

Jackson has been in business for many years. He specialises in the making of toys. You are given the following Profit and Loss account and notes. You are required to compute the taxable trading profit for the accounting period

Admin Expenses	3,500	Gross Profit b/d	40,000
Property Costs	5,000	Investment Income	650
Depreciation	4,700	Rent Receivable	1,250
Repairs and Renewals	4,000	Bank Interest	1,000
Motor Expenses	1,000	Grants Received	1,500
Selling & Distribution	2,500		
Entertaining	750		
Loan Interest	1,250		
Subscriptions	500		
Legal and Professional Costs	1,500		
Bad Debts	7,000		
General Expenses	300		
Net Profit for Year	12,400		
	444000		44400

1. Grants received consist of:
 - a. Advertising grant from supplier £500
 - b. Grant from LEC (non taxable) £1,000

2. Investment income entirely consists of dividends from other UK companies.

3. Included in repairs are:
 - a. Machinery Repairs £2,000
 - b. Cost of new office furniture £900
 - c. Factory Extension £1,000

4. Entertaining comprises of:
 - a. Entertaining UK customers £400

- b. Entertaining overseas customers £350
- 5. Loan interest was payable to a finance company for a business loan.
- 6. Subscriptions include:
 - a. Chamber of commerce £100
 - b. Association of Toymakers £300
 - c. Chelsea Football Club £100
- 7. Legal and professional fees relate to debt collection fees of £900, claim for breach of contract £400 and Income Tax appeal £300.
- 8. The bad debts include actual bad debts of £4,800, specific provision of £1,400 and an increase in the bad debt allowance of £800.
- 9. General expenses include £100 for a staff Christmas lunch.