

**Question 1**

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| **1.1** | **INCOME STATEMENT FOR NORTH TRADERS FOR THE YEAR ENDED 31 DECEMBER 2019** |
| Sales (**720 000** – 13 800✓ - 4200✓) | 🗹 |  702 000 |  |

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| **42** |

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| Cost of sales ( **400 000** - 2625✓) | 🗹 |  (397 375) |  |
|  **Gross Profit** check operation | 🗹 |  304 625 |  |
| **Other Operating Income**  |  |  51 000 |  |
| Rent income (46 400✓ + 4400✓ ✓) | 🗹 |  50 800 |  |
| Decrease in provision for bad debts (2 400 -2 200) | ✓✓ | 200 |  |
| **Gross Operating income**  |  |  355 625 |  |
| **Operating Expenses** check operation | 🗹 |  (245 321) |  |
| Packing material  | ✓  |  5 350 |  |
| Utilities (8 900 + 1 100) | ✓✓ |  10 000 |  |
| Bad debts (3 200✓ + 400✓) | 🗹 |  3 600 |  |
| Bank charges (846 +250) | ✓✓ |  1 096 |  |
| Discount allowed (430 - 30) | ✓✓ |  400 |  |
| Trading stock deficit (70 000 + 2 625 - 64 700) | ✓✓ |  7 925  |  |
| Insurance (8 800✓ –1400✓)  | 🗹 |  7 400 |  |
| Salaries and wages (164 000✓ +11 600✓) (9200+2400) | 🗹 |  175 600 |  |
| Employers contribution ( 10 800 + 350) | ✓✓ | 11 150 |  |
| Depreciation | ✓ | 15 000 |  |
| Telephone | ✓ | 7 800 |  |
| **Operating Profit**  |  | 110 304 |  |
| Interest income (150✓+13 750✓+1 250✓) (15 000)  | 🗹 |  15 150 |  |
| **Profit Before Interest Expense**  |  | 125 454 |  |
| Interest expense  | ✓ ✓  |  (15000) |  |
| **Net Profit for the year** check operation | 🗹 |  110 454  |  |

**Penalty for foreign items (max - 2)**