

Jackman Trading

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Statement of financial performance for the year ended 30 November 2022

	\$	\$	
Sales revenue (+2x2000)		233,740	
Less: Sales returns		(11,487)	
Net sales revenue		222,253	1
Less: Cost of sales		(80,409)	
Gross profit		141,844	1
<u>Add: Other income</u>			
Marketing Income (+460)		18,080	1
<u>Less: Expenses</u>			
Wages and salaries (12/15x45280)	36,224		1
Rent expense	8,765		
Interest on loan (2%x200000)	4,000		1
Administrative expense	12,450		
Depreciation:			
Fixtures and fittings (15%x225000)	33,750		1
Office equipment [20%x(248000-49600)]	39,680		1
Impairment loss on Inventory (33950-30500)	3,450		1
Impairment loss on trade receivables (reversal) [(2%x45950)-1160]	(241)		1
Total expense		(138,078)	
Profit for the year		21,846	1

Jackman Trading				10
Statement of financial position as at 30 November 2022	\$	\$	\$	
	Cost	Accumulated depreciation	Net book value	
Assets				
Non-current assets				
Fixtures and fittings	225,000	(135,000)	90,000	1
Office equipment	248,000	(89,280)	158,720	1
Total non-current assets			248,720	
Current assets				
Inventory		30,500		1
Trade receivables	45,950			
Less: Allowance for impairment of trade receivables (2% x 45,950)	(919)			
Net trade receivables		45,031		1
Prepaid wages and salaries (3/15 x 45,280)		9,056		1
Marketing income receivables		460		1
Total current assets			85,047	
Total assets			333,767	
Equity and Liabilities				
Owner's equity				
Capital (98811-11450+21846)			109,207	2
Non-current liabilities				
Long term borrowings			200,000	
Current liabilities				
Trade payables		16,975		
Bank overdraft (7850-4000)		3,850		1
Interest payable (2% x 200,000-265)		3,735		1
Total current liabilities			24,560	
Total equity and liabilities			333,767	

P2Q2

a	Any two of the following	13	
	Business may be unable to remain as a going concern.	2	
	Business may be unable to reward its owners for their contribution.		
	Business may be unable to attract investors.		
	Business may be unable to expand and grow the business.		
	Business may be unable to reward employees.		
b	RM	BE	
NSR	24500-1200=23300	129800-4870=124930	
GP	23300-14500=8800	124930-58230=66700	
PFTY	8800-5800=3000	66700-54600=12100	
i	GPM = GP/NSRx100% = 8800/23300x100% = 37.77% (2dp)	66700/124930x100%=53.39% (2dp)	2
ii	PM = PFTY/NSRx100% = 3000/23300x100%=12.88% (2dp)	12100/124930x100%=9.69% (2dp)	2
c			
E	Rob Mechanics (RM)'s gross profit margin of 37.77% was worse than Bob Engineering (BE)'s 53.39%.		1
C	This indicated that RM sold its inventory at a lower selling price or purchase its inventory at a higher cost price.		
	Hence, RM was less profitable in its TRADING activities.		1
E	Despite a worse gross profit margin, RM has a better profit margin of 12.88%, as compared to BE 9.69%.		1
C	Hence, RM was more efficient in controlling expenses.		
	Hence, RM was OVERALL more profitable, after taking into account other income and operating expenses.		1
	However, RM had a worse return on equity of 14.91% as compared to BE's 18.22%.		
C	This indicated that RM was less efficient in generating profit for the year for every dollar invested.		1
	Hence, Freddy should invest in RM.		1
d	Any one of the following (focus on improving GPM as PM is better than BE)		1
	Decrease cost price of inventory by sourcing inventory from cheaper suppliers or buying in bulk to enjoy trade discount		
	Increase selling price of inventory by providing better service or by improving customers' perception of the quality of inventory by intensifying marketing efforts		

P2Q3

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a	Adjusted Cash at bank (A)	(+)	(-)	
Date	Particulars	Dr (\$)	Cr (\$)	Balance (\$)
2023				
Jun-30	Balance b/d			21,262 Dr 1
Jun-30	Trade receivables - Caln Motors	2,300		23,562 Dr 1
Jun-30	Utilities expense		400	23,162 Dr 1
Jun-30	Trade payables - Hammel	1,470		24,632 Dr 1
Jul-01	Balance b/d			24,632 Dr 1

b	Bank reconciliation statement as at 30 June 2023			
		\$	\$	
	Credit balance as per bank statement			17,252 1
	<u>Add: Deposits in transit</u>			
	Capital		3,000	
	Service fee revenue		4,560	
			<u>7,560</u>	1
	<u>Less: Cheques not yet presented</u>			
	Trade receivables - Phoman		(180)	1
	Adjusted balance as per cash at bank account		<u>24,632</u>	1

c	Any one of the following	1
	safeguard assets of the business	
	ensure business transactions are recorded objectively and on a timely basis	
	ensure that the business complies with laws and regulation	

d	Any one of the following	1
	Segregation of duties	
	Custody of cash	
	Authorization	

P2Q4

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a	To avoid overstating the value of trade receivables (current assets).					1
b	Date 2022	Particulars	Dr (\$)	Cr (\$)		
		4-Jul Cash at bank (+A) (0.2x5300)		1,060		1
		Allowance for Impairment of trade receivables (-CA) (0.8x5300)	4,240			1
		Trade receivables - Kazan Climbs (-A)			5,300	1
c	RTR = Net credit sales revenue / Av. net trade receivables					
	NCSR = \$356080					
	Beg NTR = $6430/5\% \times 95\% = \$122170$					1
	End NTR = $148300 \times 95\% = \$140885$					1
	Av. NTR = $(122170 + 140885)/2 = \$131527.50$					
	RTR = Net credit sales revenue / 131527.50					
	= $356080/131527.50$					
	= 2.71 times (2dp)					1
d	The rate of trade receivables turnover for Tom's business improved from 1.56 times in 2022 to 2.71 times in 2023.					1
	This indicates that Tom's business is collecting cash payments from credit customers faster and more often over the two years.					1
e	Either decision (focus on ability to repay business)					
D	Tom's business should grant longer repayment period to Nat Explorers (NE).					1
R1	NE is one of Tom's biggest customers.					1
E1	Tom can earn better annual sales revenue by continuing to have a good relationship with NE if Tom extends the credit repayment period for them					1
R2	NE has been in business for 10 years.					1
E2	It is likely that NE will continue to exist and be able to repay its debts. The business will be more assured of receiving payment from NE.					1
R3	Since there is expected increase in demand due to improvement in tourism industry, NE is expected to do well.					1
E3	With positive industry outlook, NE will be able to generate more sales and hence they will be more likely to pay promptly. This will allow the business to receive cash on time to pay its daily operations.					1
D	Tom's business should grant longer repayment period to Trace Heights (TH).					
R1	The trade receivables balance TH is \$3 000, which is \$7 000 lesser than NE.					
E1	If the debts have to be written off, the business will suffer a smaller loss OR There will be not much impact on business cashflow even if TH could not pay its debts.					
R2	TH has only repaid late once over the past year and the collection period is shorter by 6 days.					
E2	This may imply that TH is more prompt in debt repayment so the business can have money earlier for day to day operations.					
R3	TH has been in the industry for more than 30 years.					
E3	TH has more experience in running its business and is more likely to continue to operate its business for many more years to come. Thus, there is a lesser chance that it will close down or go bankrupt and not pay Tom. Tom will then be more assured of receiving payment from TH.					