

## Profit and Loss and Appropriation Account for the year end 30 June 2014

	\$	\$		\$	\$
Wages and salaries		22860	Fees		180270
Rent (25000 - 1000)		24000			
Marketing expenses (18620 + 880)		19500			
General expenses (71802 - 2000)		69802			
Loan interest (40000 x 8%)		3200			
Depreciation on equipment ((68000 + 2000) x 12%)		8400			
Depreciation on motor vehicles ((32000 - 11520) x 20%)		4096			
Bad debts		242			
Increase in doubtful debts (480 - 400)		80			
Net profit c/d		28090			
		<u>180270</u>			<u>180270</u>
<u>Interest on capital</u>			Net profit b/d		28090
Abdul (30000 x 6%)	1800				
Lim (20000 x 6%)	<u>1200</u>	3000			
<u>Partner's salary</u>					
Lim		12000			
<u>Share of profits</u>					
Abdul (3/5)	7854				
Lim (2/5)	<u>5236</u>	13090			
		<u>28090</u>			<u>28090</u>

## Current Account

		Abdul	Lim			Abdul	Lim
		\$	\$			\$	\$
2013				2013			
Jul 1	Balance b/d		2800	Jul 1	Balance b/d	500	
2014				2014			
Jun 30	Drawings	12000	14000	Jun 30	Interest on capital	1800	1200
Jun 30	Balance c/d		1636	Jun 30	Partner's salary		12000
				Jun 30	Share of profits	7854	5236
				Jun 30	Balance c/d	<u>1846</u>	
		<u>12000</u>	<u>18436</u>			<u>12000</u>	<u>18436</u>
Jul 1	Balance b/d	1846		Jul 1	Balance b/d		1636

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Balance Sheet as at 30 June 2014

	\$	\$		\$	\$
<u>Fixed Assets</u>			<u>Capital</u>		
Equipment (68000 + 2000)	70000		Abdul	30000	
Less Provision for depreciation (16320 + 8400)	<u>(24720)</u>		Lim	<u>20000</u>	
		45280			50000
Motor vehicles	32000		<u>Current Account</u>		
Less Provision for depreciation (11520 + 4096)	<u>(15616)</u>		Abdul	(1846)	
		16384	Lim	<u>1636</u>	
		61664			(210)
<u>Current Assets</u>			<u>Long Term Liabilities</u>		
Debtors (12242 - 242)	12000		Loan		40000
Less Provision for doubtful debts (12000 x 4%)	<u>(480)</u>				
	11520		<u>Current Liabilities</u>		
Bank	22486		Creditors	5800	
Prepaid rent	<u>1000</u>		Accrued marketing expenses	880	
		35006	Accrued loan interest (3200 - 3000)	<u>200</u>	
					6880
		<u>96670</u>			<u>96670</u>

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Question 2

Adjusted Cash Book

2014		\$	2014		\$
Jun 1	Balance b/d	130	Jun 1	Bank charges	140
Jun 1	Balance c/d	10			
		<u>140</u>			<u>140</u>
			Jun 1	Balance b/d	10

Bank Reconciliation Statement as at 1 June 2014

	\$
Credit balance per adjusted cash book	(10)
Add Unpresented cheque: S Fayes	<u>3000</u>
	2990
Less Uncredited cheques: C Hua	<u>444</u>
Credit balance per bank statement	<u>2546</u>

c) Direct debit and Credit transfer

d) The amended cash book balance would be shown under the Current Liability.

Question 3

a1) Net profit margin =  $9600 / 160000$   
= 6%

a2) Expenses =  $32000 - 9600$   
= \$22400

a3) Percentage of expenses to turnover =  $22400 / 160000$   
= 14%

b) Sunil's gross profit increased from \$30000 to \$32000 but gross profit margin remain constant for both years. This shows that he has increase the sales volumn but at the same gross profit margin.

His net profit and net profit margin reduced from \$18000 and 12% to \$9600 and 6% respectively. Expenses increased from \$12000 last year to \$22400 this year and Percentage of expenses to turnover increased from 8% to 14%.

Although Sunil's gross profit margin remains constant for both years, the higher expenses caused his net profit margin to decline by 6%.

c) Stockturn =  $128000 / ((11200+20800)/2)$   
= 8 times

d) Stockturn decreases from 10 times last year to 8 times this year. It could be caused by higher average stock or lower sales volume.

ei) Stock should be valued at lower of cost or net realisable value.

eii) Prudence concept

Question 4

a) Drawings is a term used for withdrawal of money, stock or fixed assets by the owner of his personal use. It is recorded in the balance sheet under owner's equity.

b) Drawings will increase net profit.

c) General Journal

		Dr	Cr
2014		\$	\$
Sep 30	Drawings	1800	
	Purchases		1800
Sep 30	Motor vehicle	9000	
	Capital		9000
Sep 30	Telephone expenses	660	
	Drawings	220	
	Bank		880

d) Drawings Account

2014		\$	2014		\$
Sep 30	Purchases	1800	Sep 30	Balance c/d	2020
Sep 30	Bank	220			
		<u>2020</u>			<u>2020</u>
Oct 1	Balance b/d	2020			

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Question 5

Debtors Control Account

2014		\$	2014		\$
Jan 1	Balance b/d	4664	Jan 31	Bank	12458
Jan 31	Sales	16308	Jan 31	Returns Inwards	2554
Jan 31	Bank (Dishonoured cheque)	110	Jan 31	Discount Allowed	388
			Jan 31	Bad Debts	400
			Jan 31	Balance c/d	5282
		<u>21082</u>			<u>21082</u>
Feb 1	Balance b/d	5282			

- b) Debtors control account can be found in the General Ledger.
- c) Contra entry is to set off the amount owing to and owing from the same business.  
The business is a customer as well as a supplier.
- d) It would reduce the balance on the debtors control account on 1 February 2014.