

THE UNIVERSITY OF THE SOUTH PACIFIC SCHOOL OF DISTANCE EDUCATION BACHELOR OF BUSINESS ADMINISTRATION FINANCIAL ACCOUNTING

QUESTION 1: The following information relates to the financial statements of a company for the year ended 31 December 2018:

Revenue 1,200,000
Cost of sales (750,000)
Gross profit 450,000
Less: Selling expenses (50,000)
Less: Administrative expenses (100,000)
Less: Depreciation (20,000)
Less: Interest (10,000)
Less: Income tax (10,000)
Profit before income tax 160,000
Less: Income tax (40,000)
Profit after income tax 120,000

Additional information:
- The company has a provision for doubtful debts of 50,000.
- The company has a provision for bad debts of 10,000.
- The company has a provision for inventory obsolescence of 20,000.
- The company has a provision for depreciation of 20,000.
- The company has a provision for interest of 10,000.
- The company has a provision for income tax of 10,000.

Required:
1. Prepare the Statement of Profit or Loss for the year ended 31 December 2018.
2. Prepare the Statement of Financial Position as at 31 December 2018.
3. Calculate the Return on Investment (ROI) for the year ended 31 December 2018.
4. Calculate the Return on Equity (ROE) for the year ended 31 December 2018.