2   Ben runs a small business but does not maintain a full set of accounting records. He has provided the following information:

	31 March 2024	1 April 2023
	$	$
Premises at cost	140 000	140 000
Machinery at cost	106 000	92 000
Accumulated depreciation on machinery	36 000	10 000
Inventory	42 000	24 600
Trade receivables	43 400	39 600
Trade payables	19 700	24 750
Bank	13 000 debit	3 200 credit
Other receivables	1 200	1 650

REQUIRED:

(a) Calculate Ben's opening and closing capital.

	Workings	Answer $
Capital at 1 April 2023		
Capital at 31 March 2024		

[2]

During the year ended 31 March 2024, Ben withdrew goods for his own use, $620. He also deposited an additional $10 000 cash into the business bank account from his personal funds.

REQUIRED:

(b) Calculate the profit for the year using the table below. Include your opening and closing capitals from **2(a)** and indicate whether the amounts of Ben's transactions shown should be added or deducted from the opening capital.

	Added to opening capital $	Deducted from opening capital $	Total $
Capital at 1 April 2023			
Capital introduced			
Profit for the year			
Drawings			
Total adjustments			
Capital at 31 March 2024			

[4]

In addition, Ben was able to provide details of transactions received and paid.

	$
Receipts from credit customers	452 000
Cash sales	21 000
Payments to credit suppliers	224 700

REQUIRED:

(c) (i) Calculate Ben's credit purchases for the year ended 31 March 2024.

....

....

....

....

....

....

....

....

[3]

(ii) Calculate Ben's **total** sales for the year ended 31 March 2024.

....

....

....

....

....

....

....

....

[3]

As his business is growing, Ben is considering maintaining a full set of accounting records. To allow him to do this, he believes he would need to employ an experienced book-keeper at a salary of $18 000.

REQUIRED:

(d) Advise Ben whether he should employ a book-keeper. Justify your answer with **two** advantages and **two** disadvantages of employing a book-keeper.

....

....

....

....

....

....

....

....

....

....

....

....

....

[5]

Ben has reviewed the age and level of his trade receivables and believes he should provide for possible doubtful debts.

REQUIRED:

(e) (i) Which accounting principle would he be applying by creating a provision for doubtful debts?

....

....

[1]

(ii) Complete the table by placing a tick (✓) to show what effect creating a provision for doubtful debts would have on Ben's profit for the year, trade receivables and cash at bank.

	Profit for the year	Trade receivables	Cash at bank
Increase			
Decrease			
No effect			

[2]

[Total: 20]

Question	Answer			Marks
2(a)				**2**
		Workings	Answer $	
	Capital at 1 April 2023	140 000 + 92 000 – 10 000 + 24 600 +39 600 – 24 750 –3 200 +1 650	259 900 **(1)**	
	Capital at 31 March 2024	140 000 +106 000 – 36 000+ 42 000 + 43 400 –19 700 +13 000 +1 200	289 900 **(1)**	

Question	Answer	Marks
2(b)	(see table below)	4

	Added to opening capital	Deducted from opening capital	Total
	$	$	$
Capital at 1 April 2023			259 900
Capital Introduced	10 000 **(1)**		
Profit for the year	20 620 **(1)** **OF**		
Drawings		620**(1)**	
Total adjustments	30 620	620	30 000
Capital at 31 March 2024			289 900**(1)OF***

* For both opening and closing capital figures

Question	Answer	Marks
2(c)(i)	Either	3

```
                                              $
Payments to credit suppliers              224 700
Add closing trade payables                 19 700   *
                                          244 400
Less opening trade payables              (24 750)  *(1) both opening & closing figures
                                          219 650
Less drawings                               (620)  (1)
                                          219 030   (1)OF
```

Or

Bank	224 700	Balance b/d	24 750 *
		Drawings	620 (1)
Balance c/d	19 700 *(1)	Purchases	219 030 (1)OF
	244 400		244 400

Question	Answer	Marks

2(c)(ii)	Either
	
	                                                $
	Payments received from credit customers 452 000
	Add closing trade receivables 43 400
	                                               495 400
	Less opening trade receivables (39 600) ***(1) both opening & closing figures**
	Total credit sales 455 800
	Cash Sales 21 000 **(1)**
	Total sales for the year 476 800 **(1) OF**
	Or
	
	<table><tr><td>Balance b/d</td><td>39 600 *</td><td>Bank</td><td>452 000</td></tr><tr><td>Sales</td><td>476 800 (1)OF</td><td>Cash sales</td><td>21 000 (1)</td></tr><tr><td></td><td></td><td>Balance c/d</td><td>43 400 *(1)</td></tr><tr><td></td><td>516 400</td><td></td><td>516 400</td></tr></table>
		3

2(d)	**Advantages (2)** Preparation of financial statements would be quicker / easier Better control over business activities / able to track transactions / income and expenses Chances of fraud reduced / errors may be reduced Comparison with previous years / aids decision making Information required by a bank/investor readily available Allow Ben time to concentrate on other business activities **Accept other valid points** **Disadvantages (2)** Salary of book-keeper to pay Profit may not be adequate to cover the cost of employing the book-keeper. Additional costs on top of salary paid. Problems of recruiting suitable / trained candidate **Accept other valid points** **Recommendation (1)**	5
2(e)(i)	Prudence Or Matching / accruals	1

Question	Answer					Marks
2(e)(ii)		Profit for the year	Trade receivables	Cash at bank		**2**
	Increase					
	Decrease	✓	✓		**(1) for both**	
	No effect			✓	**(1)**	