

South Tuen Mun Government Secondary School
BAFS_PA_DSE_I_2012

Name: _____

Class: _____ ()

5. The following account information relates to Yip's business for the year ended 31 December 2011:

	\$
Office equipment	220 000
Trade receivables	67 000
Opening inventory	34 000
Closing inventory	42 000
Bank overdraft	17 600
Trade payables	26 300
Loan from Sam's Company (repayable in 2020)	38 000
Opening capital	231 000
Sales	109 000
Purchases	76 100
Rent and rates	12 000
Salaries	9 000
Other operating expenses	7 900
Discounts received	4 100

- (a) Prepare the statement of financial position for Yip's business as at 31 December 2011. (5 marks)
- (b) Calculate (to two decimal places) the gross profit ratio of Yip's business for 2011. (2 marks)
6. Peter was a sole proprietor running a small business without any employees. He bought a piece of equipment with a list price of \$56 000 for \$48 000 in February 2012. Peter then went bankrupt on 31 March 2012 and he decided to close the business. The market value of the equipment on the same date was \$38 000.
- (a) What is the valuation of the equipment as at 31 March 2012? Explain your answer with an appropriate accounting concept. (3 marks)
- (b) Give two types of stakeholders in Peter's business and explain the adverse effect of the closure on each of them. (4 marks)

QUESTION 5

Marks

Statement of financial position as at 31 December 2011		\$	\$	
(a)	Non-current assets			
	Office equipment		220 000	½
	Current assets			
	Inventory	42 000		½
	Trade receivables	67 000		½
		<u>109 000</u>		
	Less: Current liabilities			
	Trade payable	(26 300)		½
	Bank overdraft	<u>(17 600)</u>		½
			65 100	
	Less: Non-current liabilities			
	Loan from Sam's Company		<u>(38 000)</u>	½
			<u>247 100</u>	
	Financed by			
	Capital as at 1 January 2011		231 000	½
	Add: Net profit		<u>16 100</u>	1
			<u>247 100</u>	
				(Presentation: ½)
				(5)
(b)	Gross Profit ratio:			1
	$[\$109\,000 - (\$34\,000 + \$76\,100 - \$42\,000)] / \$109\,000 \times 100\%$			1
	= 37.52%			(2)
				<u>Total: 7 marks</u>

QUESTION 6

(a)	- \$38 000	1
	- going concern	1
	- as the business discontinued its operation in the foreseeable future, assets should not be valued at historical cost but current market value	1
		(3)
(b)	Adverse effects to	4
	- lenders: may fail to collect all their money lent to the business	
	- customers: may fail to receive products / services they paid for	
	- suppliers: may fail to collect all the payments for their goods sold or services provided	
	- government: may fail to collect the tax due	
	(2 marks for each relevant point, max. 4 marks)	
		<u>Total: 7 marks</u>