

MyStudyBro - Revision Exercise Tool

This Revision Handout includes the Questions and Answers of a total of 5 exercises!

Chapters:

Depreciation - ACC25 (Cy MOEC)

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QUESTION 3

Amalthia Plc Statement of Profit or Loss (extract) for the year ended 31 December 2018 is given below:

	€000
Gross profit	212
Operating expenses	(132)
Operating profit	80
Finance cost	(10)
Profit before tax	70
Taxation	(20)
Profit after tax	50

The Statements of Financial Position of Amalthia Plc as at 31 December 2018 and 2017 were as follows:

	2018		2017	
	€000	€000	€000	€000
Non-current assets				
Property, plant and equipment at cost		1.550		1.500
Accumulated depreciation		(300)		(250)
Property, plant and equipment at NBV		1.250		1.250
Current assets				
Inventory	14		10	
Trade receivables	36		30	
Bank	40	90	45	85
Total Assets		1.340		1.335
Equity & Liabilities				
Share Capital		1.110		980
Share Premium		50		30
Retained earnings		80		40
		1.240		1.050
Non-current liabilities				
9% Loan Notes		50		200
Current liabilities				
Trade payables	10		5	
Taxation	40	50	80	85
		1.340		1.335

Notes:

- i. The depreciation of non-current assets for the year was €80.000
- ii. Loss on sale of a non-current assets was €8.000
- iii. Dividends paid during the year were €10.000
- iv. New non-current assets were purchased during the year at a cost of €100.000.

REQUIRED:

(a) Prepare for the year ended 31 December 2018 the:

- i. Property, Plant and Equipment Account **(Marks 2)**
- ii. Accumulated depreciation of Property, Plant and Equipment Account **(Marks 2)**
- iii. Disposal Account **(Marks 2)**

(b) The Statement of Cash Flows in accordance with International Accounting Standard (IAS) 7

(Marks 14)
(Total Marks 20)

ANSWER TO QUESTION 3**(a)****(i)** PROPERTY, PLANT AND EQUIPMENT–COST A/C

	€000		€000
Balance b/d	1.500	Disposal	50
Bank	100	Balance c/d	1.550
	1.600		1.600

(Marks 2)**(ii)** ACCUMULATED DEPRECIATION A/C

	€000		€000
Depreciation - disposal	30	Balance b/d	250
Balance c/d	300	SOPL- charge for the year	80
	330		330

(Marks 2)

(iii)

DISPOSAL A/C

	€000		€000
PPE at cost	50	Accumulated Depn (w3)	30
		Bank-proceeds	12
		Loss on disposal	8
	50		50

(Marks 2)

(b)

Amalthia plc

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	€000	€000
Cash flows from operating activities		
Profit before taxation	70	
Add: Loss on sale of machinery	8	
Add: Depreciation	80	
Add: Finance cost	<u>10</u>	
Operating cash flows before working capital changes	168	
Less: Increase in trade and other receivables	(6)	
Less: Increase in inventories	(4)	
Add: Increase in trade payables	<u>5</u>	
Cash flows generated from operations	163	
Interest paid	(10)	
Income tax paid (W1)	<u>(60)</u>	
Net cash flows from operating activities		93
Cash flows from investing activities		
Purchase of non-current asset (W2)	(100)	
Proceeds from sale of non-current asset (W4)	<u>12</u>	
Net cash flows used in investing activities		(88)
Cash flows from financing activities		
Proceeds from issue of share capital (980+30-1,110-50)	150	
Proceeds from long-term borrowings (200-50)	(150)	
Dividends paid	<u>(10)</u>	
Net cash flows used in financing activities		(10)
Net Decrease in cash and cash equivalents		(5)
Cash and cash equivalents at beginning of period		45
Cash and cash equivalents at end of period		<u>40</u>
Net Decrease in cash and cash equivalents		(5)

(Κεφ.6.3-6.6 σελ.112-116)

(Marks 14)

Workings

CORPORATION TAX A/C

	€000		€000
Bank - paid	60	Balance b/d	80
Balance c/d	40	SOPL- charge for the year	20
	100		100

(Total Marks 20)

QUESTION 5

The Statements of Financial Position (**extracts**) of Terra Constructions Plc at 31 December 2016 and 31 December 2017 were as follows:

	2016	2017
	31 December	31 December
	€	€
ASSETS		
Non-Current assets		
Property, plant and equipment at cost	13.500.000	12.300.000
Accumulated depreciation	(4.520.000)	(4.440.000)
Property, plant and equipment at NBV	8.980.000	7.860.000
Current assets		
Inventories	3.020.000	2.958.000
Trade receivables	1.020.000	1.150.000
Cash and Cash Equivalents	----	200.000
	4.040.000	4.308.000
Current liabilities		
Bank overdraft	120.000	---
Trade payables	980.000	860.000
Tax payable	240.000	360.000
	1.340.000	1.220.000
Non-Current liabilities		
6% Bank loan		600.000

Additional information:

1. Profit after interest but before tax for the year ended 31 December 2017 was €380.000
2. Interest on the bank overdraft was €14.000 for the year
3. On 31 December 2017, equipment that cost €2.115.000 with depreciation to date of €560.000 was sold for €1.570.000
4. On 31 March 2017 the company took out a 6%, ten-year, bank loan for €600.000
5. Loan interest was paid at the end of the year
6. The corporation tax for the year was €280.000
7. **Cash Flows used in Investing Activities was €450.000**
8. **Cash Flows from Financing Activities was €273.000.**

REQUIRED:

- (a) Prepare for the year ended 31 December 2017
- i. The Accumulated Depreciation Account **(Marks 4)**
 - ii. The Statement of Cash Flows, in accordance with IAS 7. **(Marks 14)**
- (b) Να αναφέρετε δύο περιπτώσεις στοιχείων που κατατάσσονται στην κατηγορία Χρηματοδοτικές Δραστηριότητες στη Κατάσταση Ταμειακών Ροών
(*State two items that would be found in the Financing Activities section of the Statement of Cash Flows*). **(Marks 2)**

(Total Marks 20)**(GRAND TOTAL MARKS 100)****.....THE END.....**

QUESTION 5 (Answer)**(a) (i)**

PPE- Accumulated Depreciation Account

2017		€000	2017		€000
Dec 31	Disposals	560	Jan 01	Balance b/d	4.520
Dec 31	Balance c/d	4.440	Dec 31	SOPL	480
		5.000			5.000

(Marks 4)**(a) (ii)****Statement of Cash Flow for year ended 31 December 2017**

Cash Flows from operating activities		
Profit before taxation	380.000	
Add Depreciation	480.000	
Less: Profit on Sale of Non-current Asset (2.115.000-560.000)-1.570.000	(15.000)	
Add: Finance cost (14.000 + 27.000)	41.000	
Operating cash flow before working capital changes	886.000	
Add Decrease in inventories	62.000	
Less Increase in trade receivables	(130.000)	
Less Decrease in trade payables	(120.000)	
Cash generated from operations	698.000	
Less Interest Paid (14.000 + 27.000) (W1)	(41.000)	
Less Tax Paid (280.000+240.000-360.000) (W2)	(160.000)	
Net Cash from Operating Activities		497.000
Net Cash Flows used in investing activities		(450.000)
Net Cash Flows from financing activities		273.000
Net increase in cash and equivalent		320.000
Cash and cash equivalents 1 January 2017		-120.000
Cash and cash equivalents 31 December 2017		200.000
Net increase in cash and equivalent		320.000

Workings:

(1) Bank loan Interest ($6\% \times 600.000$) $\times 9/12 = €27.000$

(2)**Corporation tax**

	€000		€000
Cash - paid	160	Balance b/d	240
Balance c/d	360	SOPL- charge for the year	280
	520		520

(Marks 14)

(b) Items found in the Financing Activities section include:

- Έκδοση μετοχικού κεφαλαίου στην ονομαστική τους αξία ή υπέρ το άρτιο
- Σύναψη ή αποπληρωμή δανείων
- Έκδοση ή αποπληρωμή ομολόγων
- Η καταβολή μερισμάτων.
- *Issue of shares at par or at a premium*
- *Taking out or repayment of a bank loan*
- *Issue of debentures, or repayment of debentures*
- *Dividends paid*

(Marks 2)**(Total Marks 20)****(GRAND TOTAL MARKS 100)**

QUESTION 1**Exercise 1**

Xenia and Yianna are in partnership sharing profits and losses in the ratio 3:2 respectively. At 31 March 2017, their Balance Sheet was as follows:

Fixed Assets	€	€
Premises		300.000
Office Equipment		40.000
Fixtures and Fittings		30.000
		370.000
Current Assets		
Stock	26.000	
Debtors	34.000	
Bank	18.000	
	78.000	
Current Liabilities		
Creditors	(30.000)	
Net Current Assets		48.000
		418.000
Capitals:		
Xenia		258.000
Yianna		160.000
		418.000

The following additional information was available:

1. Zoe was admitted into the partnership on 1 April 2017. It was agreed that all profits and losses in the new partnership would be shared in the ratio Xenia 3, Yianna 2, Zoe 1.
2. Zoe introduced into the partnership stock valued at €20.000, motor vehicles a valuation of at €18.000 and a cheque for €42.000
3. Goodwill was valued at €30.000
4. Assets and liabilities of the former partnership were revalued as follows:

	€
Premises	330.000
Office Equipment	38.200
Stock	25.200

5. The partners decided that Goodwill is to be written off.

REQUIRED:

- a. Revaluation accounts (Marks 3)
- b. Capital accounts of Xenia, Yianna and Zoe (Marks 4)
- c. Balance Sheet of Xenia, Yianna and Zoe at 1 April 2017. (Marks 6)

Exercise 2

The following information relates to the office computers of Park Ltd:

2014

1 January Purchased office computers for €40.000

2016

30 June Sold office computers costing €12.000 for €5.000 by cheque

1 October Purchased office computers for €16.000 paying by cheque

Park Ltd has the following depreciation policy:

- Office computers are depreciated at the rate of 20% per annum using the straight-line method
- Depreciation is charged for each month of ownership.

REQUIRED:

Prepare the following ledger accounts for the year ended 31 December 2016:

- | | |
|---|-----------|
| a. Office Computers | (Marks 2) |
| b. Provision for Depreciation of Office Computers | (Marks 3) |
| c. Disposal of office computers. | (Marks 2) |

(Total Marks 20)

QUESTION 1

Exercise 1

a. Revaluation A/c

	€		€
Office equipment (40.000-38.200)	1.800	Premises (330.000-300.000)	30.000
Stock (26.000-25.200)	800	Goodwill	30.000
Profit on Revaluation			
Capital X (3/5 X 57.400) 34.440			
Capital Y (2/5 X 57.400) 22.960	57.400		
	60.000		60.000

(Marks 3)

b. Partners' Capital A/cs

	Xenia	Yianna	Zoe		Xenia	Yianna	Zoe
	€	€	€		€	€	€
Goodwill (3:2:1)	15.000	10.000	5.000	Balance b/d	258.000	160.000	-----
Balance c/d	277.440	172.960	75.000	Stock	-----	-----	20.000
				Motor Vehicles	-----	-----	18.000
				Cash/Bank	-----	-----	42.000
				Profit on Reval.	34.440	22.960	
	292.440	182.960	80.000		292.440	182.960	80.000
				Balance b/d	277.440	172.960	75.000

(Marks 4)

Xenia, Yianna, Zoe Balance Sheet as at 1 April 2017

	€	€		€	€
Fixed Assets			Partners' Capital A/cs		
Premises	330.000		Xenia	277.440	
Office Equipment	38.200		Yianna	172.960	
Fixtures & Fittings	30.000		Zoe	75.000	525.400
Motor Vehicles	18.000	416.200			
			Current Liabilities		
Current Assets			Creditors		30.000
Stock (25.200+20.000)	45.200				
Debtors	34.000				
Bank (18.000+42.000)	60.000	139.200			
		555.400			555.400

(Marks 6)

or

Revaluation A/c

	€		€
Office equipment	1.800	Premises	30.000
Stock	800		
Profit on Revaluation			
Capital X (3/5 X 27.400) 16.440			
Capital Y (2/5 X 27.400) 10.960	27.400		
	30.000		30.000

Partners' Capital A/cs

	Xenia	Yianna	Zoe		Xenia	Yianna	Zoe
	€	€	€		€	€	€
Goodwill	15.000	10.000	5.000	Balance b/d	258.000	160.000	-----
Balance c/d	277.440	172.960	75.000	Stock	-----	-----	20.000
				Motor Vehicles	-----	-----	18.000
				Cash/Bank	-----	-----	42.000
				Goodwill adj. (3:2)	18.000	12.000	
				Profit on Reval.	16.440	10.960	
	292.440	182.960	80.000		292.440	182.960	80.000
				Balance b/d	277.440	172.960	75.000

Xenia, Yianna, Zoe
Balance Sheet as at 1 April 2017

	€	€
Fixed Assets		
Premises		330.000
Office Equipment		38.200
Fixtures & Fittings		30.000
Motor Vehicles		18.000
		416.200
Current Assets		
Stock (25.200+20.000)	45.200	
Debtors	34.000	
Bank (18.000+42.000)	60.000	
	139.200	
Current Liabilities		
Creditors	(30.000)	109.200
		525.400
Capital A/cs		
Xenia	277.440	
Yianna	172.960	
Zoe	75.000	525.400

QUESTION 1

Exercise 2 a.

Office Computer A/c

2016		€	2016		€
Jan 1	Balance b/d	40.000	Jun 30	Disposal	12.000
Oct 1	Bank	16.000	Dec 31	Balance c/d	44.000
		56.000			56.000
2017					
Jan 1	Balance b/d	44.000			

(Marks 2)

b. Office Computer-Provision for Depreciation A/c

2016		€	2016		€
Jun 30	Disposal (W.3)	6.000	Jan 1	Balance b/d (w1)	16.000
Dec 31	Balance c/d	17.600	Dec 31	P/L or Depn (w.2)	7.600
		23.600			23.600
			2017		
			Jan 1	Balance b/d	17.600

(Marks 3)

c. Disposal A/c

2016		€	2016		€
Jun 30	Office computer	12.000	Jun 30	Bank	5.000
			Jun 30	PFD	6.000
			Dec 31	Loss on disposal/P&L	1.000
		12.000			12.000

(Marks 2)

Workings:

- Provision for Depn 1.1. 2016
 $40.000 \times 20\% \times 2 \text{ years} = \mathbf{16.000}$
- Depreciation expense for 2016
 Old: $(40.000 - 12.000) \times 20\% = 5.600$
 New: $16.000 \times 20\% \times 3/12 = 800$
 Disposed: $12.000 \times 20\% \times 6/12 = \mathbf{1.200}$
7.600
- Provision for Depn on asset disposed
 $12.000 \times 20\% \times 30/12 = \mathbf{6.000}$

(Total Marks 20)

QUESTION 2

The Balance Sheet of Nelia Plc at 31st December 2013 included the following:

FIXED ASSETS

	€	€
Motor Vans	32.000	
Less Provision for Depreciation	<u>19.200</u>	12.800

The following transactions took place:

2014

March 1 Purchased three Motor Vans on credit from Vision Ltd for €6.000 each.

September 30 Sold a Motor Van by cheque €1.700 which had been bought on 1 January 2012 for €5.000.

2015

July 1 Purchased a new Motor Van on credit from Vision Ltd for €12.600, for the replacement of one bought in 2014. The trade - in value was €4.600.

Depreciation on Motor Vans was calculated at the rate of 20% per annum, by the straight line method proportionately (one month's ownership, one month depreciation).

Note: Your calculations should be made to the nearest €.

REQUIRED:

Prepare the following for the years 2014 and 2015:

- a) The Motor Vans Account (Marks 6)
 - b) The Provision for Depreciation on Motor Vans Account (Marks 6)
 - c) The Disposal of Motor Vans Account. (Marks 8)
- (Total Marks 20)**

(Total Marks 25)

QUESTION 2**Nelia Plc Books****Motor Vans A/c**

2014		€	2014		€
Jan 1	Balance b/d	32.000	Sept 30	Disposal	5.000
Mar 1	Vision Ltd	18.000	Dec 31	Balance c/d	45.000
		50.000			50.000
2015			2015		
Jan 1	Balance b/d	45.000	Jul 1	Disposal	6.000
Jul 1	Vision Ltd	12.600	Dec 31	Balance c/d	51.600
		57.600			57.600
2016					
Jan 1	Balance b/d	51.600			

(Marks 6)

Provision for Depreciation of Vans A/c

2014		€	2014		€
Sept 30	Disposal	2.750	Jan 1	Balance b/d	19.200
Dec 31	Balance c/d	25.600	Dec 31	P&L Depreciation	9.150
		28.350			28.350
2015			2015		
Jul 1	Disposal	1.600	Jan 1	Balance b/d	25.600
Dec 31	Balance c/d	33.660	Dec 31	P&L Depreciation	9.660
		35.260			35.260
			2016		
			Jan 1	Balance b/d	33.660

(Marks 6)

Disposal of Motor Vans A/c

2014		€	2014		€
Sept 30	Motor Vans	5.000	Sept 30	Provision for Deprec.	2.750
			Sept 30	Bank	1.700
			Sept 30	Loss on Sale	550
		5.000			5.000
2015			2015		
Jul 1	Motor Vans	6.000	Jul 1	Provision for Deprec.	1.600
Jul 1	Profit on Sale	200	Jul 1	Vision Ltd	4.600
		6.200			6.200

(Marks 8)

(Total Marks 20)

Workings**2014**

Depreciation of Van sold:	€
(12) $5.000 \times 20\% =$	1.000
(13) $5.000 \times 20\% =$	1.000
(14) $5.000 \times 20\% \times 9/12$	<u>750</u>
	<u>2.750</u>

2015

Depreciation of Van sold:	€
(13) $6.000 \times 20\% \times 10/12 =$	1.000
(14) $6.000 \times 20\% \times 6/12 =$	<u>600</u>
	<u>1.600</u>

2014

Depreciation:	€
(1) Van sold	750
(2) Van bought	
$18.000 \times 20\% \times 10/12$	3.000
(3) Balance	
$(32.000 - 5.000) \times 20\%$	<u>5.400</u>
	<u>9.150</u>

2015

Depreciation:	€
(i) Van sold	600
(ii) Van bought	
$12.600 \times 20\% \times 6/12$	1.260
(iii) $(45.000 - 6.000) \times 20\%$	<u>7.800</u>
	<u>9.660</u>

QUESTION 1**Exercise 1**

The following balances were extracted from the books of Amaliada Plc on 31 December 2014:

	€
Plant and Machinery at cost	358.600
Office Furniture and Equipment at cost	16.800
Provisions for Depreciation, 1 January 2014:	
Plant and Machinery	38.600
Office Furniture and Equipment	5.400
Stocks on 1 January 2014:	
Raw Materials	12.200
Work in Progress (at prime cost)	7.200
Finished Goods	27.300
Purchases of Raw Materials	116.700
Carriage Inwards	1.680
Direct Factory wages	30.400
Fuel & Power	6.780
Factory Rent	14.000
Direct Factory Expenses	11.000
Rates and Insurance	1.750
Salaries:	
Factory	32.300
Office	36.840
Heat and Light	2.850
Repairs of Plant and Machinery	2.620

Additional information on 31 December 2014:

- Value of stocks:

Raw Materials	€ 13.700
Work in Progress	€ 7.700 (at prime cost)
Finished Goods	€ 28.100
- Depreciation is provided on Plant and Machinery at 10% using the Reducing balance method and the Office Furniture at 10% using the Straight line method
- Rates accrued amounted to €250
- The monthly Factory Rent is €1.000
- Heat & Light and Rates & Insurance should be apportioned as follows: Factory 3/5, Office 2/5.

REQUIRED:

Prepare the Manufacturing Account for Amaliada Plc for the year ended 31 December 2014, showing clearly the following:

- | | |
|-------------------------------|-------------|
| a) Cost of Raw Materials used | (Marks 2,5) |
| b) Prime Cost | (Marks 3) |
| c) Cost of Factory overheads | (Marks 6) |
| d) Cost of Production. | (Marks 0,5) |

Exercise 2

On 31 December 2012 the Motor Vehicles account of Victoria Plc, showed a balance of €80.000. The Provision for depreciation of Motor Vehicles on the same date was €15.000.

The following transactions took place during the following years:

- 2013 January 31 Bought two Motor Vehicles for €9.000 each paid by cheque
 October 1 Bought a Motor Vehicle for €19.000 on credit from Alpha Plc
- 2014 August 1 A Motor Vehicle which had been bought on 1 October 2010
 at a cost €12.000, was sold for the amount of €6.750.

Depreciation is provided at the rate of 10% per annum using the Straight Line Method for each month of ownership.

REQUIRED:

Prepare the following accounts for the years ended 31 December 2013, 2014 :

- | | |
|--|-----------|
| a) Motor Vehicles Account | (Marks 2) |
| b) Provision for Depreciation of Motor Vehicle Account | (Marks 4) |
| c) Motor Vehicles Disposals Account | (Marks 2) |

Show all your workings

(Total Marks 20)

Question 1**Exercise 1**

Manufacturing A/c of Amaliada Plc
for the year ended 31 December 2014

	€	€		€
Raw Materials:				
Opening Stock		12.200	Trading A/c	246.390
Add Purchases		116.700		
Add Carriage Inwards		1.680		
		130.580		
Less Closing Stock		13.700		
Cost of Raw Materials used		116.880		
Add Direct Factory Wages	30.400			
Add Direct expenses	11.000	41.400		
		158.280		
Work in Progress:				
Add Opening Stock	7.200			
Less Closing Stock	7.700	(500)		
Prime Cost		157.780		
Factory overhead expenses:				
Fuel and Power	6.780			
Factory Rent (€1.000x12)	12.000			
Rates and Insurance (1.750 + 250) x 3/5	1.200			
Heat and Light (2.850x3/5)	1.710			
Factory Salaries	32.300			
Depreciation on Plant & Mach. (358.600 – 38.600) x 10%	32.000			
Repairs of Plant & Machinery	2.620			
Total Factory Overheads		88.610		
Total Cost of Production		246.390		246.390

Question 1

Exercise 2

Motor Vehicles A/c

2013		€	2013		€
Jan. 1	Balance b/d	80.000	Dec.31	Balance c/d	117.000
Jan.31	Bank (9.000 x 2)	18.000			
Oct. 1	Creditor Alpha Plc	19.000			
		117.000			117.000
2014			2014		
Jan. 1	Balance b/d	117.000	Aug. 1	Disposal	12.000
			Dec.31	Balance c/d	105.000
		117.000			117.000
2015					
Jan. 1	Balance b/d	105.000			

Provision for depreciation of Motor Vehicles A/c

2013		€	2013		€
Dec.31	Balance c/d	25.125	Jan. 1	Balance b/d	15.000
			Dec.31	P&L -Depreciation (W1)	10.125
		25.125			25.125
2014			2014		
Aug.1	Disposal (W2)	4.600	Jan.1	Balance b/d	25.125
Dec.31	Balance c/d	31.725	Dec.31	P&L- Depreciation (W3)	11.200
		36.325			36.325
			2015		
			Jan.1	Balance b/d	31.725

Motor Vehicle Disposal A/c

2014		€	2014		€
Aug.1	Motor Vehicle (cost)	12.000	Aug. 1	Provision for depreciation	4.600
			Aug. 1	Bank	6.750
			Aug. 1	Loss on sale	650
		12.000			12.000

Workings

W1. $80.000 \times 10\% = 8.000$ $18.000 \times 10\% \times 11/12 = 1.650$ $19.000 \times 10\% \times 3/12 = 475$ 10.125	W2. <div style="text-align: right;">Μήνες</div> <div style="display: flex; justify-content: space-between;"> <div> 1 Oct. 2010 2011 2012 2013 1 Aug. 2014 </div> <div style="text-align: right;"> 3 12 12 12 7 </div> </div> <hr style="width: 100px; margin-left: auto;"/> <div style="text-align: right;">46</div> $12.000 \times 10\% \times 46/12 = \mathbf{4.600}$
W3 $(117.000 - 12.000) \times 10\% = 10.500$ $12.000 \times 10\% \times 7/12 = 700$ 11200	