

Paper 1 Quiz 4**Name:** _____ **Class:** _____

1. The following account balances are extracted from the ledgers of David Chan at 31 October 2010:

	\$	
Capital	30,000	
Bank	600	Cr
Peter Lai	2,000	Dr

During November 2010, the following transactions took place:

- Nov 1 Bought goods for \$400 from Fanny Chan on credit.
 Nov 5 Inventory costing \$3,000 were taken by David Chan for private use.
 Nov 15 David transferred \$600 from his private bank account to the business bank account as an additional investment.
 Nov 25 Rent for November and December, at \$400 per month, was paid by cheque.
 Nov 29 Peter Lai settled his account by cheque, deducting 8% cash discount.

Prepare the T-accounts in the books of David Chan to record the above transactions.

Purchase

2010			\$	2010			
Nov	1	Fanny Chan	400	Nov	5	Drawings	3,000

Fanny Chan

				2010			\$
				Nov	1	Purchase	400

Drawings

2010			\$				
Nov	5	Purchase	3,000				

Bank

2010			\$	2010			\$
Nov	15	Capital	600	Nov	1	Balance b/d	600
Nov	29	Peter Lai	1,840	Nov	25	Rent	800

Capital

				2010			\$
				Nov	1	Balance b/d	30,000
				Nov	15	Bank	600

Rent

2010			\$				
Nov	25	Bank	800				

Peter Lai

2010			\$	2010			\$
Nov	29	Balance b/d	2,000	Nov	29	Discount allowed	160
				Nov	29	Bank	1,840

Discount allowed

2010			\$				
Nov	29	Peter Lai (\$2,000 x 8%)	160				

- 2 The trial balance of Lance Kim's business as at 30 June 2012 is as follows:

Lance Kim
Trial Balance as at 30 June 2012

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Purchases and sales	585,970	1,221,160
Carriage inwards	7,980	
Rent and rates	241,570	
Returns inwards and outwards	17,330	6,370
Inventory, 1 July 2011	39,880	
Bank overdraft		48,910
Salaries and wages	291,260	
Furniture and fittings	179,110	
Accounts receivable and payable	233,550	127,560
Bank loan (repayable on 31 May 2013)		177,640
Capital		68,630
Bank interest	33,700	
Drawings	19,920	
	<u>1,650,270</u>	<u>1,650,270</u>

Inventory as at 30 June 2012 was valued at \$28,900.

- (a) Prepare an income statement for the year ended 30 June 2012.
 (b) Prepare a balance sheet as at 30 June 2012.
 (c) Calculate (to two decimal places) the following accounting ratios:
 (i) Gross profit ratio (ii) Net profit ratio (iii) Return on capital employed
 (iv) Current ratio (v) Acid test ratio

(a)

Lance Kim
Income statement for the year ended 30 June 2012

	\$	\$	\$
Sales			1,221,160
Less: Returns inwards			17,330
			1,203,830
Less: Cost of goods sold:			
Opening inventory		39,880	
Add: Purchases	585,970		
Carriage inwards	7,980		
	593,950		
Less Returns outwards	(6,370)	587,580	
		627,460	
Less Closing inventory		(28,900)	(598,560)
Gross profit			605,270
Less Expenses			
Rent and rates		241,570	
Salaries and wages		291,260	
Bank interest		33,700	566,530
Net profit			38,740

(b)

Lance Kim
Statement of financial position as at 30 June 2012

	\$	\$
Non-current assets		
Furniture and fittings		179,110
Current assets		
Inventory	28,900	
Accounts receivable	233,550	
	262,450	
Less Current liabilities		
Accounts payables	(127,560)	
Bank overdraft	(48,910)	
Bank loan (repayable on 31 May 2013)	(177,640)	
	(354,110)	
Net current liabilities		(91,660)
		87,450
Financed by:		
Capital as at 1 July 2011		68,630
Add Net profit		38,740
		107,370
Less Drawings		(19,920)
		87,450

- (c) (i) $\text{Gross profit ratio} = \$605,270 / \$1,203,830 \times 100\% = 50.28\%$
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- (ii) $\text{Net profit ratio} = \$38,740 / \$1,203,830 \times 100\% = 3.22\%$
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- (iii) $\text{Return on capital employed} = [\$38,740 / (68,630 + 87,450) \div 2] \times 100\% = 24.82\%$
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- (iv) $\text{Current ratio} = \$262,450 / \$354,110 : 1 = 0.74 : 1$
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- (v) $\text{Acid test ratio} = \$23,171 / \$15,008 : 1 = 0.66 : 1$
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