1 Rapid Supplies buys and sells goods on credit to local businesses.

The following balances were recorded in the books of account on 30 April 2024.

	£	
Allowance for irrecoverable debts	300	
5% bank loan (repayable 2026)	20000	
Bank loan interest paid	500	
Capital	100000	
Cash and bank	10120	Dr
Commission received	8000	
Delivery vehicle expenses	6250	
Discount allowed	1350	
Discount received	950	
Drawings	28000	
General expenses	7450	
Insurance	2100	
Inventory – 1 May 2023	9800	
Irrecoverable debts	850	
Marketing costs	11250	
Non-current assets (at cost)		
Premises	90000	
Delivery vehicles	54000	
Office equipment	30000	
Non-current assets (provision for depreciation)		
Premises	9000	
Delivery vehicles	31500	
Office equipment	13400	
Power and water	13500	
Purchases	187900	
Rates	11900	
Returns inwards	11180	
Returns outwards	5700	
Revenue	345000	
Trade payables	15500	
Trade receivables	12800	
Wages and salaries	60400	

Additional information at 30 April 2024

(1) Inventory £12 000

(2) The 5% bank loan was taken out on 1 August 2023.

(3) Marketing costs included £4 500 paid for a promotion running from 1 January to 30 June 2024.

(4) Power owing was £1 100 and water prepaid was £400

(5) A delivery vehicle costing £14 000 and with an accumulated depreciation of £11 500 was sold for £3 750 cash on 20 April 2024. No entries had been made in the books of account to record the sale or receipt of cash.

(6) A full year's depreciation is charged on all non-current assets owned at the end of the year. Depreciation is charged at the rates of:

Premises – 2% using the straight-line method
Delivery vehicles – 20% using the reducing balance method
Office equipment – 25% using the straight-line method.

(7) Trade receivables of £400 are now irrecoverable and are to be written off.

(8) The allowance for irrecoverable debts is to be maintained at 5% of trade receivables.

Required

(a) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2024.

(21)

(b) Prepare the Statement of Financial Position at 30 April 2024.

(18)

(c) Explain the terms:

(i) day work

(2)

(ii) piecework.

(2)

Rapid Supplies employs delivery drivers. At present, delivery drivers are paid a fixed rate per week. It is proposed to change their method of remuneration to a payment based on the deliveries made by the drivers.

(d) Evaluate the proposal to change the delivery drivers' remuneration to a system based on the deliveries made by the drivers.

(12)

(Total for Question 1 = 55 marks)