Government of **Western Australia**
School Curriculum and Standards Authority

Western Australian Certificate of Education
Examination, 2013

ACCOUNTING AND FINANCE
Stage 3

INFORMATION BOOKLET

Ref: 13-005

This contains information from the Question/Answer Booklet. No answers are to be written on this booklet. Do not hand this booklet in with your answers.

Question 20 **(48 marks)**

Banagsh Ltd provides property management and repair services. Its account balances are provided below.

Banagsh Ltd
Account balances as at 30 June 2013

Accounts	**Debit $**	**Credit $**
Accounts payable		15,200
Accounts receivable	23,400	
Accumulated depreciation – Buildings		105,000
Accumulated depreciation – Plant and equipment		275,000
Allowance for doubtful debts		1,755
Asset revaluation reserve (1 July 2012)		100,000
Buildings (at cost)	350,000	
Cash at bank	35,225	
Debentures (due on 30 June 2016)		580,000
Doubtful debts	265	
Fees		1,750,000
General reserve		125,000
Goodwill	650,000	
Interest received from investments		425,000
Investments – short-term	1,000,000	
Investments – long-term	500,000	
Land (at fair value) (1 July 2012)	825,000	
Ordinary share capital		650,000
Other expenses	225,000	
Plant and equipment (at cost)	325,000	
Prepaid insurance	15,600	
Retained earnings (1 July 2012)		37,535
Wages	115,000	

Additional information on 30 June 2013:

- Ordinary share capital was issued at $1.00 per share fully paid.
- At the 2012 Annual General Meeting (AGM) the company directors declared that an ordinary dividend was payable at $0.08 per share.
- Prepaid insurance used during the year was $12,600.
- Depreciation of Plant and equipment is at 15% per annum using the straight-line basis.
- Depreciation of Buildings is at 5% per annum using the reducing balance method.
- Interest not yet received on all Investments for the financial year is $12,225.
- Land is held at fair value and at 30 June 2013 the directors determined that the fair value was $867,000.
- The directors resolved to transfer $150,000 to the General reserve to fund future investments and growth opportunities.
- Debentures were issued on 1 July 2011, with interest of 7.25% paid annually. Interest on debentures has not been paid for 2013.
- All wages are paid on a monthly basis.
- Income tax is payable at the rate of 30%.

Question 21 **(20 marks)**

The following information has been extracted from the General ledger of PO! Ltd prepared as at 30 June 2012 and 30 June 2013.

Accounts	**2013** **$**	**2012** **$**
Inventories	390,000	360,000
Accumulated depreciation – Plant and equipment	160,000	115,000
Prepayments – Insurance	6,000	11,000
Trade creditors	411,000	392,000

Additional information:

An item of plant and equipment that had originally cost $105,000 was sold for cash on 31 May 2013. At the time of disposal, this item of plant and equipment had a net book value/carrying amount of $60,000.

The following is an extract from the Income statement of PO! Ltd for the year ended 30 June 2013.

Accounts	**2013** **$**
Sales revenue	3,500,000
Less cost of sales	1,925,000
Gross profit	1,575,000
Add other income	
Discount received	6,000
Gain on the sale of plant and equipment	7,000
Less operating expenses	
Interest expense	21,000
Discount allowed	13,000
Doubtful debts	12,000
Insurance expense	27,000
Wages	95,000
Other operating expenses	205,000
Profit before tax	1,215,000
Profit after tax	$850,500

Additional information:

- All sales and purchases are made on credit.
- Depreciation expense is included in other operating expenses.
- All other operating expenses, including wages, are paid in the year incurred.

Question 22 **(30 marks)**

The draft Statement of cash flows and ratios for Stom Ltd, including the Statement of financial position extracts are as follows.

Stom Ltd
Draft Statement of cash flows for the year ended 30 June 2013

	$	$
Cash flows from operating activities		
Cash receipts from customers	600,800	
Payments to suppliers and employees	(710,000)	
Cash generated from operations	(109,200)	
Interest paid	(75,000)	
Income tax paid	(18,000)	
Net cash flow from operating activities		(202,200)
Cash flows from investing activities		
Proceeds from sale of plant and equipment	26,000	
Purchase of plant and equipment	(400,000)	
Net cash flow from investing activities		(374,000)
Cash flows from financing activities		
Issue of shares	100,000	
Share issue costs	(30,000)	
Dividends paid	(35,000)	
Receipt of borrowings	120,000	
Net cash flow from financing activities		155,000
Net cash flow		(421,200)
Cash and cash equivalents held at the start of the year		292,600
Cash and cash equivalents held at the end of the year		$(128,600)

Stom Ltd
Statement of financial position (extract) as at 30 June

	2012	**2013**
	$	**$**
Trade creditors	40,000	61,000
Income tax payable	78,000	178,000
Inventories	180,000	425,000
Property, plant and equipment	490,000	830,000
Receivables (debtors)	70,000	149,500
Allowance for doubtful debts	nil	nil

The selected financial ratios provided below are calculated from Stom Ltd's complete set of financial statements.

Selected financial ratios for Stom Ltd

Ratio	2012	2013
Profit	18.55%	21.67%
Debtors collection	41 days	72 days
Inventory turnover	12 times per annum	6.7 times per annum
Quick asset/liquidity	0.80:1	0.10:1
Debt to equity	63.33%	190.78%

Question 23 **(30 marks)**

DBO Ltd is a listed Australian company that operates in the engineering and construction services industry. A summary of its 2012 Statement of financial position is provided below.

DBO Ltd
Statement of financial position (summary)
as at 30 June 2012

	2012 $'000	**2011** $'000
ASSETS		
Non-current assets	23,860	18,940
Current Assets	2,325	4,820
Total assets	26,185	23,760
EQUITY AND LIABILITIES		
Total equity	6,915	6,686
Non-current liabilities	13,865	12,140
Current liabilities	5,405	4,934
Total liabilities	19,270	17,074
Total equity and liabilities	26,185	23,760

The following information for DBO Ltd has been provided for your analysis.

Selected financial ratios for DBO Ltd

Ratio	**2012**	**2011**
Profit	10.23%	9.84%
Debt to equity	278.67%	255.36%
Working capital/current	43.01%	97.68%
Quick asset/liquidity	43.01%	97.68%
Earnings per ordinary share	$0.24	$0.23
Price/earnings	9.81 times	10.56 times

As at 30 June 2012, the current assets only include accounts and other receivables.

DBO Ltd negotiated the property, plant and equipment as security for the company's long-term borrowings, which represent 77.14% of the company's total assets as at 30 June 2012. However, the net asset position of the company has remained positive for both years, as the total assets exceed the total liabilities.

In July 2012, after a meeting with the company's creditors, the directors determined that the company is unable to meet its debt obligations.

This page has been left blank intentionally

Published by the School Curriculum and Standards Authority of Western Australia
27 Walters Drive
OSBORNE PARK WA 6017