**Question 1**

Hannah, owns and operates Fitness Focus, retailing sports equipment. The business does financial reporting on a yearly basis.

|  |  |  |
| --- | --- | --- |
| **Pre-adjustment Trial Balance at June 30, 2017** | | |
| Account | Debit | Credit |
| $ | $ |
| Accrued Electricity |  | 900 |
| Accumulated Depreciation – Motor Vehicle |  | 12500 |
| Advertising Expense | 1100 |  |
| Bad Debts | 2300 |  |
| Bank | 33000 |  |
| Capital |  | 192320 |
| Cost of Sales | 75000 |  |
| Commission Income |  | 800 |
| Creditors Control |  | 11200 |
| Customs Duty | 1800 |  |
| Debtors Control | 7200 |  |
| Depreciation – Motor Vehicle | 2500 |  |
| Discount Expense | 970 |  |
| Discount Revenue |  | 1200 |
| Drawings | 8400 |  |
| Interest Expense | 3200 |  |
| Loan – Good Bank |  | 30000 |
| Motor Vehicle | 50000 |  |
| Motor Vehicle Expenses | 2000 |  |
| Stationery Expense | 2550 |  |
| Prepaid Rent Income |  | 7200 |
| Premises | 180000 |  |
| Rent Income |  | 7200 |
| Sales |  | 145000 |
| Stock Control | 27000 |  |
| Wages | 11300 |  |
| **Totals** | **408320** | **408320** |

**Additional information:**

1. Drawings included in the Trial Balance above is of cash withdrawal made by the owner of $8,400. On 30.6.17, Hannah also withdrew $2,400 of sports equipment which is not yet recorded. (Memo 13)
2. Hannah also discovered that one of the stocks with original cost of $840 was outdated, and can only be sold for $700 now. There were 20 units available on balance day. (Memo 14)
3. **Prepare** the General Journal entries necessary to close the revenue and expense accounts and to close Drawings to the Capital account. Memo 15 (Narrations are not required)
4. **Complete** theProfit & Loss Summary & Capital accounts as it would appear at June 30 2017.
5. **Explain** the function of the Profit and Loss Summary account.
6. **Prepare** an Income Statement for the year ending 30 June 2017.

**Question 2**

Alicia owns and operates Alicia Green – a business selling a variety of gardening items. Reports are prepared semi-annually on 30 June and 31 December each year. All assets are depreciated at 10% per annum using the Straight Line method. At 30 June 2017, the following ledger accounts were available:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Vehicle | | | | | |
| Date | Cross Ref | $ | Date | Cross Ref | $ |
| 30.6.17 | Balance | 70,000 |  |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Accumulated depreciation - Vehicle | | | | | |
| Date | Cross Ref | $ | Date | Cross Ref | $ |
|  |  |  | 30.6.17 | Balance | 17,500 |
|  |  |  |  |  |  |

On 30.7.17, the business purchased a new vehicle and received the following invoice:

|  |  |  |  |
| --- | --- | --- | --- |
| Tech Automobile  22 Humid Street | | **INVOICE no. 1017**  Date: 30.7.17 | |
| Alicia Green  15 Breeze Street | |  | |
| **Qty** | **Description** | **Unit Price ($)** | **Total ($)** |
| 1 | Vehicle |  | 63000 |
|  | Freight in |  | 500 |
|  | Stamp duty |  | 2000 |
|  | Registration |  | 1100 |
|  | Insurance |  | 1200 |
|  | **TOTAL** | | **67800** |

1. Record invoice 1017 into the General Journal provided. A narration is not required.
2. Explain the difference between revenue and capital expenditures of a Non-Current Asset.
3. Calculate the depreciation expense for vehicles for the 6 months ended 31 December 2017.
4. Record the depreciation expense calculated above into the General Journal provided (Memo 5). A narration is required.
5. Post the General Journal entry to the relevant ledger accounts.
6. State and explain the Accounting Principle supporting Depreciation.

**Question 3**

1. Define Stability.
2. Comment on the trend below of Yoyo Enterprise:

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2017 |
| Gearing ratio | 35% | 50% |

1. Provide two (2) reasons that could have caused the above trend in Gearing Ratio.