

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

$$\begin{aligned} & (\cancel{425,000} - \cancel{125,000}) \times \frac{1}{10} = \underline{\underline{\$30,000}} \\ & (425,000 \times \frac{1}{10}) - (125,000 \times \frac{1}{10}) = \underline{\underline{\$30,000}} \end{aligned}$$

- (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.

$$A = P(1+r)^n \quad \text{where } A = \text{amount} \quad r = \text{rate} (\%)$$

$P = \text{Principal} \quad n = \text{time}$

$$\begin{aligned} \therefore A &= 115,000 (1 + 0.08/12)^6 \\ \therefore \text{Interest} &= 119,677.3516 - 115,000 \\ &= \underline{\underline{\$4677.3516}} \\ &= \underline{\underline{\$4677.35}} \end{aligned}$$