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a).

Depreciating their non-current assets serves to provide an accurate account of the value of their assets which means that ABC Bakery would be complying to regulation of industry. It also allows them to receive a tax-break due to the value of the assets decreasing. In essence, they're complying with regulation and reducing their expenses at the same time.

Balance sheet for ABC Bakery as at 30.6.13

b).

\$ \$ \$

Current Assets.			26400
Debtors	20500	20400	
Less Allowance for doubtful debts	100		
Non-current Assets.			
Motor Vehicle -	18000	4000	4000
Less Accumulated depreciation - Motor vehicle	14000		
Total Assets			24400
Current Liabilities			1000
Accrued expense for wages		1000	
Non-current liabilities			16000
Long service Leave		16000	
Total liabilities			17000
Net Assets			7400

	\$	\$	\$
Proprietorship			7400.
Capital	5000	2400	
Add Net Profit	2400		

c).

Subsidiary ledgers and financial reports are important in the management of financial accounts. Their purpose is to give an accurate and truthful insight into the current state of the business. It also indicates the level of stability of the business.

The purpose of subsidiary ledgers is to allow understanding into contra accounts, where the business has both an accounts receivable and payable with the same entity. This allows ease of access for

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Financial
anyone reading into the documents reports of the business.
Furthermore, financial reports such as the balance sheet
in part b) give an indication into the state of
the business - how its operating. This will give the
owner valuable information into their business as
the amount of depreciation
~~we can see that~~ on assets can be deduced, the
efficiency of accounts receivable (higher levels of accounts
receivable may indicate that aged debt is becoming an issue)
as well as the profits of the business comparative to some
of the costs.

The balance sheet can also provide us an understanding into
balance day adjustments which is especially valuable to ^{ABC} ~~the~~
Bakery's management as it will account for ^{due} ~~received~~ payments
and for prepayment - in addition to this, it will make
future management of the accounts easier since with this
information in the financial accounts future forecasting
and ~~the~~ future financial reports can be made.

Subsidiary ledgers allow management to understand its
financial commitments to businesses and the ~~to~~ financial
commitments due to them. Having the subsidiary ledgers
will ensure that the Bakery won't confuse accounts
up and that everything will be recorded appropriately.



← Tick this box if you have continued this answer in another writing booklet.

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Accuracy in the subsidiary ledgers and financial reports will ease the financial difficulties of the sole trader.

This is due to financial reports being able to give a summary of not only the state of the business but also the profit.

Income statements are another financial report that is commonly used that indicates to a business the amount of gross profit and net profit that the business is incurring. ABC Bakery's accounts can be analysed with greater depth knowing where cost-centres lie and whatnot. Where a high level of expenses can be easily discovered and this will indicate to the sole trader that they have high ~~total~~ costs associated with a specific account which will lead to them looking into their ~~at~~ ledgers to work out why the costs are so high.

The management of ABC Bakery's financial accounts is integral based on ~~the~~ how well made the subsidiary ledgers and financial reports are. Their purpose is to ease the process of ^{recording} documenting the financial accounts as all the information will be provided to appropriately deduce costings, profits, assets and whatnot.

It is also implied that ABC Bakery will take on new staff as they've provided a 'provision for long service leave' in their balance sheet which will mean that

ABC Bakery's financial accounts will become more complicated due to having additional workers. The subsidiary ledgers and financial reports will be reflective of this.

Finally, the purpose of subsidiary ledgers and financial reports is to ease the process of the management of ABC Bakery's accounts, ~~it~~ they will allow easy identification of issues in the business and allow ABC Bakery to adjust their financial accounts.

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