

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

$$\dots (425000 \times 10\%) + (125000 \times 10\%) = 42500 + 12500 = 55000$$

- (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.

$$\dots \text{Compound Interest} = P(1-r)^n$$

$$\dots = 115000 \left(1 - \frac{8\%}{12}\right)^6$$

$$\dots = 110475.9886$$

$$\dots = \$110475.99$$

$$\dots 115000 - 110475.99$$

$$\dots = \$4524.01$$