

- 2 Stalla is a sole trader who sells on credit. She maintains a provision for doubtful debts at 4% of trade receivables.

Stalla's trade receivables were:

	\$
At 31 December 2021	75 000
At 31 December 2022	77 000

REQUIRED

- (a) (i) Prepare Stalla's provision for doubtful debts account for the year ended 31 December 2022. Balance the account at 31 December 2022 and bring down the balance at 1 January 2023.

Stalla
Provision for doubtful debts account

Date	Details	\$	Date	Details	\$
.....
.....
.....
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[3]

- (ii) State **two** reasons why Stalla maintains a provision for doubtful debts.

- 1
-
- 2
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[2]

Question	Answer	Marks																								
2(a)(i)	<p style="text-align: center;">Stalla Provision for doubtful debts account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2022 Dec 31</td> <td>Balance c/d</td> <td style="text-align: right;">3 080</td> <td>2022 Jan 1</td> <td>Balance b/d</td> <td style="text-align: right;">(1) 3 000</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">3 080</td> <td>2022 Dec 31</td> <td>Income statement</td> <td style="text-align: right;">(1)OF 80</td> </tr> <tr> <td></td> <td></td> <td></td> <td>2023 Jan 1</td> <td>Balance b/d</td> <td style="text-align: right;">(1) 3 080</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2022 Dec 31	Balance c/d	3 080	2022 Jan 1	Balance b/d	(1) 3 000			3 080	2022 Dec 31	Income statement	(1)OF 80				2023 Jan 1	Balance b/d	(1) 3 080	3
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2(a)(ii)	<p>Not all trade receivables will pay the amount they owe/ to anticipate irrecoverable debts (1) To apply the principle of prudence/ to ensure the profit is not overstated/ to ensure the trade receivables are not overstated (1) To apply the principle of matching / to ensure that the sales for which payment is not likely to be received are regarded as an expense of the year in which the sales were made (1)</p> <p>Max (2)</p>	2																								