

# Specimen Exam 1

**Exam Name:** Accounts Preparation (F1)

**Time allowed:** 2 hours

**Pass Mark:** 50%

This exam contains 2 sections:

Section A:

**45** questions, each worth 2 marks

**90** marks in total

Section B:

**1** question, worth 10 marks

**10** marks in total

## Section A

### Question 1

Felipe is using till receipts to prepare a manual journal entry for cash sales.

**Identify which of the following would be the CORRECT debit and credit entries for the journal entry to account for this transaction.**

		Debit	Credit
1.	Cash and cash equivalents		
2.	Revenue		

### Question 2

Klaus has made the following statements regarding suspense accounts:

- (1) A suspense account identifies all types of error in an accounting system
- (2) Any suspense account balance must be eliminated before finalising financial statements
- (3) A suspense account's primary function is to eliminate fraudulent transactions
- (4) A suspense account with a debit balance represents an asset to the business

**Which of the above statements made by Klaus is/are TRUE?**

- A 1 only
- B 2 only
- C 1, 2 and 3
- D 3 and 4

**Question 3**

Belle uses a basic computerised accounting system. Only the sales and purchases modules are fully integrated into the system. Where an imbalanced journal entry is made, the accounting system automatically balances this with a corresponding entry to a suspense account.

**Which of the following is a key feature of Belle's computerised accounting system?**

- A A cash receipt processed from a credit customer will automatically adjust that customer's individual account balance within the system
- B A cash purchase processed by debiting purchases by \$900 and crediting cash and cash equivalents by \$90 will create a suspense account
- C A supplier invoice processed in the purchases module will require a manual update to the supplier's individual account balance
- D The disposal of plant and machinery for cash proceeds must be processed through the sales module

**Question 4**

Yu is calculating year-end adjustments for income and expenditure.

Yu has made the following statements:

- (1) Increases in deferred income will decrease profit for the year
- (2) A new accrued income balance increases net assets

**Which of the above statements made by Yu is/are TRUE?**

- A 1 only
- B 2 only
- C Both 1 and 2
- D Neither 1 nor 2

**Question 5**

Zita is calculating the balance on her trade receivables general ledger account at 31 August 20X5.

The following information is available:

- (1) The balance on the trade receivables general ledger account on 1 August 20X5 was \$14,000
- (2) Cash and credit sales were \$3,000 and \$7,000 respectively for the month ended 31 August 20X5
- (3) An irrecoverable debt of \$2,000 was written off on 18 August 20X5
- (4) An allowance for doubtful debts was created on 31 August 20X5 at an amount of \$1,000
- (5) Cash receipts from credit customers totalled \$8,000 for the month ended 31 August 20X5

**Calculate the closing balance on the trade receivables general ledger account at 31 August 20X5 (to the nearest \$'000).**

\$ ,000

**Question 6**

Key principles and concepts of accounting help the preparers of financial statements and other stakeholders.

**Which TWO of the following are key principles or concepts of accounting?**

- A Local laws
- B Duality
- C Historical cost
- D Variability

**Question 7**

Habiba is a sole trader registered for sales tax. Habiba's business involves purchasing finished goods from local retailers and selling these to her own customers via her website.

Habiba has summarised the expenditure relating to inventories for the month ended 31 December 20X1:

<b>Expenditure</b>	<b>\$</b>
Net price of inventories on supplier invoice	1,200
Sales tax on inventories purchased	240
Delivery to Habiba's shop	80
Delivery to Habiba's website customers	20
<b>Total</b>	<b>1,540</b>

**What is the cost of inventories at 31 December 20X1?**

- A \$1,280
- B \$1,440
- C \$1,520
- D \$1,540

**Question 8**

Sian recently started in business as a sole trader and is unsure about the nature of trade receivables and trade payables.

Sian has made the following comments:

- (1) It is a legal requirement to perform reconciliations for both trade receivables and trade payables
- (2) Trade payables are current liabilities on the statement of financial position
- (3) Trade receivables are recognised as a result of both cash sales and credit sales

**Which of the above comments made by Sian is/are TRUE?**

- A 1 only
- B 2 only
- C 1 and 2
- D 1 and 3

**Question 9**

Chen provided the following payroll information for the month of June 20X5:

<b>Payroll information</b>	<b>\$</b>
Gross wages and salaries	36,000
Employees' social security contributions	2,400
Employer's social security contributions	2,800
Taxes on employees' personal income	5,600

Taxes and social security contributions are due to be paid to the tax authority in July 20X5.

**Which of the following is the journal entry to account for Chen's staff costs for the month ended 30 June 20X5?**

- |   |                      |          |          |
|---|----------------------|----------|----------|
| A | Dr Staff costs       | \$36,000 |          |
|   | Cr Bank              |          | \$28,000 |
|   | Cr Other receivables |          | \$8,000  |
| B | Dr Staff costs       | \$38,800 |          |
|   | Cr Bank              |          | \$28,000 |
|   | Cr Other receivables |          | \$10,800 |
| C | Dr Staff costs       | \$36,000 |          |
|   | Cr Bank              |          | \$28,000 |
|   | Cr Other payables    |          | \$8,000  |
| D | Dr Staff costs       | \$38,800 |          |
|   | Cr Bank              |          | \$28,000 |
|   | Cr Other payables    |          | \$10,800 |

**Question 10**

Aleksi is reviewing various business documents for the purchases process of his business.

**Which TWO of the following documents are MOST relevant for Aleksi's purchases process?**

- A A credit note received
- B Remittance advice sent
- C Delivery note sent
- D Customer invoice sent

**Question 11**

Arjun has the following information relating to cash and cash equivalents at 31 March 20X4:

- (1) The bank general ledger account shows a debit balance of \$4,500
- (2) The March 20X4 bank statement, received in April, shows a credit balance of \$4,650
- (3) Interest expenses of \$150 appear on the bank statement only
- (4) A deposit of \$200 was made on 28 March 20X4 and this is not included on the bank statement
- (5) On 1 March 20X4, Arjun paid a supplier \$1,000 through an online bank transfer. When updating the accounts for this transaction, Arjun processed a manual journal entry of \$1,500 in error

**Calculate the reconciled bank balance to be presented on the statement of financial position as at 31 March 20X4.**

\$

**Question 12**

Tamsin provides IT services to customers and has a year end of 31 October.

Tamsin issued an invoice to a customer on 1 October 20X8 relating to IT services to be provided to the customer between 1 October 20X8 and 31 December 20X8. The total invoice price was \$6,000 and this was processed through the sales system automatically.

**What is the amount of accrued or deferred income which Tamsin must adjust for?**

- A Accrued income of \$2,000
- B Accrued income of \$4,000
- C Deferred income of \$2,000
- D Deferred income of \$4,000

**Question 13**

Erin, a sole trader, is trying to understand the different elements of the financial statements.

**Which of the following statements defines capital (equity) for Erin?**

- A A present economic resource controlled by Erin as a result of past events
- B The residual interest in the assets of Erin's sole trade after deducting all its liabilities
- C Increases in assets, or decreases in liabilities, which result in increases in Erin's net assets, other than what Erin has contributed to the sole trade
- D A present obligation of Erin to transfer an economic resource as a result of past events

**Question 14**

Key principles and concepts of accounting are employed across different types of business entity.

**Which of the following statements defines the key principle of 'Accrual accounting'?**

- A It depicts the effects of transactions in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period
- B It is an entity-specific aspect of relevance based on the nature or magnitude of transactions
- C It is the exercise of caution when making judgements under conditions of uncertainty
- D It is the assumption that the reporting entity will continue in operation for the foreseeable future

**Question 15**

Jordan is trying to calculate the carrying amount of machinery to present on the statement of financial position as at 31 July 20X7.

The machinery has a cost of \$6,000 and the accumulated depreciation balance at 1 August 20X6 was \$3,060.

The diminishing-balance method is used to depreciate the asset and the applicable rate is 30%.

**Calculate the carrying amount of machinery at 31 July 20X7.**

\$



**Question 16**

Katarina, a sole trader, commenced business on 1 January 20X8 by introducing \$20,000 of cash savings and by obtaining a bank loan for a further \$30,000 of cash.

**Which TWO of the following journal entries should be used to recognise these transactions in Katarina's general ledger accounts?**

- |   |                              |          |          |
|---|------------------------------|----------|----------|
| A | Dr Cash and cash equivalents | \$20,000 |          |
|   | Cr Capital introduced        |          | \$20,000 |
| B | Dr Cash and cash equivalents | \$30,000 |          |
|   | Cr Loan payable              |          | \$30,000 |
| C | Dr Capital introduced        | \$20,000 |          |
|   | Cr Cash and cash equivalents |          | \$20,000 |
| D | Dr Loan payable              | \$30,000 |          |
|   | Cr Cash and cash equivalents |          | \$30,000 |

**Question 17**

Qasim is preparing financial statements for the year ended 31 March 20X3.

**Which TWO of the following are reasons for closing off general ledger accounts and producing a trial balance?**

- A If income and expense general ledger accounts are not reduced to \$0, Qasim's statement of profit or loss for the year ended 31 March 20X4 will be incorrect
- B If asset, liability and capital (equity) balances are not reduced to \$0, the statement of financial position as at 1 April 20X3 will be incorrect
- C A trial balance allows for the efficient preparation of Qasim's financial statements
- D A trial balance must be presented to the key stakeholders of Qasim's sole trade

**Question 18**

Nadja disposed of machinery for cash proceeds of \$6,300 during the year ended 31 August 20X8.

The machinery was disposed of on 10 August 20X8. The machinery was originally purchased for \$10,000 on 20 November 20X4.

The depreciation policy is to charge a full year's depreciation in the year of purchase and none in the year of disposal. Machinery is depreciated, using the straight-line method, over ten years.

**What is the gain or loss on the disposal of machinery?**

- A      \$300 gain
- B      \$300 loss
- C      \$700 gain
- D      \$700 loss

**Question 19**

Cruz is unsure of the journal entry to record the drawings he has taken from the business.

**Which TWO of the following are the CORRECT entries for Cruz to prepare the journal entry for drawings?**

- A      Dr Cash
- B      Dr Drawings
- C      Cr Drawings
- D      Cr Cash

**Question 20**

Dieter is reviewing the incomplete accounting records of his business and has the following information:

- (1) Opening capital on 1 January 20X1 was \$100,000
- (2) Assets on 1 January 20X1 equalled the opening capital
- (3) Drawings of \$22,000 were made on 1 November 20X1
- (4) Profit for the year ended 31 December 20X1 was \$28,000
- (5) Liabilities at 31 December 20X1 were \$33,000

**What amount have assets INCREASED by during the year ended 31 December 20X1?**

- A \$39,000
- B \$67,000
- C \$106,000
- D \$139,000

**Question 21**

Iqra has an accounting system which produces a trial balance at the period end. Iqra is unsure of its function but believes the following to be true:

- (1) A trial balance produces a summary of final amounts for transactions and balances in the general ledger accounts
- (2) A trial balance ensures that all fraud and errors are identified

**Which of the above statements is/are TRUE?**

- A 1 only
- B 2 only
- C Both 1 and 2
- D Neither 1 nor 2

**Question 22**

Samson had an allowance for irrecoverable debts of \$3,000 on 1 January 20X1. At 31 December 20X1, the year end, Samson has determined that the allowance must be increased to \$5,000.

**Which of the following is the CORRECT journal entry to adjust the allowance for irrecoverable debts at 31 December 20X1?**

- |   |                                      |         |         |
|---|--------------------------------------|---------|---------|
| A | Dr Allowance for irrecoverable debts | \$2,000 |         |
|   | Cr Irrecoverable debt expense        |         | \$2,000 |
| B | Dr Irrecoverable debt expense        | \$2,000 |         |
|   | Cr Allowance for irrecoverable debts |         | \$2,000 |
| C | Dr Allowance for irrecoverable debts | \$5,000 |         |
|   | Cr Irrecoverable debt expense        |         | \$5,000 |
| D | Dr Irrecoverable debt expense        | \$5,000 |         |
|   | Cr Allowance for irrecoverable debts |         | \$5,000 |

**Question 23**

Cerys provided the following payroll information for the month of April 20X4:

Payroll information	\$
Gross wages and salaries	24,000
Employees' social security contributions	1,900
Employer's social security contributions	1,500
Taxes on employees' personal income	3,800

**What are the net wages and salaries paid to Cerys's employees for the month of April 20X4?**

- |   |          |
|---|----------|
| A | \$18,300 |
| B | \$18,700 |
| C | \$24,000 |
| D | \$25,500 |

**Question 24**

Sanjay purchased goods on credit from a supplier.

**Identify which of the following would be the CORRECT debit and credit entries for the journal entry to account for this transaction.**

		Debit	Credit
1.	Trade payables		
2.	Purchases		

**Question 25**

Hiroto counted his inventories at 31 March 20X9, the year-end date of the business.

Hiroto summarised the main lines of inventories, including the net realisable value (NRV), as follows:

Inventories line item	Units	Cost per unit	NRV per unit
X1	200	\$10.00	\$8.00
Y2	240	\$15.00	\$13.50
Z4	70	\$16.00	\$23.90

**Calculate the carrying amount of inventories at 31 March 20X9.**

\$

**Question 26**

**Which of the following statements describes the purpose of general ledger accounts?**

- A To provide financial information to key stakeholders
- B To summarise each of the period's transactions and balances in a single debit or credit amount
- C To record the financial information processed by journal entries
- D To provide detail on individual customer and supplier balances

**Question 27**

Connor is trying to understand what the purpose of reconciliations is and has suggested the following:

- (1) A reconciliation helps identify timing differences due to cash or goods in transit at the period end
- (2) Dealing with an error discovered during a reconciliation promptly ensures that it will not happen again in future periods
- (3) Performing a reconciliation will always identify fraud and error

**Which of the above statements made by Connor is/are TRUE?**

- A 1 only
- B 2 only
- C 1, 2 and 3
- D 2 and 3 only

**Question 28**

**Which of the following is NOT a valid reason for an entity to maintain its financial records for external use?**

- A It is a legal requirement
- B Owners wish to assess the stewardship of management
- C Competitors wish to compare performance against it
- D The tax authority wishes to review sales tax data

**Question 29**

**Identify whether each of the following items is an asset or an expense.**

		<b>Asset</b>	<b>Expense</b>
1.	Depreciation charge on vehicles		
2.	Insurance for vehicles		

**Question 30**

The 'accounting equation' is linked to the key principles and concepts of accounting.

**Which of the following key principles or concepts of accounting is MOST relevant to the accounting equation?**

- A Materiality
- B Duality
- C Prudence
- D Business entity

**Question 31**

Vivian wishes to understand why the bank general ledger account may not agree with the bank statement produced in the online banking platform.

**Identify whether each of the following is a possible reason or not a possible reason for a difference between the bank general ledger account and the online banking platform.**

		Possible reason	Not a possible reason
1.	Interest expenses charged by the bank and not communicated to Vivian		
2.	The incorrect expense account debited for cash purchases		
3.	Payments instructed to the bank but not processed		
4.	Deposits made by Vivian into the bank are yet to be processed		

**Question 32**

**Which of the following is CORRECT regarding sales tax registration?**

- A. A business registers with the tax authorities in its country to gain financially from any sales tax collected
- B. A business not registered for sales tax is able to collect, but not reclaim, sales tax
- C. Rules always mandate which businesses are required to be sales tax-registered; it is not possible to register voluntarily
- D. A country's laws in relation to sales tax will specify which goods or services are subject to sales tax and the frequency of sales tax returns

**Question 33**

Vlatka purchased goods from a supplier on credit and received a trade discount of 5%. The list price, prior to any discount being applied, was \$1,000.

**Which of the following is the CORRECT journal entry to account for this transaction?**

A	Dr Purchases	\$950	
	Cr Trade payables		\$950
B	Dr Purchases	\$1,000	
	Cr Trade payables		\$950
	Cr Discount received		\$50
C	Dr Trade receivables	\$950	
	Cr Revenue		\$950
D	Dr Trade receivables	\$950	
	Dr Discount allowed	\$50	
	Cr Revenue		\$1,000

**Question 34**

Emilio began to reconcile supplier statements received to individual supplier accounts in the accounting system.

The following information is available:

- (1) The balance on the trade payables general ledger account at 31 January 20X2 was \$5,600
- (2) The total of individual supplier accounts amounted to \$9,900 at 31 January 20X2
- (3) \$4,800 of goods and supplier invoices were received by Emilio on 26 January 20X2 but are yet to be processed
- (4) Emilio received credit notes totalling \$3,500 from suppliers on 28 January 20X8 but has not yet recorded these
- (5) Emilio made payments to suppliers totalling \$3,000 on 30 January 20X2 which have not yet appeared on the supplier statements

**What is the reconciled trade payables balance to be presented in Emilio's statement of financial position as at 31 January 20X2?**

- A \$2,600
- B \$3,900
- C \$6,900
- D \$11,200



**Question 35**

Ada is reviewing the sales and purchases processes of her business.

**Which TWO of the following business transactions are part of Ada's credit sales process?**

- A The issue of a customer invoice
- B The receipt of a supplier invoice
- C The payment of cash to a supplier
- D The receipt of cash from a customer

**Question 36**

Uliana has generated cumulative losses of \$8,900 in the first two years of business. Uliana has taken cash drawings of \$1,000 per month since the business started.

**Which TWO of the following statements regarding the changes in Uliana's capital are TRUE?**

- A Excessive drawings have directly caused the losses on the statement of profit or loss
- B Retained losses will reduce the overall capital section on the statement of financial position
- C Future capital introduced will directly reduce the losses on the statement of profit or loss
- D Future profits in the statement of profit or loss will reduce the retained losses on the statement of financial position

**Question 37**

Huan discovered after producing a trial balance that \$2,000 of overdraft charges on the business bank account had been omitted entirely from the general ledger.

The payment was taken on 28 March 20X8.

**Which of the following is the CORRECT journal entry to record the omitted overdraft charges for the year ended 31 March 20X8?**

- |   |                      |         |         |
|---|----------------------|---------|---------|
| A | Dr Interest expenses | \$2,000 |         |
|   | Cr Accruals          |         | \$2,000 |
| B | Dr Interest expenses | \$2,000 |         |
|   | Cr Cash              |         | \$2,000 |
| C | Dr Cash              | \$2,000 |         |
|   | Cr Interest expenses |         | \$2,000 |
| D | Dr Prepayments       | \$2,000 |         |
|   | Cr Interest expenses |         | \$2,000 |

**Question 38**

Sokhna runs a local shop and sold goods for \$3,000 cash.

**Which of the following journal entries should be used to record the sale of goods for cash from Sokhna's shop?**

- |   |                |         |         |
|---|----------------|---------|---------|
| A | Dr Cash        | \$3,000 |         |
|   | Cr Revenue     |         | \$3,000 |
| B | Dr Cash        | \$3,000 |         |
|   | Cr Inventories |         | \$3,000 |
| C | Dr Inventories | \$3,000 |         |
|   | Cr Cash        |         | \$3,000 |
| D | Dr Revenue     | \$3,000 |         |
|   | Cr Cash        |         | \$3,000 |

**Question 39**

Marina has received supplier statements and reconciled them to individual supplier accounts in the accounting system.

The following reconciling items at 31 May 20X9, the year-end date, have been found:

- (1) Goods received and invoiced on 22 May 20X9 totalling \$5,000 have not yet been recorded as the supplier invoice was misplaced
- (2) Settlement discounts recorded and totalling \$6,000 were confirmed by supplier contracts but omitted from the supplier statements
- (3) Credit notes received on 27 May 20X9 and totalling \$3,000 have not been recorded by Marina

**Which of the following is the CORRECT journal entry to adjust trade payables at 31 May 20X9?**

- |   |                   |         |         |
|---|-------------------|---------|---------|
| A | Dr Purchases      | \$2,000 |         |
|   | Cr Trade payables |         | \$2,000 |
| B | Dr Trade payables | \$2,000 |         |
|   | Cr Purchases      |         | \$2,000 |
| C | Dr Purchases      | \$4,000 |         |
|   | Cr Trade payables |         | \$4,000 |
| D | Dr Trade payables | \$4,000 |         |
|   | Cr Purchases      |         | \$4,000 |

**Question 40**

Leyna uses a basic computerised accounting system in which only the module that issues invoices to credit customers is integrated into the accounting system.

**Which TWO of the following are TRUE regarding how sales data is recorded in Leyna's computerised accounting system?**

- A When a customer invoice is issued, the system automatically updates the general ledger accounts
- B When cash is received from a customer, the system automatically updates the balance on the individual customer's account
- C When debts are identified as irrecoverable, the system automatically provides for these with an allowance for irrecoverable debts
- D When a customer invoice is issued, the system automatically updates the balance on the individual customer's account

**Question 41**

Khalil is preparing a statement of financial position.

**Identify whether each of the following elements is an asset or a liability.**

		<b>Asset</b>	<b>Liability</b>
1.	Trade receivables		
2.	Loan payable		
3.	Plant and equipment		
4.	Bank overdraft		

**Question 42**

Astrid maintains an imprest balance of \$400 in petty cash and ensures this is reimbursed on the first day of each month.

During the month ended 30 April 20X8, Astrid's petty cash records show that:

- (1) Petty cash vouchers for expenses of \$45, \$10 and \$3 were submitted
- (2) \$365 of cash received from sales made by Astrid was added to the petty cash
- (3) \$320 of cash was removed and deposited in the business bank account

**Calculate the amount of petty cash that must be reimbursed on 1 May 20X8.**

\$

**Question 43**

Maisie is preparing draft financial statements and needs to finalise closing inventories.

The following information has been extracted from Maisie's trial balance for the year ended 30 June 20X8:

	Dr
	\$
Inventories at 1 July 20X7	12,000
Purchases	35,000

Maisie completed a count of her inventories at 30 June 20X8 and the value was \$19,000.

**Which of the following is the CORRECT journal entry to adjust inventories at 30 June 20X8?**

- |   |                  |          |          |
|---|------------------|----------|----------|
| A | Dr Cost of sales | \$28,000 |          |
|   | Dr Inventories   | \$7,000  |          |
|   | Cr Purchases     |          | \$35,000 |
| B | Dr Cost of sales | \$42,000 |          |
|   | Cr Inventories   |          | \$7,000  |
|   | Cr Purchases     |          | \$35,000 |
| C | Dr Purchases     | \$35,000 |          |
|   | Cr Cost of sales |          | \$28,000 |
|   | Cr Inventories   |          | \$7,000  |
| D | Dr Inventories   | \$7,000  |          |
|   | Dr Purchases     | \$35,000 |          |
|   | Cr Cost of sales |          | \$42,000 |

**Question 44**

**Which of the following errors can occur in a fully functioning computerised accounting system?**

- (1) Omitting a transaction from the computerised accounting system
  - (2) Making a transposition error when entering data
  - (3) Posting a manual journal entry to the wrong side of the correct general ledger account
  - (4) Casting figures from a general ledger account incorrectly
- A 1 only  
 B 2 and 3 only  
 C 1, 2 and 3 only  
 D 1, 2, 3 and 4

**Question 45**

Faye has incomplete records.

Faye has verified all purchases of goods and has counted closing inventories, providing a cost of sales amount of \$19,200 for the year ended 30 June 20X3.

Faye applies a uniform 30% markup on cost to all customers.

**Calculate Faye's revenue for the year ended 30 June 20X3.**

\$

## Section B

### Question 46

A trial balance has been extracted by Omar as at 31 August 20X7, the year-end date of his business.

	Dr	Cr
	\$	\$
Revenue		39,250
Purchases	30,000	
General and administrative expenses	6,200	
Selling expenses	3,900	
Interest expenses	100	
Motor vehicles – cost	10,000	
Motor vehicles – accumulated depreciation at 1 September 20X6		3,000
Inventories at 1 September 20X6	14,000	
Trade receivables	2,000	
Allowance for irrecoverable debts		200
Cash and cash equivalents	650	
Trade payables		8,000
Capital introduced		10,000
Retained profits		19,000
Drawings	12,200	
Suspense account	400	
<b>Total</b>	<b>79,450</b>	<b>79,450</b>

Additional information:

- (1) Motor vehicles are to be depreciated at 30% using the diminishing-balance method. Depreciation charges are recorded in general and administrative expenses.
- (2) Closing inventories were \$19,000.
- (3) The suspense account relates to selling expenses invoiced by the delivery company that Omar uses. The supplier invoice for \$400 was received on 29 August 20X7 and related to selling expenses for both August and September 20X7. Omar was not sure how to account for this and so, using a manual journal entry, debited \$400 to a suspense account and credited \$400 to trade payables.

**Complete, by inserting the missing figures, Omar's statement of profit or loss for the year ended 31 August 20X7 and the statement of financial position as at 31 August 20X7.**

Note: Do not show any figures as negative.

<b>Statement of profit or loss</b>	
<b>For the year ended 31 August 20X7</b>	
	<b>\$</b>
Revenue	
Less: Cost of sales	
<b>Gross profit</b>	
Less: General and administrative expenses	
Less: Selling expenses	
<b>Operating profit</b>	
Less: Interest expenses	
<b>Profit</b>	

<b>Statement of financial position</b>	
<b>As at 31 August 20X7</b>	
	<b>\$</b>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Motor vehicles	
<b>Total non-current assets</b>	
<b>Current assets</b>	
Inventories	
Trade receivables	
Prepaid expenses	
Cash and cash equivalents	
<b>Add: Total current assets</b>	
<b>Current liabilities</b>	
Trade payables	
<b>Less: Total current liabilities</b>	
<b>Net assets</b>	
<b>Represented by</b>	
Capital introduced	
Add: Retained profits	
Less: Drawings	
<b>Capital</b>	