

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

1. Apollo & Co operates retail shops that sell a wide range of household items. The following figures were extracted from its books as at 31 March 2016, the financial year-end date:

	\$
Sales	5,000,000
Purchases	2,500,000
Inventory, 1 April 2015	228,000
Inventory, 31 March 2016	139,500
Wages and salaries	600,000
Rent and rates	240,000
Other operating expenses	8,500
Returns inwards	88,300

- (a) Prepare for Apollo & Co an income statement for the year ended 31 March 2016.
- (b) Calculate (to two decimal places) the following accounting ratios:
- Gross profit ratio
 - Net profit ratio

(a)

Apollo & Co
Income statement for the year ended 31 March 2016

	\$	\$
Sales		5,000,000
Less: Returns inwards		88,300
		4,911,700
Less: Cost of goods sold:		
Opening inventory	228,000	
Add: Purchases	2,500,000	
	2,728,000	
Less Closing inventory	139,500	2,588,500
Gross profit		2,323,200
Less Expenses		
Wages and salaries	600,000	
Rent and rates	240,000	
Other operating expenses	8,500	848,500
Net profit		1,474,700

- (b) (i) $\text{Gross profit ratio} = \$2,323,200 / \$4,911,700 \times 100\% = 47.30\%$
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- (ii) $\text{Net profit ratio} = \$1,474,700 / \$4,911,700 \times 100\% = 30.02\%$
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2. You are given the following figures for Jacky Mo's business for the year ended 31 December 2019:

	\$
Office equipment	2,000,000
5-year bank loan (repayable on 30 June 2020)	50,000
Cash at bank	53,590
Inventory, 31 December 2019	158,005
Trade receivables	45,660
Trade payables	39,110
Capital, 1 January 2019	1,558,650
Motor vehicles	100,000
Drawings	10,000
Net profit/(loss) for the year	?

(a) Prepare the statement of financial position as at 31 December 2019.

(c) Calculate (to two decimal places) the following accounting ratios:

- (i) Return on capital employed
- (ii) Current ratio
- (iii) Acid test ratio

(a)

Jacky Mo
Statement of Financial Position as at 31 December 2019

	\$	\$
<i>Non-current assets</i>		
Office equipment		2,000,000
Motor vehicles		100,000
		2,100,000
<i>Current assets</i>		
Inventory	158,005	
Trade receivables	45,660	
Cash at bank	53,590	
	257,255	
<i>Less Current liabilities:</i>		
5-year bank loan	50,000	
Trade payables	39,110	
	89,110	
Net current assets		168,145
		2,268,145
<i>Financed by:</i>		
Balance as at 1 January 2019		1,558,650
Add Net profit for the year (balancing figure)		719,495
		2,278,145
<i>Less Drawings</i>		10,000
		2,268,145

(b) (i) $\text{Return on capital employed} = [\$719,495 / (1,558,650 + 2,268,145) \div 2] \times 100\% = 37.60\%$

(iv) $\text{Current ratio} = \$257,255 / \$89,110 : 1 = 2.89 : 1$

(v) $\text{Acid test ratio} = \$99,250 / \$89,110 : 1 = 1.11 : 1$

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

	\$	
Capital	40,000	
Bank	800	Cr
Peter Lai	3,000	Dr

During November 2010, the following transactions took place:

- Nov 1 Bought goods for \$600 from Fanny Chan on credit.
 Nov 5 Inventory costing \$4,000 were taken by David Chan for private use.
 Nov 15 David transferred \$700 from his private bank account to the business bank account as an additional investment.
 Nov 25 Rent for November and December, at \$500 per month, was paid by cheque.
 Nov 29 Peter Lai settled his account by cheque, deducting 10% cash discount.

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

Purchase

2010			\$	2010			
Nov	1	Fanny Chan	600	Nov	5	Drawings	4,000

Fanny Chan

				2010			\$
				Nov	1	Purchase	600

Drawings

2010			\$				
Nov	5	Purchase	4,000				

Bank

2010			\$	2010			\$
Nov	15	Capital	700	Nov	1	Balance b/d	800
Nov	29	Peter Lai	2,700	Nov	25	Rent	1,000

Capital

				2010			\$
				Nov	1	Balance b/d	40,000
				Nov	15	Bank	700

Rent

2010			\$				
Nov	25	Bank	1,000				

Peter Lai

2010			\$	2010			\$
Nov	29	Balance b/d	3,000	Nov	29	Discount allowed	300
				Nov	29	Bank	2,700

Discount allowed

2010			\$				
Nov	29	Peter Lai (\$3,000 x 10%)	300				