

Summary of bank account for the year ended 30 June 2016

| | | | |
|--------------------|----------------|----------------------------|----------------|
| | \$ | | \$ |
| Capital introduced | 36 340 | Payments to trade payables | 80 690 |
| Cash banked | 78 780 | Shop rental | 25 200 |
| Balance c/d | 4 330 | Shop fixtures and fittings | 3 600 |
| | | Purchase of motor vehicle | 5 800 |
| | | Motor expenses | 3 140 |
| | | Light and heat | 1 020 |
| | <u>119 450</u> | | <u>119 450</u> |

Additional information

- 1 Total revenue for the year was \$92 600. All sales were made for cash.
- 2 Razia kept no record of her cash drawings.
- 3 The following expenses were paid from cash takings before the money was banked:

4 Cash in hand at 30 June 2016 was \$1250.

REQUIRED

(a) Prepare the cash account, showing clearly the value of Razia's drawings for the year.

Additional information

- 1 All sales made a gross margin of 40%.
- 2 During the year, Razia had taken goods, \$640 at cost price, for her own use.
- 3 Inventory at 30 June 2016 had been counted and was valued at cost price \$31 900. Razia was aware that some goods had been stolen during the year.
- 4 Razia owed \$8 940 to trade suppliers at 30 June 2016.

REQUIRED

- (b) Calculate the value of inventory stolen during the year ended 30 June 2016 at cost price.

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Additional information

- 1 At 30 June 2016, the following expenses were accrued:

| | |
|-------------------|-----|
| | \$ |
| Assistants' wages | 120 |
| Light and heat | 150 |

- 2 Non-current assets should be depreciated as follows:

Shop fixtures and fittings at 15% per annum using the reducing balance method

Motor vehicle using the straight-line method over five years. The estimated residual value of the motor vehicle after five years is \$400.

- 3 The annual charge for shop rental is \$21 600.

REQUIRED

(c) Prepare the income statement for the year ended 30 June 2016.

[8]

(d) Calculate, to **two** decimal places, the following ratios at 30 June 2016. State the formula used in each case.

(i) Current ratio

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Calculation

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(ii) Liquid (acid test) ratio

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Calculation

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(e) (i) Name **two** other ratios a business could calculate to explain its liquidity position.

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2 [2]

(ii) State **two** limitations of using ratio analysis.

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Additional information

Razia's brother has suggested that Razia should increase the mark-up on her goods.

REQUIRED

- (f)** Advise Razia whether or not she should increase the mark-up on her goods. Justify your answer by discussing advantages and disadvantages of doing this.

[6]