fixtures and received a cheque	1 150
	The fixtures had been purchased on 1 February 2018 for \$1500	
March 31	Purchased new fixtures paying by cheque	3 500

Sariah's policy is to provide depreciation on fixtures and fittings at 10% 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 disposal.

REQUIRED

- (b) Prepare the following accounts for the year ended 30 September 2020. Close the accounts by balancing or by making an appropriate year end transfer.

Sariah
Fixtures and fittings account

Date	Details	\$	Date	Details	\$
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Provision for depreciation of fixtures and fittings account

Date	Details	\$	Date	Details	\$
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Disposal account

Date	Details	\$	Date	Details	\$
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[11]

Sariah is considering forming a partnership with her friend Emy who runs a similar business.

REQUIRED

- (c)** Advise Sariah whether or not she should form a partnership with Emy. Justify your answer with **two** advantages and **two** disadvantages of forming a partnership with Emy.

[5]

[Total: 20]

Question	Answer	Marks												
1(a)	<div>Sariah Journal</div> <table><tr><th>Details</th><th>Debit \$</th><th>Credit \$</th><th></th></tr><tr><td>Motor vehicles Sharpe Motors</td><td></td><td></td><td>(1) (1)</td></tr><tr><td>Irrecoverable debts Ruhee</td><td></td><td></td><td>(1) (1)</td></tr></table>	Details	Debit \$	Credit \$		Motor vehicles Sharpe Motors			(1) (1)	Irrecoverable debts Ruhee			(1) (1)	4
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1(b)	<div><div><div>Sariah</div><div>Fixtures and fittings account</div><table><tr><td>2019</td><td>\$</td><td>2020</td><td>\$</td><td></td></tr><tr><td>Oct 1 Balance b/d</td><td>28 600</td><td>Jan 31 Disposal</td><td>1 500</td><td>(1)</td></tr><tr><td>2020</td><td></td><td>Sep 30 Balance c/d</td><td>30 600</td><td></td></tr><tr><td>Mar 31 Bank</td><td><u>3 500</u> (1)</td><td></td><td></td><td></td></tr><tr><td></td><td><u>32 100</u></td><td></td><td><u>32 100</u></td><td></td></tr></table><div>2020</div><table><tr><td>Oct 1 Balance b/d</td><td>30 600</td><td>(1) OF</td></tr></table></div><div><div>Provision for depreciation of fixtures and fittings account</div><table><tr><td>2020</td><td>\$</td><td>2019</td><td>\$</td><td></td></tr><tr><td>Jan 31 Disposal</td><td>285 (1)</td><td>Oct 1 Balance b/d</td><td>6 185</td><td></td></tr><tr><td>Sep 30 Balance c/d</td><td>8 370</td><td>2020</td><td></td><td></td></tr><tr><td></td><td></td><td>Sep 30 Income statement</td><td><u>2 470</u></td><td>(1)</td></tr><tr><td></td><td><u>8 655</u></td><td></td><td><u>8 655</u></td><td></td></tr><tr><td></td><td></td><td>2020</td><td></td><td></td></tr><tr><td></td><td></td><td>Oct 1 Balance b/d</td><td>8 370</td><td>(1)OF</td></tr></table></div><div><div>Disposal account</div><table><tr><td>2020</td><td>\$</td><td>2020</td><td>\$</td><td></td></tr><tr><td>Jan 31 Fixtures and fittings</td><td>1 500 (1)</td><td>Jan 31 Prov. for Dep.</td><td>285</td><td>(1)OF</td></tr><tr><td></td><td></td><td>Bank</td><td>1 150</td><td>(1)</td></tr><tr><td></td><td></td><td>Sep 30 Income statement</td><td><u>65</u></td><td>(1)OF</td></tr><tr><td></td><td><u>1 500</u></td><td></td><td><u>1 500</u></td><td></td></tr></table></div></div> <div>+ (1) Dates</div>	2019	\$	2020	\$		Oct 1 Balance b/d	28 600	Jan 31 Disposal	1 500	(1)	2020		Sep 30 Balance c/d	30 600		Mar 31 Bank	<u>3 500</u> (1)					<u>32 100</u>		<u>32 100</u>		Oct 1 Balance b/d	30 600	(1) OF	2020	\$	2019	\$		Jan 31 Disposal	285 (1)	Oct 1 Balance b/d	6 185		Sep 30 Balance c/d	8 370	2020					Sep 30 Income statement	<u>2 470</u>	(1)		<u>8 655</u>		<u>8 655</u>				2020					Oct 1 Balance b/d	8 370	(1)OF	2020	\$	2020	\$		Jan 31 Fixtures and fittings	1 500 (1)	Jan 31 Prov. for Dep.	285	(1)OF			Bank	1 150	(1)			Sep 30 Income statement	<u>65</u>	(1)OF		<u>1 500</u>		<u>1 500</u>		11
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Question	Answer	Marks
1(c)	<p>Advantages</p> <p>Emy may introduce additional capital (1)</p> <p>Emy may bring additional specialist skills to the business (1)</p> <p>Sariah may benefit from Emy's contacts from her business (1)</p> <p>The partners will be able to share the workload/responsibilities/risks (1)</p> <p>Accept other valid responses</p> <p>Max (2)</p> <p>Disadvantages</p> <p>Sariah will have to share profits with Emy (1)</p> <p>Decision making may take longer (1)</p> <p>Disagreements between the partners may occur (1)</p> <p>Accept other valid responses</p> <p>Max (2)</p> <p>Recommendation (1)</p>	5