

4 Wages and salaries are to be charged as follows:

Selling and distribution costs	60%
Office costs	40%

5 B Limited took out a 5% debenture (repayable between 2021 and 2025) for \$50 000 on 30 June 2016 and repaid the bank loan in full. Neither of these transactions has yet been recorded in the books of account.

6 A prepayment of \$1240 is to be accounted for on property costs at 30 June 2016.

7 An accrual of \$2680 is to be accounted for on selling and distribution costs at 30 June 2016.

8 The directors require a provision for doubtful debts to be created representing 2% of trade receivables at 30 June 2016, to be charged to office costs.

REQUIRED

(a) Prepare the income statement for the year ended 30 June 2016. the space on the next page for your workings.

B Limited Income Statement for the year ended 30 June 2016

	\$	\$
Revenue		
Cost of sales		
Opening inventory		
Purchases		
Closing inventory		
Gross profit		
Deduct: expenses		
Directors' remuneration		
Office costs		
Property costs		
Selling and distribution costs		
Profit from operations		
Finance costs		
Profit for the year		

this space for your workings.

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(c) Explain why a company should provide for depreciation on its non-current assets.

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(d) Explain **two** differences between ordinary shares and preference shares.

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