

- 1 The following information has been extracted from the accounting records of T Limited at 30 June 2021.
- 1 Inventory at 1 July 2020 was valued at \$46 800.
 - 2 Inventory at 30 June 2021 was valued at \$54 200.
 - 3 The rate of inventory turnover was 8.8 times.
 - 4 The gross profit margin was 45%.

REQUIRED

(a) Calculate for the year ended 30 June 2021:

(i) cost of sales

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(ii) revenue.

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Additional information

The following balances were extracted from the books of account at 30 June 2021.

	\$
8% debentures (2026–2027)	96 000
Administrative expenses	55 900
Directors' remuneration	62 400
Distribution costs	59 200
Finance costs	6 350
Wages and salaries	88 300
Trade receivables	110 360
Provision for doubtful debts at 1 July 2020	1 235

The following information is also available.

- 1 The 8% debentures (2026–2027) were taken out on 1 November 2020. Interest was paid every three months in arrears, starting on 1 February 2021.
- 2 Wages and salaries of \$3800 were owing at 30 June 2021.
- 3 At 30 June 2021, a bonus was due to be paid to the sales director of \$12 000.
- 4 Expenses were to be allocated as follows:

	Administrative expenses	Distribution costs
Wages and salaries	30%	70%
Directors' remuneration	75%	25%

- 5 Depreciation is to be charged as follows:

Motor vehicles for office staff	\$26 400
Delivery vehicles	\$32 800

- 6 A credit customer owing \$2360 from 12 April 2021 has been declared bankrupt and the debt is to be written off to administrative expenses.
- 7 Aged analysis of net trade receivables at 30 June 2021:

	0–60 days	61–90 days	Over 90 days
Percentage of total net trade receivables	75%	15%	10%

- 8 The directors wish to make a provision for doubtful debts as follows:

Debts 61–90 days	2.5%
Debts over 90 days	10%

The movement in the provision is to be charged to administrative expenses.

REQUIRED

- (b) Calculate the balance of the provision for doubtful debts at 30 June 2021.

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- (c) Prepare the income statement for the year ended 30 June 2021. the space on the **next page** for your workings.

T Limited
Income Statement for the year ended 30 June 2021

	\$
Revenue	
Cost of sales	
Gross profit	
Administrative expenses	
Distribution costs	
Profit from operations	
Finance costs	
Profit for the year	

Workings

Administrative expenses
Distribution costs
Finance costs
Other workings

Additional information

The following transactions had also taken place during the year ended 30 June 2021.

Date	Transaction
1 July 2020	Freehold property was revalued downwards by \$10 000.
1 July 2020	Made a rights issue of one ordinary share of \$2 each for every two shares held. This was offered at a premium of \$0.75. The issue was fully subscribed.
1 March 2021	Made a bonus issue of one ordinary share of \$2 each for every ten shares held. Reserves were left in the most flexible form.
31 March 2021	Paid a dividend of \$0.05 per share on all shares in issue at that date.

REQUIRED

(d) Prepare the statement of changes in equity for the year ended 30 June 2021.

T Limited
Statement of Changes in Equity for the year ended 30 June 2021

	Ordinary share capital \$	Share premium \$	Revaluation reserve \$	Retained earnings \$	Total \$
At 1 July 2020	440 000	–	7 500	86 320	533 820
At 30 June 2021					

Additional information

The directors make use of accounting ratios to interpret the information contained within the financial statements.

REQUIRED

- (e) (i) State the formula for calculating the non-current asset turnover.

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- (ii) State what information the directors would obtain from calculating the non-current asset turnover.

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- (f) State **three** limitations of ratio analysis when comparing the performance of businesses in the same industry.

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