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

Western Australian Certificate of Education
Examination, 2015

ACCOUNTING AND FINANCE
Stage 3

INFORMATION BOOKLET

Ref: 15-004

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 16 **(19 Marks)**

The management of Chateau Pty Ltd is planning to buy a piece of land to expand the business and provided the following information for the six months ending 30 September 2015.

Month	Cash sales $	Credit sales $	Total sales $
Actual sales			
April	25,000	73,000	98,000
May	23,000	75,000	98,000
June	21,000	80,000	101,000
Budgeted sales			
July	24,000	71,000	95,000
August	22,000	74,000	96,000
September	26,000	76,000	102,000

Additional information

Month	Credit purchases $
Budgeted purchases	
July	59,000
August	56,000
September	58,000
October	42,000
November	47,000
December	49,000

- Credit sales are expected to be collected as follows: 50% in the first month following the month of sale; 30% in the second month following the month of sale; and 20% in the third month following the month of sale.
- All purchases are made on credit, with 70% expected to be paid in the month following the month of purchase and 30% in the second month following the month of purchase.
- Finance expenses are expected to be $3,750 cash per month.
- In September 2015, the business intends buying the land for $400,000. A deposit of $40,000 will be paid on 15 September 2015, with the balance payable in the following month. The purchase will be financed by a mortgage, with the first monthly repayment due in November 2015.
- The cash at bank balance at 1 September 2015 was $45,200.

Question 17 **(45 marks)**

The following transactions occurred for Roozi Ltd during the period 1 July 2014 to 30 June 2015.

Date	Details
22 July 2014	At the Annual General Meeting, the shareholders approved and paid a $45,000 final dividend, as recommended by the directors.
1 September 2014	The company issued a prospectus for 100,000 new ordinary shares at the price of $2.80 per share. The company hired a broker to manage the new issue and agreed to a fee of 7% of the capital raised.
1 November 2014	The new shares issue closed fully subscribed and paid. The broker fee was paid.
14 November 2014	The directors resolved that the new ordinary shares be allotted.
10 January 2015	The company paid an ordinary interim dividend of 10 cents per share on all issued ordinary shares.
1 February 2015	Company directors decided to create a General reserve and transferred $80,000 from Retained earnings.
1 March 2015	The company issued bonus ordinary shares from the General reserve at the rate of 1–for–20 at $3.00 per share.

Additional information
- At the end of the period the Retained earnings account balance was $400,000.
- The Ordinary share capital at the beginning of the period is $2 ordinary shares issued at $600,000.
- Roozi Ltd reported a profit before tax of $231,000.
- The directors recommend a final dividend of $38,000 at the end of the period.
- Roozi Ltd records all property, plant and equipment at cost.
- The company tax rate is 30%.

Question 19 **(44 marks)**

The following information has been extracted from the comparative financial statements of Phloppsi Ltd for the 2015 and 2014 financial years.

Phloppsi Ltd
Balance sheet (extract)
as at 30 June 2015

	30 June 2015 $	30 June 2014 $
ASSETS		
Current assets		
Cash and cash equivalents	145,200	85,300
Accounts receivable	110,925	88,830
Less: Allowance for doubtful debts	(5,125)	(3,990)
Inventory	262,755	246,330
Prepayments - insurance	63,180	23,520
Total current assets	576,935	439,990
Non-current assets		
Total non-current assets	1,276,085	951,335
Total assets	**1,853,020**	**1,391,325**
LIABILITIES		
Current liabilities		
Accounts payable	255,200	292,330
Income tax payable	20,576	15,400
Interest payable	45,580	53,400
Dividend payable	45,204	-
Total current liabilities	366,560	361,130
Non-current liabilities		
Total non-current liabilities	747,000	622,500
Total liabilities	**1,113,560**	**983,630**
NET ASSETS	**$ 739,460**	**$ 407,695**
EQUITY		
TOTAL EQUITY	**$ 739,460**	**$ 407,695**

Phloppsi Ltd
Income statement (extract)
for the year ended 30 June 2015

INCOME			
Sales revenue	3,326,400		
Less: Discounts allowed	5,700	3,320,700	
Dividends received		18,720	3,339,420
EXPENSES			
Cost of sales		1,903,200	
Less: Discounts received		12,075	1,891,125
Gross profit			1,448,295
Selling and administrative expenses		1,283,678	
Depreciation - equipment		27,300	
Depreciation - buildings		23,760	
Interest expense		34,960	
Doubtful debts expense		10,010	
			1,379,708
Profit before income tax			**$ 68,587**
Income tax expense			20,576
Profit for the period			**$ 48,011**
Other comprehensive income			0
Total comprehensive income for the period			**$ 48,011**

Additional information

- Income tax rate is 30%, payable in arrears.
- All sales and purchases are made on credit by Phloppsi Ltd.
- Selling and administrative expenses include wages and insurance expense for the period.
- All wages are paid at the end of the month when incurred.
- Interest is treated as a cash flow for day-to-day activities.

Question 21 **(30 marks)**

Jyant Paynt Ltd is an Australian company in the medical support services industry. The managers have compiled the following cash performance report for the month of June 2015. The company has no cash sales. Receipts and payments are on a monthly account basis and are due in full the following month, except for wages for services staff, which are payable on a weekly basis for services performed during the week.

Jyant Paynt Ltd
Cash performance report for the month of June 2015

	Budget $	Actual $	Variance $ U/F
Bank balance start	4,500,000	4,500,000	
Receipts			
Collections from accounts receivable	1,500,000	1,825,000	325,000 F
Total cash available	6,000,000	6,325,000	325,000 F
Payments			
Accounts payable	350,000	460,000	110,000 U
Office administration	200,000	235,000	35,000 U
Wages service staff	650,000	795,000	145,000 U
Equipment repairs and maintenance	175,000	115,000	60,000 F
Loan repayment	50,000	45,000	5,000 F
Interest	12,250	17,750	5,500 U
Total payments	1,437,250	1,667,750	230,500 U
Bank balance end	4,562,750	4,657,250	94,500 F

Management want to expand the company's operations and is considering two different investment proposals. Proposal A is the purchase of an automated medical instrument control unit that counts medical instruments after surgical procedures and sorts them in preparation for sterilisation and can be used for all hospital operations. Proposal B is the purchase of a surgical laser unit that is designed for specialist surgical procedures and is used for half of all hospital operations. Both machines have a useful life of seven years with a nil scrap value at the end of this period. The capacity for technological innovation in the medical equipment industry is high and both machines may be obsolete before the end of their useful life. The company policy for capital expenditure proposals includes only investing in one project at a time during the payback period.

The managers have obtained the following information for the two proposals.

	Proposal A	Proposal B
Initial investment	495,000	2,625,000
Annual net after tax operating cash flows	205,000	575,000
Net present value (NPV) at 6%	649,392	584,880
Payback period (calculated)	2.415 years	4.565 years
Payback period (years and months)	2 years and 5 months	4 years and 7 months

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