

- 1 On 31 March 2017 the following information was available from the books of Moelwyn, a sole trader.

	Dr	Cr
	£	£
Capital		95 300
Sales		825 000
Purchases	362 500	
Bad debts	17 750	
Debtors	103 125	
Provision for doubtful debts		9 500
Salaries	134 450	
9% loan		54 000
Loan interest	3 645	
Motor expenses	16 340	
Commission received		13 290
Creditors		97 300
Electricity	29 142	
Insurance	21 600	
Rent received		42 750
Carriage outwards	6 440	
Bank	99 818	
General expenses	16 460	
Drawings	42 290	
Stock	38 140	
Sales returns	27 260	
Purchases returns		18 620
Land & buildings	272 000	
Provision for depreciation land & buildings		97 920
Motor vehicles	98 000	
Provision for depreciation of motor vehicles		35 280
	1 288 960	1 288 960

The following information is available:

- (i) The closing stock at 31 March 2017 was valued at £44 390.
- (ii) Moelwyn had withdrawn stock at a cost price of £7 300 from the business for his personal use. This transaction has not been recorded in the accounts.
- (iii) Carriage inwards of £5 650 had been included in general expenses.
- (iv) Moelwyn wishes to provide a specific provision for doubtful debts of £8 475 plus a general provision of 6% of debtors remaining in the books at the financial year end.
- (v) One quarter's rent received is outstanding as at 31 March 2017. There has been no increase in rent received during the financial year and no rent received was outstanding at the start of the financial year.

(vi) At 31 March 2017 the following were owing:

Electricity	£9 714
Insurance	£1 800
General expenses	£3 250
Commission received	£710

(vii) The loan was taken out, in full, on 1 April 2014. 25% of the loan is repayable by 31 December 2017 and the remaining balance by 31 December 2020.

(viii) Depreciation for the year ended 31 March 2017:

Land and buildings	£10 880
Motor vehicles	£12 544

REQUIRED

(a)* The Trading and Profit and Loss Account for the year ended 31 March 2017 **and** the Balance Sheet as at 31 March 2017. **[43]**

2 At 1 April 2016 the following information was extracted from the books of Idris a sole trader.

Machinery at cost (purchased 1 January 2015)	27 000
Total depreciation of machinery to date	12 420

Motor vans at cost (purchased 1 January 2013)	12 000
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During the financial year ended 31 March 2017 the following transactions took place.

<u>Purchases</u>		<u>Cost (£)</u>
1 July 2016	Machinery	36 000
1 October 2016	Motor vans	15 000

On 1 October 2016 the machinery, which had cost £27 000 when purchased on 1 January 2015, was sold for £8 100.

All payments and receipts were made by cheque.

Machinery is depreciated using the reducing balance method at a rate of 40% per annum with the rate being applied for each part of the year the machinery is owned.

No allowance is made for any residual value.

Motor vans are depreciated using the straight line method at a rate of 20% per annum with the rate being applied for each part of the year the motor vans are owned.

No allowance is made for any residual value.

REQUIRED

- 2 (a) Calculate the balance b/d in the Provision for Depreciation of Motor Vans account at 1 April 2016. [1]
- (b) The following accounts for the year ended 31 March 2017:
- (i) Machinery [2]
 - (ii) Motor vans [1]
 - (iii) Provision for Depreciation of Machinery [5]
 - (iv) Provision for Depreciation of Motor Vans [3]
 - (v) Disposal of machinery [4]
 - (vi) State whether the machinery was disposed of at a profit or a loss. [1]
- (c)* Discuss the choice of depreciation method used for machinery and for motor vans. [10]
- (d) Discuss how the following concepts apply to fixed asset values and depreciation:
- (i) Going concern [5]
 - (ii) Accruals/Matching [5]

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