**4** Pire Solutions prepared a draft income statement for the year ended 30 April 2024 which showed a profit for the year of £19 000. The business was aware that there were some errors in the books of account.

On further inspection the following errors were discovered in the books of account.

(1) Credit purchases costing £7 100 had been correctly posted in the Suppliers Account but had been recorded in the Purchases Account as £1 700

(2) The owner of Pire Solutions had been paid £30 per week which had been paid and posted to the General Expenses Account for the 52 weeks of the year.

(3) Commission receivable at the rate of 2.5% of £30 000 sales had been recorded in the Cash Book but no other entry had been made in the books.

(4) Depreciation on office equipment had been charged for the year using the reducing balance method which had been calculated at £350. This should have been charged at 20% using the straight-line method on the office equipment cost of £3 000

(5) The allowance for irrecoverable debts on 1 May 2023 of £3 450 was not adjusted at the year end. The balance of trade receivable at 30 April 2024 was £80 000 and Pire Solutions estimated that 3.5% of debts would become irrecoverable.

**Required**

(a) Explain the terms:

(i) error of principle

**(2)**

(ii) suspense account.

**(2)**

(b) Prepare the journal entries to correct the errors.

**(10)**

(c) Complete the table in the question paper showing the corrected profit **after** the correction of all errors.

**(10)**

(d) Evaluate the use of International Accounting Standards (IAS) when preparing financial statements.

**(6)**

**(Total for Question 4 = 30 marks)**