

1a

Top Gun Consultancy	
Statement financial performance for the year ended 31 December 2021	
	\$
Consultancy fee revenue	60800
Other income	
Commission income	1850 [1]
	<u>62650</u>
Less: Other expenses	
Wages and salaries	13000
Rent (14000-550)	13450 [1]
General expenses (2250+350)	2600 [1]
Interest expense (5% x 20000)	1000 [1]
Impairment loss on trade receivables [1420-(500-400)] [2]	1320
Depreciation expense of office equipment (15%x25000)	3750 [1]
Depreciation expense of motor vehicles (10%x(145000-30450))	11455 [1]
	<u>46575</u>
Profit for the year	<u><u>16075</u></u>
	[8]

1b

Top Gun Consultancy
Statement of financial position as at 31 December 2021

\$ \$ \$ \$

Assets

	Cost	Accumulated depreciation	Net book value	
<u>Non-current assets</u>				
Motor vehicles	145000	41905	103095	} [1]
Office equipment	25000	10750	14250	
Total non-current assets			<u>117345</u>	
<u>Current assets</u>				
Trade receivables (71400-400)		71000	[1]	
Less: Allowance for impairment of trade receivables (2% x 71000)		<u>1420</u>	[1]	
Net trade receivables (not compulsory)			69580	
Prepaid rent expenses			550	[1]
Cash in hand			580	
Total current assets			<u>70710</u>	
Total assets			<u><u>188055</u></u>	

Equity and LiabilitiesShareholders' equity

Issued share capital, 100 000 ordinary shares	100000	[1]
Retained earnings (40000+16075 [OF][1]-7000[1])	49075	
Total equity	<u>149075</u>	

Non-current liability

Long term borrowings (20000-2000) #	18000	
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Current liabilities

Trade payables	10330	
General expense payable	350	[1]
Interest payable (1000-625)	375	[1]
Bank overdraft	925	[1]
Current portion of Long term borrowings #	2000	
Dividends payable (0.07X100000)	7000	[1]
Total current liabilities	<u>20980</u>	
Total equity and liabilities	<u><u>188055</u></u>	

#both must be present to be awarded 1 mark

[12]

- 2ai March 10 - Maverick Trading sold goods for \$240 and received cheque / deposited the cash into business' bank. [1]
- ii March 12 - Owner took out \$350 from the business' bank account for personal use. [1]

b

		Cash at Bank		
Date	Particulars	Debit (\$)	Credit (\$)	Bal (\$)
2022				
Mar-31	Balance b/d			555 Dr[1]
Mar-31	Bradley Ltd	1200[1]		1755 Dr
Mar-31	Rent (error)		20[1]	1735 Dr
Mar-31	Trade receivable - <u>Rooster Ltd</u> (dishonoured cheque)		370 [1]	1365 Dr
Mar-31	Bank charges		20[1]	1345 Dr
Apr-01	Balance b/d			1345 Dr

c

Maverick Trading	
Bank reconciliation statement as at 31 March 2022	
	\$
Balance as per bank statement	2020 [1]
Add: Deposit in transit - Goose Co.	75 [1]
Less : Cheque not yet presented – Insurance	750 [1]
Adjusted balance as per cash at bank account	1345 [1]OF

d

- Internal controls:
- segregation of duties
 - custody of cash
 - authorisation
- [Any 2 of the above]

3a	30-Jun-20	30-Jun-21	30-Jun-22
	Total current assets	14500	18900
	Total current liabilities	6500	10000
i.	Working capital	8000 [1]	8900 [1]
	CA- CL		
ii	Current ratio	3.52	2.23 [1]
	CA/CL		1.89 [1]
iii	Quick ratio	1.56	1.08 [1]
	(CAB+TR)/CL		0.87 [1]

- b The working capital has improved from \$8000 in 2021 to \$8900 in 2022. [1]

This is due to an increase current assets such as trade receivables and inventory. [1]

The current ratio has worsened over the 3 years from 3.52 in 2020 to 2.23 in 2021 and 1.89 in 2022.[1]

The trade payables position has worsened as it has increased from \$6500 to \$9500. [1]

The quick ratio has deteriorated over the 3 years from 1.56 in 2020 to 1.08 in 2021 and to 0.87 in 2022. [1]

The business' cash position has worsened as it has decreased from \$2000 to a negative bank balance of \$500 in 2022. [1]

The business will have difficulties paying for its repayment of bank loan in 2023 and any other short term debts. [1]

The business' liquidity position has worsened. [1]

[Any 5 points]

- c Stakeholders Decision

Lenders	Whether the business has the ability to repay the loans when they fall due.
Suppliers	Whether the business has the ability to pay for goods/services provided on time

Any 1 of the above

4a

Journal

	Debit	Credit
2022	\$	\$
Apr-03 Inventory (95%x3000)	2850	[1]
Trade payables - Iceman Shoes		2850 [1]
Apr-14 Trade payables - Iceman Shoes	2850	[1]
Cash at bank (98%x2850)		2793 [1]
Discount received (2%x2850)		57 [1]

- b Trade discount is given to encourage bulk purchases OR customers' loyalty. [1]
- c Cash discount is given to encourage credit customers to pay earlier than the credit period. [1]

d Decision : Buy from Iceman Shoes
Basic Point

Development/ Elaboration

- | | |
|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| 1 Local | easier to contact and locate for any enquiry |
| 2 long term relationship | good business understanding of each other |
| 3 Total cost cheaper by \$1150
(Iceman=7000+200, Merlin
=8000+350) | Savings can be used for other operational expenses |
| 4 Faster replacements of shoes | Customers do not need to wait long for exchange. Can provide better customer service |

Decision :Buy from Merlin
Basic Point

Development/ Elaboration

- | | |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 1 Longer credit period | More time for making payment. |
| 2 Faster refund | As money is returned faster, business will have the funds to look for alternative supplier quickly. |
| 3 Higher cash discounts with longer due date | Easier to get cash discounts. More savings for business. |
| 4 Provide free samples | Customers will have more choices and may lead to increase in sales and profit. |

1 mark for basic point and 1 mark for a reasonable and logical development

1 mark for decision with attempts to justify decision made.

Any 3 basic points and 3 relevant development - 6 marks max

