**Question 1 – SOLUTIONS**

1. *Workings:*

*Office wages = 22,700 + 1,400 = 24,100*

*\*Accrued wage expenses = 1,400*

*Prepaid Insurance = 5,200 – 3,000 = 2,200*

*Insurance expense = 4,500 + 3,000 = 7,500*

*Interest on loan = 3,600 + 1,200 = 4,800*

*\*Accrued interest expense = 1,200*

*Telephone expenses = 3,200 + 600 = 3,800*

*\*Accrued telephone expenses = 600*

*\*\*\*Accrued expenses = 1,400 + 1,200 + 600 = 3,200*

**Bad debts**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **DATE** | **DETAILS** | **AMOUNT $** | **DATE** | **DETAILS** | **AMOUNT $** |
| 30/6 | Balance | 4,200 | 30/6 | Allowance for doubtful debts | 7,200 |
|  | Accounts Receivable | 3,000 |  |  |  |
|  |  | **7,200** |  |  | **7,200** |

**Allowance for doubtful debts**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **DATE** | **DETAILS** | **AMOUNT $** | **DATE** | **DETAILS** | **AMOUNT $** |
| 30/6 | Bad Debts | 7,200 | 30/6 | Balance | 4,000 |
|  | Balance c/d | 3,500 |  | Doubtful debts | 6,700 |
|  |  | **10,700** |  |  | **10,700** |
|  |  |  |  | Balance b/d | 3,500 |

*Accounts Receivable 35,000 – 3,000 = 32,000*

*Doubtful debts = 6,700*

*Depreciation Delivery Vehicle $30,000 x 0.25 = $7,500*

*Accumulated Depreciation on Delivery Vehicle = 5,000 + 7,500 = 12,500*

*Depreciation Office Furniture (33,000 – 2,500) x 0.2 = $6,100*

*Accumulated Depreciation on Office Furniture = 2,500 + 6,100 = 8,600*

**33 marks**



**Ozzie Traders**

**Income Statement**

**for the year ending 30 June 2027**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Sales |  | $ 165,000 |  | **(1)** |
| Less: sales returns |  | $ 7,400 |  | **(1)** |
| Discount allowed |  | $ 1,300 |  | **(1)** |
| NET SALES |  |  | $ 156,300 |  |
| Cost of Sales | $ 36,000 |  |  | **(1)** |
| Add Customs Duty | $ 860 |  |  | **(1)** |
| add Freight Inwards | $ 2,600 | $ 39,460 |  | **(1)** |
| less discount received |  | $ 950 |  | **(1)** |
| TOTAL COST OF SALES |  |  | $ 38,510 | **(1)** |
| ***Gross Profit* (1)** |  |  | $ 117,790 | **(1)** |
| **add Other Income** |  |  |  |  |
| Interest Income |  | $ 3,000 |  | **(1)** |
|  |  |  | $ 120,790 | **(1)** |
| **less EXPENSES** |  |  |  |  |
| **Selling & Distribution** |  |  |  |  |
| Sales wages | $ 13,200 |  |  | **(1)** |
| Depreciation of Delivery Vehicles | $ 7,500 |  |  | **(2)** |
| Freight Outwards | $ 1,400 |  |  | **(1)** |
| Doubtful Debts | $ 6,700 | $ 28,800 |  | **(3)** |
| **General & Administration** |  |  |  |  |
| Office wages | $ 24,100 |  |  | **(2)** |
| Loss on Sale of Computer | $ 3,200 |  |  | **(1)** |
| Telephone | $ 3,800 |  |  | **(2)** |
| Electricity | $ 4,500 |  |  | **(1)** |
| Depreciation on Office Furniture | $ 6,100 |  |  | **(2)** |
| Insurance | $ 7,500 | $ 49,200 |  | **(2)** |
| **Financial** |  |  |  |  |
| Loan Interest Expense | $ 4,800 | $ 4,800 | $ 82,800 | **(2)** |
| ***Profit*** |  |  | ***$ 37,990*** | **(2)** |
|  |  |  |  |  |
|  |  |  |  | **33** |

**-1 for incorrect classification or foreign items included to a max of (3 For each) (33 marks)**



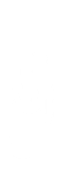
**b) 30 marks**



**Ozzie Traders**

**Balance Sheet**

**as at 30 June 2027**



|  |  |  |
| --- | --- | --- |
|  | $ | $ |
| **Current Assets** |  |  |
| Accounts Receivable  Less Allowance for Doubtful Debts | 32,000 |  |
| 3,500 | 28,500 |
| Prepaid Insurance |  | 2,200 |
| GST credits |  | 1,300 |
| Inventory |  | 7,100 |
| Cash at Bank |  | 35,500 |
| **Total Current Assets** |  | **74,600** |
| **Non current Assets** |  |  |
| Delivery Vehicles | 30,000 |  |
| Accumulated Depreciation – Delivery Vehicles | 12,500 | 17,500 |
| Office Furniture | 33,000 |  |
| Accumulated Depreciation – Office Furniture | 8,600 | 24,400 |
| **Total Non Current Assets** |  | **41,900** |
| **TOTAL ASSETS** |  | **116,500** |
| **Current Liabilities** |  |  |
| Accounts Payable |  | 23,700 |
| GST Payable |  | 1,800 |
| Accrued Expenses \* |  | 3,200 |
| **Total Current Liabilities** |  | **28,700** |
| **Non Current Liablilities** |  |  |
| Loan from Bank |  | 75,700 |
| **Total Non Current Liabilities** |  | 75,700 |
| **TOTAL LIABILITIES** |  | **104,400** |
| **NET ASSETS** |  | **12,100** |
| **EQUITY** |  |  |
| Capital |  | 15,200 |
| Add Profit |  | 37,990 |
|  |  | 53,190 |
| Less Drawings |  | 41,090 |
| TOTAL EQUITY |  | **12,100** |

-1 for additional (foreign) items (up to 3) -1 for incorrect classification (up to 3)

- up to 2 for poor formatting

\* OR for accrued expenses:

|  |  |  |
| --- | --- | --- |
| Accrued wages |  | 1,400 |
| Accrued interest |  | 1,200 |
| Accrued telephone |  | 600 |