

**Paper 1 Quiz 4****Name:** \_\_\_\_\_ **Class:** \_\_\_\_\_

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

	\$	
Capital	50,000	
Bank	900	Cr
Peter Lai	4,000	Dr

During November 2010, the following transactions took place:

- Nov 1 Bought goods for \$700 from Fanny Chan on credit.  
 Nov 5 Inventory costing \$5,000 were taken by David Chan for private use.  
 Nov 15 David transferred \$800 from his private bank account to the business bank account as an additional investment.  
 Nov 25 Rent for November and December, at \$600 per month, was paid by cheque.  
 Nov 29 Peter Lai settled his account by cheque, deducting 15% cash discount.

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

**Purchase**

2010			\$	2010			
Nov	1	Fanny Chan	700	Nov	5	Drawings	5,000

**Fanny Chan**

				2010			\$
				Nov	1	Purchase	700

**Drawings**

2010			\$				
Nov	5	Purchase	5,000				

**Bank**

2010			\$	2010			\$
Nov	15	Capital	800	Nov	1	Balance b/d	900
Nov	29	Peter Lai	3,400	Nov	25	Rent	1,200

**Capital**

				2010			\$
				Nov	1	Balance b/d	50,000
				Nov	15	Bank	800

**Rent**

2010			\$				
Nov	25	Bank	1,200				

**Peter Lai**

2010			\$	2010			\$
Nov	29	Balance b/d	4,000	Nov	29	Discount allowed	600
				Nov	29	Bank	3,400

**Discount allowed**

2010			\$				
Nov	29	Peter Lai (\$4,000 x 15%)	600				

- 2 Mr Ho runs a trading company as a sole proprietor. He has only four employees. The following figures were extracted from his books as at 31 March 2017, the financial year-end date:

	\$
Carriage inwards	6,800
Carriage outwards	3,500
Sales	1,565,000
Purchases	667,332
Wages and salaries	600,000
Other operating expenses	120,505
Discounts allowed	6,418

Inventory as at 31 March 2017 amounted to \$13,000.

- (a) Prepare an income statement for Mr Ho's business for the year ended 31 March 2017.
- (c) Calculate (to two decimal places) the following accounting ratios:
- Gross profit ratio
  - Net profit ratio

(a)

**Mr Ho**  
**Income statement for the year ended 31 March 2017**

	\$	\$
Sales		1,565,000
Less: Cost of goods sold:		
Add: Purchases	667,332	
Carriage inwards	6,800	
	674,132	
Less Closing inventory	13,000	661,132
Gross profit		903,868
Less Expenses		
Carriage outwards	3,500	
Wages and salaries	600,000	
Other operating expenses	120,505	
Discounts allowed	6,418	730,423
Net profit		173,445

- (b) (i)  $\text{Gross profit ratio} = \$903,868 / \$1,565,000 \times 100\% = 57.76\%$
- (ii)  $\text{Net profit ratio} = \$173,445 / \$1,565,000 \times 100\% = 11.08\%$

3. L Chun drew up the following trial balance as at 30 September 2008.

	Dr \$	Cr \$
Loan from P Ting (repayable five years later)		50,000
Capital		259,550
Drawings	84,200	
Bank	31,150	
Cash	2,950	
Accounts receivable and accounts payable	123,000	93,700
Inventory as at 1 October 2007	239,100	
Vans	103,500	
Purchases and sales	921,000	1,309,000
Returns inwards and returns outwards	5,500	3,070
Rent and rates	46,000	
Wages and salaries	137,070	
Sundry expenses	21,850	
	<u>1,715,320</u>	<u>1,715,320</u>

Inventory as at 30 September 2008 was valued at \$274,750. Net profit for the year is \$216,300.

- (a) Prepare for L Chun a statement of financial position as at 30 September 2008.  
 (b) Calculate (to two decimal places) the following accounting ratios:  
 (i) Return on capital employed    (ii) Current ratio    (iii) Acid test ratio

(a)

**L Chun**  
**Statement of Financial Position as at 30 September 2008**

	\$	\$
<b>Non-current assets</b>		
Vans		103,500
<b>Current assets</b>		
Inventory	274,750	
Accounts receivable	123,000	
Bank	31,150	
Cash	2,950	
	431,850	
Less <b>Current liabilities</b>		
Accounts payable	(93,700)	
Net current assets		338,150
		441,650
Less <b>Non-current liabilities</b>		
Loan from P Ting (repayable five years later)		(50,000)
		391,650
Financed by:		
Balance as at 1 October 2007		259,550
Add Net profit for the year		216,300
		475,850
Less Drawings		(84,200)
		391,650

- (b) (i)  $\text{Return on capital employed} = [\$216,300 / (259,550 + 391,650) \div 2] \times 100\% = 66.43\%$   
 (ii)  $\text{Current ratio} = \$431,850 / \$93,700 : 1 = 4.61 : 1$   
 (iii)  $\text{Acid test ratio} = \$157,100 / \$93,700 : 1 = 1.68 : 1$