

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**

$\frac{1,500}{2,500}$
 $\frac{125,000}{425,000} = 0.2941$
 $0.2941 \times 125,000 = 36,762.50$

 $\$12,500$

- (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.

~~$0.08 \div 12 = 0.006667$~~ $0.08 \times \frac{6}{12} = 0.04$
 $\frac{0.08}{12} = 0.006667$

 $115,000(1 + 0.04)^{\frac{6}{12}} = 117,277.4488$

 $115,000 - 117,277.4488$
 $= -2,277.4488$

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