

Financial statements of sole-traders

J11/12/ (11/13 same)

2(b) State the purpose of preparing an income statement.

.....
[1]

(c) In the table below, place a tick (✓) under the correct heading to show whether the item is income or an expense.

	Income	Expense
Carriage outwards		
Irrecoverable debts recovered		
Discount received		

[3]

J11/12/ (11/13 same)

4(c) In the following table, place a tick (✓) under the heading to show the correct category of each asset shown on Khalim's Statement of Financial Position.

	Non-current tangible asset	Non-current intangible asset	Current asset
Warehouse			
Goodwill			
Motor van			
Trade receivables			

[4]

J11/22

2 The following trial balance was extracted from the books of Sabena Khan at 31 January 2011.

	\$	\$
Capital 1 February 2010		55 686
Drawings	4 800	
Premises at cost	30 000	
Equipment at valuation	4 500	
Fixtures and fittings at cost	5 400	
Provision for depreciation of fixtures and fittings		1 080
Inventory 1 February 2010	7 500	
Trade receivables	4 900	
Irrecoverable debts	50	
Irrecoverable debts recovered		150
Provision for doubtful debts		116
Carriage outwards	700	
Revenue		58 200
Purchases	51 400	
Purchases returns		2 300
Trade payables		5 100
Bank	5 240	
Administration expenses	7 960	
Discount allowed	182	
	122 632	122 632

Additional information:

- 1 Sabena Khan did not value her inventory on 31 January 2011 due to an oversight. Her gross profit margin is 20%.
- 2 The provision for doubtful debts is to be maintained at 2% of trade receivables.
- 3 Equipment was valued at \$3 800 on 31 January 2011. No equipment was bought or sold during the year ended 31 January 2011.
- 4 Fixtures and fittings are to be depreciated by 10% per annum on cost.

REQUIRED

Prepare the income statement of Sabena Khan for the year ended 31 January 2011. The income statement should clearly show the gross and net profits for the year and the value of the inventory on 31 January 2011.

Sabena Khan
Income Statement for the year ended 31 January 2011

	\$	\$

J12/12

2(c) In the table below, place a tick (✓) under the correct heading to show whether the item is income or an expense.

	Income	expense
Irrecoverable debts recovered		
Carriage inwards		
Discount received		

[3]

J12/12

5 The following is the trial balance of Rachel Smith at 31 March 2012.

	\$	\$
Bank	5 280	
Cash	160	
Purchases	42 500	
Revenue		63 100
Inventory at 1 April 2011	3 100	
Carriage inwards	1 050	
Carriage outwards	540	
Purchase returns		1 900
Premises	38 600	
Equipment	9 600	
Provision for depreciation of equipment		3 840
Trade receivables	5 000	
Trade payables		3 900
Irrecoverable (Bad) debts	190	
General expenses	1 620	
Property tax	6 000	
Wages	7 100	
Capital	<u>48 000</u>	
	<u>120 740</u>	<u>120 740</u>

The following additional information is available at 31 March 2012.

- 1 Inventory was valued at \$3 750.
- 2 A bonus of \$180 is to be accrued in the wages account.
- 3 Property tax includes \$1 200 paid in advance.
- 4 Depreciation of \$1 920 is to be provided for the year.
- 5 A provision for doubtful debts of 3% of the trade receivables is to be created.

REQUIRED

- (a) Prepare the income statement for the year ended 31 March 2012.

Rachel Smith
Income Statement for the year ended 31 March 2012

	\$	\$

[16]

(b)(i) From your answer to **(a)**, calculate the percentage of gross profit to revenue. Show your workings and give your answer to **two** decimal places.

.....
.....
.....
.....[2]

(ii) Suggest **one** way in which Rachel Smith could improve this percentage.

.....
.....
.....
.....[2]

(c)(i) From your answer to (a), calculate the percentage of profit for the year to revenue. Show your workings and give your answer to two decimal places.

.....
.....
.....
.....[2]

(ii) Suggest one way in which Rachel Smith could improve this percentage.

.....
.....
.....[2]

[Total: 24]

J12/13

2(b) State the purpose of preparing a Statement of Financial Position.

.....
.....[1]

(c) In the table below, place a tick (✓) under the correct heading to show whether the item is an asset or a liability.

	Asset	Liability
Inventory		
Rent receivable prepaid		
Trade payables		

[3]

(g) Give two examples of a non-current asset.

(i)

(ii)[2]

J12/21

3 Mark Mutanda is a business consultant. His financial year ends on 31 January. He provided the following information on 31 January 2012.

	\$
Income from clients	82 100
Insurance	5 630
Wages and salaries	33 000
Rent received	2 600
Rates paid	5 200
Provision for doubtful debts 1 February 2011	154
Loan interest paid	900
Office expenses	17 177
Cash drawings	16 000
Capital 1 February 2011	200 000

Additional information

- 1 On 31 January 2012 insurance prepaid amounted to \$2 320 and wages of \$3 200 are to be accrued.
- 2 The rent received covers a period of 13 months to 28 February 2012.
- 3 The office expenses include \$214 for Mark Mutanda's home telephone bill.
- 4 A 10-year loan of \$20 000 was received on 1 February 2011. Interest is charged at 6% per annum.
- 5 The provision for doubtful debts is maintained at 2% of the trade receivables. On 31 January 2012 the trade receivables totaled \$6 800.
- 6 Fixtures and fittings cost \$5 250. They are depreciated at 10% per annum on the straight line method.
- 7 Office equipment was valued at \$1 900 on 1 February 2011. Additional office equipment costing \$600 was purchased during the year. There were no sales of office equipment during the year. On 31 January 2012 the office equipment was valued at \$2 100.

REQUIRED

- (a) Prepare the income statement of Mark Mutanda for the year ended 31 January 2012. [18]

Mark Mutanda
Income Statement for the year ended 31 January 2012

	\$	\$

(b) Write up the capital account of Mark Mutanda for the year ended 31 January 2012.

Mark Mutanda
Capital account

Date	Details	\$	Date	Details	\$

[6]

(c) Calculate the return on capital employed (ROCE) for Mark Mutanda. Use the total capital employed on 1 February 2011. Show your workings and give your answer to **two** decimal places.

.....

.....

.....

.....[3]

(d) Explain the importance of the return on capital employed (ROCE).

.....

.....

.....

.....[2]

(e) The return on capital employed (ROCE) is lower than it was in the previous year. Suggest one reason for this.

.....

.....

.....[2]

[Total: 31]

N12/13

2(b) In the table below, place a tick (✓) under the correct heading to show whether the item is income or an expense of a business.

	Income	Expense
Debenture interest		
Factory overheads		
Commissions received		

[3]

(c) Bedou is a new supplier of goods on credit to Anwar. Suggest one reason why Bedou would be interested in Anwar’s financial statements.

.....

[2]

(f) Give **one** example of an intangible non-current asset.

.....[1]

3 Prince makes engine parts. His financial year ends on 30 September.

The following items remained on Prince’s books after the preparation of the income statement for the year ended 30 September 2012.

	\$
Bank	500 Dr
Bank loan (repayable 2018)	2 800
Capital	6 800
Equipment at cost	3 500
Inventory	3 300
Motor vehicle at cost	4 500
Other payables	900
Provision for depreciation – equipment	600
Provision for depreciation – motor vehicle	1 000
Trade payables	2 700
Trade receivables	3 000

REQUIRED

(a) Prepare Prince’s Statement of Financial Position at 30 September 2012.

(c)(i) State the formula for the calculation of the quick (acid test) ratio.

.....
.....[1]

(ii) Calculate Prince's quick (acid test) ratio at 30 September 2012. Show your workings and give your answer to **two** decimal places.

.....
.....
.....[2]

(iii) State and explain whether Prince will be satisfied with his quick (acid test) ratio.

Will he be satisfied?

Reason

.....
.....[3]

(d) Suggest **one** way in which Prince could encourage his customers to pay their accounts more quickly.

.....
.....[2]

(e) Suggest **one** way in which Prince could improve his working capital.

.....
.....[2]

[Total: 25]

Ahsan Zarif, TCS, PAF Chapter

N12/23

3 Daisy Matumo provides secretarial services for small businesses. Her financial year ends on 31 October. She provided the following information for the year ended 31 October 2012.

	\$
Fees from clients	35 120
Assistant's wages	18 750
Office expenses	11 265
Cost of new office equipment	3 000
Proceeds of sale of old office equipment	200
Rent received from tenant	2 750
Drawings	6 200

Additional information:

- 1 The rent received from the tenant includes \$150 which was outstanding on 1 November 2011.
- 2 On 1 November 2011 wages accrued amounted to \$300. On 31 October 2012 wages accrued amounted to \$450.
- 3 On 31 October 2012 fees due from clients amounted to \$520.
- 4 The office equipment sold during the year had cost \$3450 and had been depreciated by \$3 025 at the date of sale.
- 5 The new office equipment was purchased on 1 August 2012. Office equipment is depreciated at the rate of 20% per annum. Depreciation is calculated from the date of purchase.
- 6 Daisy Matumo's capital on 1 November 2011 was \$60 000.

REQUIRED

(a) Prepare the income statement of Daisy Matumo for the year ended 31 October 2012. [12]

Daisy Matumo
Income Statement for the year ended 31 October 2012

	\$	\$

- (b) Prepare the capital account of Daisy Matumo for the year ended 31 October 2012. Where a traditional "T" account is used it should be balanced and the balance brought down on 1 November 2012.

Daisy Matumo
Capital account

Date	Details	\$	Date	Details	\$

[4]

- (c) Using the capital on 31 October 2012, calculate the return on capital employed (ROCE). The calculation should be correct to **two** decimal places. Show your workings.

.....

.....

.....

.....[2]

After the preparation of the financial statements for the year ended 31 October 2012 the following errors were discovered.

- 1 Office expenses, \$100, paid from petty cash had not been transferred to the office expenses account.
- 2 No entry had been made for \$2000 withdrawn from the bank for personal use.
- 3 No entry had been made for the purchase of a motor vehicle, \$9100, on credit.

REQUIRED

- (d) Indicate the effect of **each** error on the return on capital employed. Give a reason for each of your answers. The first one has been completed as an example.

Error 1 Effect on return on capital employed (ROCE)
 Increase Decrease No effect

Reason The profit for the year decreases but the capital has not changed so the return on capital decreases.

(i) Error 2 Effect on return on capital employed (ROCE)
 Increase Decrease No effect

Reason

.....

.....[2]

(ii) Error 3 Effect on return on capital employed (ROCE)

Increase Decrease No effect

Reason

.....

.....[2]

[Total: 22]

J13/22

1 Nathan Kershaw runs an advertising agency. His financial year ends on 31 March.

He provided the following information on 31 March 2013.

	\$
Motor vehicle at cost	12 480
Provision for depreciation of motor vehicle	5 460
Office equipment at cost	9 800
Provision for depreciation of office equipment	4 410
Income from clients	94 060
Wages	42 000
Office expenses	6 250
Commission received	1 050
Rates and insurance	10 000

Additional information

- 1 On 31 March 2013 commission receivable outstanding amounted to \$190 and office expenses due amounted to \$540.
- 2 During the year Nathan Kershaw has withdrawn \$7 800 in cash. This has been debited to the wages account.
- 3 The rates and insurance includes \$3 000 for insurance of the premises. This represents cover for 15 months to 30 June 2013.
- 4 The motor vehicle is being depreciated at 25% per annum on the reducing (diminishing) balance method.
- 5 The office equipment is being depreciated at 15% per annum on the straight line method.

REQUIRED

- (a) Prepare the income statement of Nathan Kershaw for the year ended 31 March 2013.

Nathan Kershaw
Income Statement for the year ended 31 March 2013

	\$	\$

[14]

After the preparation of the income statement the following errors and omissions were discovered:

- 1 A bank statement received on 31 March 2013 showed bank charges of \$140. This had not been entered in the accounting records.
- 2 The office expenses includes stationery. The inventory of stationery was valued at \$210 on 31 March 2013. No adjustment had been made in the accounting records.
- 3 The trade receivables amounted to \$8 400 on 1 April 2012 and \$8 900 on 31 March 2013. A provision for doubtful debts is maintained at 2% of trade receivables. No entries had been made on 31 March 2013 to adjust the provision.
- 4 On 1 January 2013 the business received a \$10 000 loan from Finance4all. No entries had been made for interest which is charged at 6% per annum.

(b) Complete the table below to show what effect each of the above errors would have on the profit for the year ended 31 March 2013. The first one has been completed as an example.

Error	Effect on profit for the year		
	Overstated \$	Understated \$	No effect \$
1	140		
2			
3			
4			

[6]

[Total: 20]

N13/22

3 The following trial balance was extracted from the books of Steven Wright on 30 September 2013.

	\$	\$
Capital 1 October 2013		90 000
Drawings	6 250	
Premises at cost	65 000	
Equipment at cost	30 000	
Provision for depreciation of equipment		18 000
Motor vehicle at cost	16 000	
Provision for depreciation of motor vehicle		7 000
Inventory 1 October 2012	9 000	
Revenue		169 000
Purchases	132 000	
Sales returns	5 000	
Wages	26 500	
General expenses	3 970	
Provision for doubtful debts		260
Commission received		1 215
Trade receivables	14 200	
Trade payables		13 000
Petty cash	290	
Bank	4 005	
Loan – AB Finance (repayable 2020)		6 000
	308 480	308 480

Additional information

- 1 Because of illness, Steven Wright did not value his inventory on 30 September 2013. His gross profit margin is 25%.
- 2 On 30 September 2013 general expenses prepaid amounted to \$170 and wages of \$750 are to be accrued.
- 3 During the year ended 30 September 2012 Steven Wright took goods costing \$1 000 for his own use. No entries have been made in the accounting records.
- 4 The loan was received on 1 April 2013 and interest is charged at 6% per annum.
- 5 The provision for doubtful debts is to be maintained at 2% of trade receivables.
- 6 Depreciation on equipment is charged at 20% per annum using the straight line method and depreciation on the motor vehicle is charged at 25% per annum using the reducing (diminishing) balance method.

REQUIRED:

- (a) Prepare the income statement of Steven Wright for the year ended 30 September 2013.

J14/12

3(b) Complete the table below to indicate in which financial statement each item would appear. State to which type of business each item relates. The first has been completed as an example.

	Financial statement	Type of organisation
Ordinary share capital	<i>Statement of financial position</i>	<i>Limited company</i>
Accumulated fund		
Interest on capital		
Ordinary share dividends paid		
Debenture interest		

[8]

N14/13

3(g) (i) Explain one limitation a potential investor should be aware of when studying the financial statements of a business.

.....

.....

..... [2]

(ii) Complete the table below, indicating with a tick (✓) where each item would appear in the financial statements. The first has been completed as an example.

	Income statement		Statement of Financial Position	
	Debit	Credit	Assets	Liabilities
Bank overdraft				✓
Depreciation charge for the year				
Prepaid rent				
Discount received				
Commission received				

[4]

J15/23

- 4 The following trial balance was extracted from the books of Syed Zilani at the end of his first year of trading on 31 January 2015.

	\$	\$
Capital		90 000
Premises at cost	70 000	
Equipment at cost	9 300	
Revenue		77 100
Purchases	62 030	
Wages	10 140	
Insurance	2 800	
Advertising	1 120	
Irrecoverable debts	90	
Rates	2 160	
General expenses	151	
Discount received		43
Trade receivables	6 500	
Trade payables		5 950
Cash drawings	5 200	
Bank	3 602	
	173 093	173 093

Additional information

- 1 At 31 January 2015 inventory was valued at \$4100.
- 2 The insurance was paid for 14 months to 31 March 2015.
- 3 One third of the rates relates to Syed Zilani's private flat.
- 4 During the year Syed Zilani took goods costing \$580 for personal use. No entries have been made in the accounting records.
- 5 A provision for doubtful debts of 2% of trade receivables is to be created.
- 6 Equipment is to be depreciated at 20% per annum on cost.

REQUIRED

- (a) Prepare the income statement for the year ended 31 January 2015.

Syed Zilani
Income Statement for the year ended 31 January 2015

	\$	\$	\$

[14]

(b) Explain how the prudence principle has been applied in the preparation of the income statement. Illustrate your answer by reference to one of the items in your answer to (a).

.....

.....

.....

.....

[2]

Syed Zilani understands that certain objectives must be considered when selecting accounting policies. He knows that one of these objectives is reliability.

REQUIRED

(c) Name one other accounting objective. [1]

(d) Explain two factors Syed Zilani should consider when comparing his results with those of another business.

1 [4]

2 [4]

[Total: 21]

N15/12

2(c) Complete the following table using a tick (✓) to indicate whether **each** item is an asset, a liability or an expense. The first has been completed as an example.

	Asset	Liability	Expense
fixtures and fittings	✓		
Insurance			
bank overdraft			
Cash			
trade payable			
Wages			
accrued electricity			
increase in provision for doubtful debts			
unpaid commission receivable			

[4]

(d) Name the financial statement in which the following are recorded.

(i) assets

.....[1]

(ii) expenses.

.....[1]

N15/13

2(d) Name the section of a statement of financial position in which inventory is recorded.

.....[1]

N15/13

3(g) State **one** limitation of financial statements.

.....

.....[1]

N15/22

2 Grace Zindi runs a secretarial agency. Her financial year ends on 31 July.

She provided the following information on 31 July 2015.

	\$
Capital 1 August 2014	85 000
Cash drawings	15 500
Fees from clients	28 500
Wages	21 600
Rates and insurance	3 900
General expenses	990
Heat and light	710
Commission receivable	7 600
Motor vehicles at cost 1 August 2014	12 500
Provision for depreciation of motor vehicles 1 August 2014	4 500
Office equipment at valuation 1 August 2014	11 400

Additional information

- 1 At 31 July 2015
 - Insurance prepaid amounted to \$300
 - Commission receivable of \$250 was outstanding
 - Fees from clients of \$3 400 was outstanding.
- 2 Grace Zindi lives in a flat above the business premises. One quarter of the rates and insurance relate to the flat.
- 3 On 31 July 2015 Grace Zindi decided to create a provision for doubtful debts of 1% of the amount owed by clients.
- 4 The motor vehicles are being depreciated by 20% per annum on the reducing (diminishing) balance method.
- 5 The office equipment was valued at \$14 500 on 31 July 2015.
Additional office equipment costing \$6900 was purchased during the year.
No office equipment was disposed of during the year.

REQUIRED

- (a) Prepare Grace Zindi's income statement for the year ended 31 July 2015.

Grace Zindi
Income Statement for the year ended 31 July 2015

	\$	\$

[16]

- (b) Prepare the capital account for Grace Zindi for the year ended 31 July 2015. Balance the account and bring down the balance on 1 August 2015.

Grace Zindi
Capital account

Date	Details	\$	Date	Details	\$

[6]

J16/11

2(i) Complete the following table. Indicate with a tick (✓) whether **each** item is an asset, a liability, an expense or an income.

	Asset	Liability	Expense	Income
Premises				
accrued wages				
decrease in provision for doubtful debts				
bank loan				
depreciation charge				
carriage outwards				

[3]

J16/11

4(b) State **two** reasons why two business owners might find it difficult to compare their financial statements.

1

2[2]

(c) Complete the following table giving **one** reason why **each** of the users of financial statements might be interested in them.

User	Reason
Bank manager	
Credit supplier	
Investor	

[3]

J16/12

3 (a) Define an income statement.

.....

.....[2]

(b) State **one** reason why a business owner prepares an income statement.

.....[1]

- (c) Name **one** user of the financial statements (other than the owner) who would be interested in them. State **one** reason why that user would be interested.

User

Reason

.....[2]

J17/12

- 2 (a) Complete the following sentences, using these phrases:

assets and liabilities
for a period of time

at a particular date
incomes and expenses

An income statement shows and is
prepared

A statement of financial position shows and is
prepared

[4]

- (b) Complete the following table indicating with a tick (✓) whether each item is an asset, liability, income or expense.

	Asset	Liability	Income	Expense
Bank loan				
Insurance				
Equipment				
Depreciation charge				

[4]

On 1 March 2017, Arundhati paid rent, \$6 000, for the four-month period ending 30 June 2017. She prepared her financial statements on 31 March 2017.

REQUIRED

- (c) State the amounts for rent which were included in the financial statements.

Income statement \$.....

Statement of financial position \$.....

[2]

J17/21

1 Amjad wishes to compare his financial statements with those of another furniture wholesaler. He has been told that financial statements have limitations and will not reveal everything about the other business.

REQUIRED

(d) Explain why Amjad should consider the following when he is looking at the financial statements of the other business.

(i) Historical cost

.....
.....
.....
.....[2]

(ii) Non-financial aspects

.....
.....
.....
.....[2]

J17/22

4 Virat was disappointed with the results of his business for the year ended 31 January 2017. He decided to try to obtain the financial statements of other businesses so that he could compare their results with those of his own business.

REQUIRED

(d) Explain **two** factors Virat should consider when comparing his results with those of another business.

1

.....

.....

.....

2

.....

..... [4]

N17/12

2 (g) State **one** difference between an income statement and a statement of financial position.

.....

.....

.....

.....[2]

N17/22

4 Rashida is a wholesaler. Her financial year ends on 30 September. She provided the following information.

At 1 October 2016	\$
Fixtures and fittings at cost	65 000
Provision for depreciation of fixtures and fittings	23 500
Office equipment at valuation	21 000
Inventory	37 150
Trade receivables	34 800

During the year ended 30 September 2017

Revenue	572 000
Purchases	455 900
Returns by customers	1 840
Returns to suppliers	2 750
Payments by cheque	
Carriage inwards	6 940
Wages	74 200
General expenses	1 300
Rates and insurance	2 800
Loan interest	400
Office equipment	2 800

Additional information

- Inventory at 30 September 2017 was valued at \$41 160.
- A loan of \$20 000 was received on 1 April 2017. Interest is charged at 6% per annum.
- Rashida lives in a flat above the business premises. One quarter of the rates and insurance relate to the flat.
- The fixtures and fittings are being depreciated at the rate of 20% per annum using the reducing (diminishing) balance method.
- The office equipment is revalued at the end of each financial year. The value at 30 September 2017 was \$20 600.
- The trade receivables include \$300 which should be written off. A provision for doubtful debts of 2% of the remaining amount should be created.

REQUIRED

- (a) Prepare the income statement for the year ended 30 September 2017.

Rashida

Income Statement for the year ended 30 September 2017

	\$	\$

[14]

(b) Explain how the accruals (matching) principle has been applied in the preparation of the income statement. Support your answer by reference to **one** of the items in your answer to (a).

.....
.....
.....
.....
.....
..... [2]

(c) Explain how the business entity principle has been applied in the preparation of the income statement. Support your answer by reference to **one** of the items in your answer to (a).

.....
.....
.....
.....
..... [2]

Rashida was disappointed with the performance of her business in the year ended 30 September 2017 and decided to compare her financial statements with those of another business.

REQUIRED

(d) Explain **two** factors Rashida should consider when comparing her financial statements with those of another business.

1

.....

.....

2

.....

.....

[4]

[Total: 22]

J18/11

2 (a) Complete the following table indicating with a tick (✓) the section of a statement of financial position in which **each** item would appear.

	non-current assets	current assets	non-current liabilities	current liabilities
trade payables				
5-year loan				
Inventory				
loose tools				
bank overdraft				
rent receivable accrued				

[3]

(b) (i) State **one** advantage of being a partner rather than a sole trader.
.....[1]

(ii) State **one** disadvantage of being a partner rather than a sole trader.
.....[1]

(c) Name **three** interested parties (other than the business owner) who may wish to look at the financial statements of a business. For **each** interested party state a reason for their interest.

interested party	reason for their interest

[6]

J18/21

4 Asim has an advertising agency. His financial year ends on 31 January.

He provided the following information on 31 January 2018.

	\$
Capital at 1 February 2017	120 000
Drawings	8 500
Office equipment at valuation at 1 February 2017	6 180
Motor vehicle at cost	15 000
Provision for depreciation of motor vehicle	5 400
Fees received from clients	28 350
Wages of assistant	19 000
General expenses	1 358
Motor expenses	970
Rates and insurance	2 280
Rent received from tenant	5 600

Additional information

1 At 31 January 2018

\$2 400 was outstanding from clients for fees.

Motor expenses outstanding amounted to \$110.

A provision for doubtful debts of 2% of the amount owed by clients should be created.

2 The rates and insurance paid were for a period of 15 months from 1 February 2017.

3 Part of the premises were let to a tenant on 1 February 2017 at an annual rent of \$4 800.

4 One quarter of the motor expenses are for Asim's personal use of the motor vehicle.

5 The motor vehicle is to be depreciated at 20% per annum using the reducing (diminishing) balance method.

6 The office equipment was valued at \$5 500 on 31 January 2018.

No office equipment was purchased or sold during the year.

REQUIRED

(a) Prepare Asim's income statement for the year ended 31 January 2018.

Asim
Income Statement for the year ended 31 January 2018

	\$	\$

[13]

(b) State the formula for the calculation of the return on capital employed (ROCE).

.....
[1]

(c) Calculate Asim's return on capital employed (ROCE) using his capital at 1 February 2017. The calculation should be correct to **two** decimal places.

.....

[2]

(d) Suggest **two** reasons why Asim's return on capital employed (ROCE) is higher than that of Naqid who has a similar business.

1

 2
[2]

- (e) Explain why Asim should consider non-financial factors when comparing his financial statements with those of Naqid.

.....

[2]

[Total: 20]

N18/11

- 2 (g) Complete the following table by placing a tick (☑) to indicate where **each** item will appear in the financial statements of Anwar, who owns a food store.

Transaction	Income Statement	Statement of Financial Position
purchase of motor vehicle		
charge for delivering motor vehicle		
insurance for motor vehicle		
fuel for motor vehicle		

[4]

N18/21

- 3 Sadia runs a secretarial agency. Her financial year ends on 30 September.

She provided the following information.

At 1 October 2017

Office equipment at cost	26 000
Provision for depreciation of office equipment	9 360
Office furniture at valuation	11 100
Rent prepaid to 30 November 2017	190
Fees owing from clients	2 880
Provision for doubtful debts	144

During the year ended 30 September 2018

Receipts:

Fees from clients	42 100
-------------------	--------

Payments

Wages	29 800
Advertising for 15 months to 31 December 2018	3 150
Rent for 12 months to 30 November 2018	1 200
General expenses	1 775
Office furniture	1 450

Additional information

- At 30 September 2018 fees owing by clients amounted to \$3 120.
- Office equipment is depreciated at 20% per annum using the reducing (diminishing) balance method.
- Office furniture is depreciated using the revaluation method. The office furniture was valued at \$11 400 on 30 September 2018.
- The provision for doubtful debts is to be maintained at the same rate as the previous year.
- Cash, \$3 500, taken by Sadia during the year for personal use, was debited to the wages account.

REQUIRED

(a) Prepare the income statement for the year ended 30 September 2018.

Sadia
Income Statement for the year ended 30 September 2018

	\$	\$

[13]

(b) Name **three** items which may appear in the income statement of a trading business but which would **not** appear in Sadia’s income statement.

- 1
- 2
- 3 [3]

(c) Suggest **two** reasons why Sadia’s bank manager would be interested in her financial statements.

- 1
-
- 2
- [2]

(d) Name **two other** interested parties who may wish to see Sadia’s financial statements.

- 1
- 2 [2]

[Total: 20]

J19/11

5 Krishna has a secretarial agency. Her financial year ends on 30 April. She provided the following information for the year ended 30 April 2019.

	\$
Fees received from clients	35 270
Wages	24 300
Operating expenses	4 260
Rent and rates	7 750
Motor expenses	720
Commission receivable	1 820
Office fixtures and equipment at valuation 1 May 2018	18 900
Motor vehicle at cost	17 500
Provision for depreciation of motor vehicle	6 300

Additional information

- 1 At 30 April 2019
 Clients owed fees totaling \$2 150.
 Commission receivable accrued amounted to \$60.
 Rent, \$1 200, was accrued.
 Rates prepaid amounted to \$550.
- 2 Krishna lives in an apartment above the business premises. One quarter of the rent and rates relates to Krishna's apartment.
- 3 The office fixtures and equipment were valued at \$17 320 on 30 April 2019. No office fixtures and equipment were purchased or sold during the year.
- 4 The motor vehicle is to be depreciated at 20% per annum using the reducing (diminishing) balance method.

REQUIRED

(a) Prepare Krishna's income statement for the year ended 30 April 2019.

Krishna

Income Statement for the year ended 30 April 2019

	\$	\$

- (b) Complete the following accounts in Krishna’s ledger for the year ended 30 April 2019. Close the accounts by balancing or by making an appropriate year-end transfer.

Krishna
Drawings account

Date	Details	\$	Date	Details	\$
2019			2019		
April 30	Total cash drawings	9 150			

Capital account

Date	Details	\$	Date	Details	\$
2018			2018		
			May 1	Balance b/d	38 000

[5]

Krishna is considering purchasing business premises costing \$80 000. She could invest a further \$40 000 as capital. The remaining \$40 000 would have to come from a 6% bank loan repayable after 5 years.

REQUIRED

- (c) Explain **three** factors Krishna should consider when making a decision about purchasing these business premises.

- 1
-
-
-
- 2
-
-
-
- 3
-
-
-

[6]

[Total: 24]