1 Joe Brown has a petrol station which has three departments, fuel, car wash and café. The following information is available for the year ended 31 December 2012.

	Fuel \$	Car wash \$	Cafe \$
Revenue	735 600	30 650	61 300
Inventory at 1 January 2012	38 700	3 650	4 725
Purchases	454 320	7 240	9 620
Inventory at 31 December 2012	39 760	2 480	4 820
Direct wages	36 000	3 000	12 000
Non-current assets at cost	120 000	15 000	2 760
Accumulated depreciation	6 000	1 200	850

Additional information

Depreciation rate	10%	15%	15%
Depreciation method	Straight line	Reducing balance	Straight line
Floor area (square metres)	3 400	850	425

Other expenses for the year are:

	\$
Rent of premises	46 288
Electricity	18 300
Administration charges	17 119
Other expenses	54 023

The expenses are split between the departments on the following basis:

Rent of premises in the ratio of floor area,

Electricity in the ratio 4:1:1 between fuel, car wash and café,

Administration charges in the ratio of wages,

Other expenses in the ratio of sales.

REQUIRED

(a)	Prepare a departmental income statement for the year ended 31 December 2012.		
	[18]		

(b)	Joe is considering closing the car wash department due to its poor profitability. Advise Joe on the long term effects of this decision.
	[6]
(c)	Joe is looking for funds to improve the business. He is considering applying for either a bank loan or an overdraft. Explain three differences between a bank loan and an overdraft.
	[6]
	[6]