

Question 20 (4 marks)

A business earns revenue of \$425 000 (excluding GST) from providing services, and the cost incurred in providing these services is \$125 000 (excluding GST).

- (a) What is the Goods and Services Tax (GST) net liability of the business? **1**
..... *10 percent*
- (b) The business borrowed \$115 000 from the bank for the period 1 January 2013 to 30 June 2013. The interest rate was 8% per annum and interest was compounded monthly. The loan structure was interest only. **3**

Calculate the total interest charged. Show all working.

115 000 × 8/100 = 9 200
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9 200 × 8/100 = 736
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736 × 8/100 = 58.88
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