

Chi Needle was born on 27 August 1968. She commenced self-employment as an acupuncturist on 6 April 2013, and for the year ended 5 April 2014 her trading profit using the normal accruals basis was £52,400, calculated as follows:

	Note	£	£
Revenue	1		71,900
Expenses			
Motor expenses	2	4,400	
Other expenses	3	8,200	
Capital allowances	4	6,900	(19,500)
Trading profit			52,400

Note 1 – Revenue

The revenue figure of £71,900 includes receivables of £1,600 which were owed as at 5 April 2014.

Note 2 – Motor expenses

The total motor expenses for the year ended 5 April 2014 were £5,500, of which 20% was for private journeys. This proportion has been disallowed in calculating the trading profit. During the year ended 5 April 2014, Chi drove 13,200 business miles.

Note 3 – Other expenses

The other expenses figure of £8,200 includes payables of £900 which were owed as at 5 April 2014.

Note 4 – Capital allowances

Capital allowances consist of an annual investment allowance claim of £4,020 in respect of office equipment purchased on 6 April 2013, and a writing down allowance of £2,880 claimed in respect of Chi's motor car. The motor car had cost £20,000 on 6 April 2013.

Additional information

Chi has no other income for the tax year 2013–14.

She did not make any payments on account in respect of the tax year 2013–14.

Required:

(c) Calculate Chi Needle's trading profit for the year ended 5 April 2014 if she had used the cash basis instead of the accruals basis.

Notes:

1. Where relevant, expenses should be claimed on a flat rate basis.
2. You are not expected to recalculate the income tax liability or the national insurance contributions payable. (5 marks)