1 Huan owns a business selling electrical goods. He was unable to count his inventory at his year end of 31 March 2016. He counted his entire inventory on 6 April 2016, and valued it at cost, \$57,760.

The following information is available:

- 1 Huan marks up the cost price of all goods by 25% to calculate the selling price.
- 2 Purchases of inventory between 1 April 2016 and 6 April 2016 amounted to \$6100.
- 3 Sales between 1 April 2016 and 6 April 2016 amounted to \$9600.
- 4 Goods with a selling price of \$2100 had been sent to a customer on a sale or return basis on 30 March 2016. The goods had not been sold at 31 March 2016 and had not been included when the inventory was counted.
- 5 On 4 April 2016, a customer returned goods sold to him on 26 March 2016. The goods had a selling price of \$650.

REQUIRED

(a)	Prepare a statement to show Huan the value of inventory to include in the financial statements at 31 March 2016.
	[:

Additional information

The following trial balance has been extracted from the books of account at 31 March 2016:

	Debit	Credit
	\$	\$
6% Bank loan (repayable 2019)	Ψ	12000
Advertising expenses	3480	12000
Bank account	0 100	4 2 6 0
Capital account		145 190
Carriage outwards	810	110100
Discount allowed	1250	
Drawings	32700	
Fixtures and fittings – cost	68 100	
Fixtures and fittings – provision for depreciation	00.00	26 500
Insurance	1 090	20000
Interest paid	950	
Inventory at 1 April 2015	56 800	
Motor expenses	6460	
Motor vehicles – cost	49600	
Motor vehicles – provision for depreciation		18800
Property rental	11 050	
Provision for doubtful debts at 1 April 2015		580
Purchases	239470	
Returns outwards		410
Revenue		294 200
Other operating expenses	4 690	
Trade payables		21660
Trade receivables	34 920	
Wages	12230	
-	523600	523600

The following information is also available:

- 1 Interest on the bank loan had been paid up to 31 December 2015.
- 2 Huan's depreciation policy is as follows:

Motor vehicles are to be depreciated at 25% per annum using the straight-line method. Depreciation is to be charged on a month-by-month basis.

Fixtures and fittings are to be depreciated at 15% per annum using the reducing balance method.

- 3 Huan sold a motor vehicle for \$11000 on 31 March 2016. The vehicle had cost \$18720 on 1 July 2014. No entries for this sale had been made in the books of account.
- 4 Property rental included a payment of \$5850 covering the period 1 December 2015 to 31 August 2016.
- 5 Advertising expenses included a charge of \$200 relating to advertising planned for September 2016.
- 6 A customer who had owed Huan \$420 at the year end had been declared bankrupt.
- 7 Huan wishes to maintain a provision for doubtful debts of 2% of trade receivables.

REQUIRED

(b) Prepare an income statement for Huan for the year ended 31 March 2016.

Huan Income statement for the year ended 31 March 2016

	[13]			
Add	litional information			
	of Huan's sales and purchases are made on a credit basis. He feels that his accounting ords could be improved by preparation of control accounts.			
REQUIRED				
RE	QUIRED			
	State three benefits and one limitation of preparing a sales ledger control account.			
	State three benefits and one limitation of preparing a sales ledger control account.			
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	State three benefits and one limitation of preparing a sales ledger control account. Benefits 1			
	State three benefits and one limitation of preparing a sales ledger control account. Benefits 1 2 3			

(d)	Ca	culate the following ratios at 31 March 2016:
	(i)	operating expenses to revenue (to two decimal places)
	(ii)	inventory turnover (days)
		[4]
Ad	ditio	nal information
		sister Carla operates a bakery business. Both operating expenses to revenue ratio and ry turnover (days) ratio are lower for Carla's business.
RE	QUI	
(e)		RED
	Su	RED ggest one possible reason for the difference in each ratio:
	•	
	•	ggest one possible reason for the difference in each ratio:
	•	ggest one possible reason for the difference in each ratio: operating expenses to revenue
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