



Government of **Western Australia**  
Curriculum Council



# **ACCOUNTING AND FINANCE**

## **Stage 2**

**WACE Examination 2010**

**Specifications Booklet**

## Calculation for depreciation

### Straight-line method

$$\frac{\text{Original cost} - \text{Residual value}}{\text{Useful life}}$$

or

$$\frac{\text{Depreciable amount}}{\text{Useful life}}$$

### Reducing/Diminishing balance method

Carrying amount = Original cost – Accumulated depreciation

Annual depreciation expense = Carrying amount x depreciation rate

**Preparation of trading and service entity ratios**

<b>Ratio</b>	<b>Method of calculation</b>
Profit	$\frac{\text{Profit}}{\text{Net sales}}$
Expense	$\frac{\text{Operating expenses}}{\text{Net sales}}$
Debt to equity *	$\frac{\text{Total liabilities}}{\text{Equity (end)}}$
Working capital/current *	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick asset/liquidity *	$\frac{\text{Current assets (excluding inventory and prepayments)}}{\text{Current liabilities (excluding bank overdraft)}}$
Gross profit	$\frac{\text{Gross profit}}{\text{Net sales}}$
Rate of return on assets	$\frac{\text{Profit before income tax + interest expense}}{\text{Average total assets}}$

\* [From: Hoggett, J., Edwards, L., & Medlin, J. (2006). *Accounting* (6th ed.). Brisbane: John Wiley, p. 1079  
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Results from calculations may be presented either as a percentage or as a ratio.

## ACKNOWLEDGEMENTS

Table from: Hoggett, J., Edwards, L., & Medlin, J. (2006). *Accounting* (6th ed.). Brisbane: John Wiley, p. 1079.

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