

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
- ~~467 500~~ $\text{Receivable} - \text{payable} = \text{Net least liability}$ $\text{Payable} - \text{receivable}$
~~125 000~~ ~~425 000~~ ~~300 000~~ $425 000 - 125 000$
 $= \$300 000$
- (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.

$$P = \$115 000 \quad R = 8\% \text{ p.a.} = \frac{8}{100} \div 12 + 1 = 1.006667$$

$$n = 6 \text{ months}$$

$$A = P(R)^n$$

$$= 115 000 (1.006667)^6$$

$$= \$119 677.59 \quad \text{interest (interest cost)}$$

$$A - P = I$$

$$119 677.59 - 115 000 = \$4 677.59$$