1 Saira is a trader. The following transactions took place in January 2023.

Jan	2	Rent received, $360, was paid directly into the bank account
	4	Paid $343 to Jai by telephone transfer, having deducted 2% cash discount from the amount due
	7	Paid cash, $33, for motor expenses
	13	Cash sales, $395, were paid directly into the bank account
	17	Paid $194 to David, by electronic transfer, having deducted 3% cash discount from the amount due
	20	Received a cheque, $388, from Ivan, in full settlement of a debt of $400
	27	Withdrew cash, $150, from the bank for business use
	29	Paid $124, cash, for wages

REQUIRED

(a) Prepare Saira's cash book on the page opposite.
Balance the cash book and bring down the balances at 1 February 2023.

Saira
Cash Book

Date 2023	Details	Discount allowed $	Cash $	Bank $	Date 2023	Details	Discount received $	Cash $	Bank $
Jan 1	*Balance b/d*		*110*	*713*	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
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.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

[13]

Saira has now received a business bank statement and is comparing it to her cash book.

REQUIRED

(b) Complete the table by writing 'increase', 'decrease' or 'no effect' in **each** box to show the effect of recording the items listed, which appeared only on the bank statement. The first one is completed for you as an example.

Items to be adjusted	Effect on bank balance in cash book	Effect on capital
Bank charges	*decrease*	*decrease*
Credit transfer from Saira's personal bank account		
Cheque from Ivan was dishonoured		

[4]

The going concern concept requires that Saira's financial statements are prepared under the assumption that her business will continue for an indefinite period of time.

REQUIRED

(c) State why **each** external user of the accounting statements would be interested in Saira's business continuing indefinitely.

User	Reason
Bank manager	
Government	
Trade payables	

[3]

[Total: 20]

Question	Answer	Marks
1(a)		**13**

Saira
Cash Book

Date	Details		Disc Alld	Cash	Bank	Date	Details		Disc Rec	Cash	Bank
2023			$	$	$	2023			$	$	$
Jan 1	*Balance b/d*			*110*	*713*	Jan 4	Jai	**(1)**	7		343
2	Rent receivable	**(1)**			360	7	Motor expenses	**(1)**		33	
13	Sales	**(1)**			395	17	David	**(1)**	6		194
20	Ivan	**(1)**	12		388	27	Cash	**(1)**			150
27	Bank	**(1)**		150		29	Wages	**(1)**		124	
						31	Balances c/d			103	1 169
			12	260	1856				13	260	1 856
Feb 1	Balances b/d			103 **(1)OF**	1169 **(1)OF**						

+ (1) OF both discount totals
+ (1) dates

Question	Answer	Marks
1(b)		**4**

Items to be adjusted	Effect on bank balance in cash book	Effect on capital
Bank charges	*decrease*	*decrease*
Credit transfer from Saira's personal bank account	increase **(1)**	increase **(1)**
The cheque from Ivan was dishonoured	decrease **(1)**	no effect **(1)**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>
<table>
<tr><td>User</td><td>Reason</td></tr>
<tr><td>Bank manager</td><td>to see if she will be able to repay loan/overdraft/interest (1)</td></tr>
<tr><td>Government</td><td>to see if she will be able to pay any tax which becomes due (1)</td></tr>
<tr><td>Trade payables</td><td>to see if she will be able to pay what she owes/consider whether to allow credit terms (1)</td></tr>
</table>
Accept other valid points</td><td>3</td></tr>
<tr><td></td><td></td><td>0</td></tr>
</table>