

4. The Statement Of Financial Position of Smile Bhd as at 31 December **2018** was as follows: 35.3, 34

	RM		RM
Property, Plant And Equipment	170,000	Ordinary Share Capital of RM1 each	80,000
Accumulated Depreciation	(50,000)	8% Preferred Share Capital of RM2 each	40,000
Inventory	20,000	Share Premium	11,200
Trade Receivables	16,000	Retained Profits	58,800
Prepaid Distribution Costs	1,200	8% Loan Notes	20,000
Cash And Cash Equivalents	65,800	Trade Payables	13,000
	<u>223,000</u>		<u>223,000</u>

Additional information:

- (i) Profit for the year **2018** was RM123,200;
- (ii) Market price per ordinary share RM4.50.

The company's plans of business activities for **2019** are as follows:

- (i) Gross profit margin is expected to be 33 1/3%;
- (ii) Inventory turnover ratio is 8 times, whereas the average inventory is RM25,000;
- (iii) Administrative expenses would be RM1,200 per month, and from July onwards, they would be increased by 30% per month;
- (iv) Payments for distribution costs are expected at RM2,400 per month;
- (v) Part of the premises will be sublet for RM36,000 per year. Tenant will pay rental quarterly in advance;
- (vi) Equipment costing RM20,000 with accumulated depreciation of RM8,000 would be sold in 2019. Loss on disposal is expected to be 40% on carrying amount.
Depreciation on non-current assets is 10% per annum on cost.
- (vii) The loan notes interest is provided.

You are required to:

- (a) calculate the following accounting ratios for Smile Bhd – **2018**. (8%)
Remarks: i. the requirements are listed in the Answer Sheet provided;
ii. give your answers correct to 2 decimal places.
- (b) prepare Budgeted Income Statement for the year ended 31 December **2019**. (12%)

(Total: 20%)