



**(ii)** Calculate the revised profit for the year at 31 March 2013 using FIFO and AVCO.

[6]

**(b)** Explain **three** reasons why a business cannot normally use the latest selling price of its products to value the inventory.

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

[6]

- (c) Advise Shostakovich Limited on why the distinction between capital and revenue expenditure is important when preparing financial statements.

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..... [6]

Shostakovich Limited's statement of financial position at 31 March 2013 showed the following:

	\$
Property	200 000
Accumulated depreciation	14 000

The value of the property is split equally between land and buildings. They had been owned for 7 years. On 1 April 2013 its property was revalued at \$315 000.

#### REQUIRED

- (d) (i) Prepare the journal entry to record this revaluation. A narrative is **not** required.

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..... [3]

- (ii) Name the section in Shostakovich Limited's financial statements where the surplus will appear.

..... [1]

- (iii) Shostakovich Limited will continue to use the same rate of straight line depreciation for its buildings. Calculate the depreciation charge for the year on buildings after the revaluation.

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..... [4]