



**Duncraig Senior High School  
2018**

**Question/Answer Booklet**

**ACCOUNTING  
AND FINANCE**

**ATAR**

**Units 3 and 4**

Student Name: \_\_\_\_\_

Teacher Name: Mrs van Wyk

**Time allowed for this paper**

Reading time before commencing work: Ten minutes

Working time for paper: Three hours

**Materials required/recommended for this paper**

***To be provided by the supervisor***

This Question/Answer booklet

A specifications booklet

Information booklet

Multi Choice answer sheet (section 1)

***To be provided by the candidate***

Standard items: Pens (blue/black preferred), pencils (including coloured), sharpener, correction fluid/tape, eraser, ruler, highlighters.

Special items: Non-programmable calculators approved for use in this examination.

**Structure of this paper**

Section	Number of questions available	Number of questions to be answered	Suggested working time (minutes)	Marks available	Percentage of exam
Section One: Multiple-choice	15	15	25	15	15
Section Two: Short answer	5	5	120	150	70
Section Three: Extended answer	2	1	35	30	15
					100

**Section One: Multiple-choice****15% (15 Marks)**

This section has **15** questions. Attempt **all** questions.

Choose the alternative which **most correctly** answers the question or completes the statement. Circle A, B, C or D to indicate your selection.

Suggested working time: **25** minutes.

---

1. Which is an indicator of insolvency?
  - (a) liquidity ratio below 150%
  - (b) excess of current assets over current liabilities
  - (c) appointment of an administrator
  - (d) payment of creditors outside of trading terms
  
2. The duties of a company director would include which of the following?
  - I. disclose information affecting shareholder decisions
  - II. recommend, approve and declare final dividends
  - III. prevent the company trading while insolvent
  - IV. act in good faith in the best interests of the company
  - V. appoint an external auditor to review financial statements
  - (a) II, III and V
  - (b) I, II and IV
  - (c) III, IV and V
  - (d) I, III and IV
  
3. A company constitution is a legal document that
  - (a) is also known as Replaceable Rules.
  - (b) governs the internal operations of all companies.
  - (c) must be registered with Australian Securities and Investment Commission (ASIC).
  - (d) invites members of the public to subscribe to company shares.
  
4. In cost-volume-profit (CVP) analysis, an increase in the break even point will result when there is an increase in the
  - (a) contribution margin per unit.
  - (b) product cost per unit.
  - (c) selling price per unit.
  - (d) volume of sales.
  
5. A responsibility of the Financial Reporting Council (FRC) is to
  - (a) oversee the accounting and auditing standard setting processes in Australia.
  - (b) develop and issue Australian accounting standards.
  - (c) develop a single set of international accounting standards.
  - (d) investigate companies that may be in breach of the law.

This information below refers to Questions 6 to 9.

**O'Brien Enterprises Ltd  
General Journal**

Date	Details	Dr	Cr
2017 Dec 15	Bank Application Ordinary <i>Receipt of monies from ordinary shares</i>	4,500,000	4,500,000
2018 Jan 15	Application Ordinary Share Capital <i>Allotment of 3 000 000 ordinary shares at \$1.50 each.</i>	4,500,000	4,500,000
Jan 15	Share issue costs Bank <i>Payment of share issue costs</i>	15,000	15,000
Feb 15	Share Capital Share Issue Costs <i>Share issue costs transferred</i>	15,000	15,000

6. What is the date(s) of the share issue?
- (a) 15 December 2017  
 (b) 15 December 2017 and 15 January 2018  
 (c) 15 January 2018  
 (d) 15 February 2018
7. The Application of ordinary shares entry into the general journal is treated as
- (a) an asset.  
 (b) an expense.  
 (c) equity.  
 (d) liability.
8. On 3 November 2018 the shareholders received 1 bonus share at \$0.60 for every 10 held. What is the value of the bonus shares?
- (a) \$180,000  
 (b) \$270,000  
 (c) \$300,000  
 (d) \$450,000
9. On 30 June 2019 the Share Capital account balance would be
- (a) \$4,485,000  
 (b) \$4,500,000  
 (c) \$4,665,000  
 (d) \$4,680,000

- 10.** According to The Framework, materiality is described as information that is
- (a) useful in making evaluations about past, present and/or future events.
  - (b) complete, without bias and free from error.
  - (c) classified and presented in a clear and concise manner for decision making.
  - (d) able to influence user decisions if omitted or misstated in financial reports.
- 11.** The type of budget that expresses the management's operating and financial plans for a particular period, including budgeted financial statements is a
- (a) operational budget.
  - (b) master budget.
  - (c) cash budget.
  - (d) capital expenditure budget.
- 12.** Management accounting is mainly concerned with
- (a) preparation of general purpose financial reports and compliance with accounting standards.
  - (b) providing information to senior employees for their use in directing the activities of the organisation.
  - (c) assisting directors in discharging their legal and financial obligations.
  - (d) reviewing business procedures and enhancing the accuracy of accounting records.
- 13.** Manufacturing overheads consist of
- (a) direct material and direct labour costs.
  - (b) indirect material and indirect labour costs.
  - (c) direct material and indirect labour costs.
  - (d) indirect material and direct labour costs.
- 14.** Loan securities issued by public companies to the public with a charge over the company's assets and payable at a fixed rate and time are known as
- (a) term deposits.
  - (b) mortgage loans.
  - (c) unsecured notes.
  - (d) debentures.
- 15.** Which is a likely consequence of overcapitalisation (too much equity)?
- (a) ineffective utilisation of funds
  - (b) high level of gearing
  - (c) lack of working capital
  - (d) higher returns to equity holders

**Section Two: Short answer****70% (150 Marks)**

This section has **five** questions. Answer **all** questions. Write your answers in the space provided.

Spare pages are included at the end of this booklet. They can be used for planning your responses and/or as additional space if required to continue an answer.

- Planning: If you use the spare pages for planning, indicate this clearly at the top of the page.
- Continuing an answer: If you need to use the space to continue an answer, indicate in the original answer space where the answer is continued, i.e. give the page number. Fill in the number of the question(s) that you are continuing to answer at the top of the page.

Suggested working time for this section is 120 minutes

**Question 16****(26 marks)**

Beyond Good Place Ltd has prepared a cash budget for the next six (6) months.

<b>Beyond Good Place Ltd</b>	
<b>Cash budget</b>	
<b>For the period ending 30 September 2019</b>	
<i>Cash balance at start of period</i>	45,600
<b>Cash Receipts</b>	
Cash sales	816,000
Accounts receivable	1,500,000
Proceeds from sale of asset	24,000
<b>Total Cash Receipts</b>	<b>2,340,000</b>
<b>Total Cash Available</b>	<b>2,385,600</b>
<b>Cash Payments</b>	
Accounts payable	576,000
Wages and salaries	914,400
Insurance	100,800
Sales commission	45,600
Other expenses	198,000
Equipment	720,000
<b>Total Cash Payments</b>	<b>2,554,800</b>
<i>Cash balance at end of period</i>	(169,200)

**Additional Information:**

- Accounts receivable are expected to pay in the month following the sale. The balance of accounts receivable is expected to increase from \$240,000 on 31 March 2019 to \$300,000 on 30 September 2019.
- The asset to be sold will have a book value of \$36,000.
- Cost of sales is expected to be \$570,000 for the budget period.
- Accrued wages and salaries of \$11,000 are estimated for 30 September 2019.
- The annual insurance payment is due on 1 April 2019.
- Sales commission is 2% of all sales, paid in the month following the sale.
- Depreciation is expected to be \$13,200 per month for the first three months, increasing to \$19,200 per month after the purchase of the equipment in July.
- Income tax is 30% of profit.

**Year 12**

**Accounting and Finance**

a) Prepare a Budgeted income statement for the six (6) months ending 30 September 2019.

(18 marks)

**Workings:**











b) Calculate the total weighted average contribution margin. (6 marks)

---

---

---

---

---

---

---

---

---

Weighted average contribution margin: \_\_\_\_\_

c) Calculate the break-even point in units. (2 marks)

---

---

---

---

---

Break even (in units): \_\_\_\_\_

A local business, Outback Vehicles, wants to include a free roof rack for each vehicle sold during the month of January as part of their new year promotion. They have approached Rift Racks to and wish to purchase 200 roof racks at a special price of \$350 each. Rift Racks have a production capacity of 4,400 units and would need to reduce their production of roof cages to accommodate the order.

d) Calculate the gain or loss on the special order. (6 marks)

---

---

---

---

---

---

---

---

---





**Question 19****(50 marks)**

Smart Constructions Ltd has provided you with the following Trial balance for the year ended 30 June 2018.

**Smart Constructions Ltd  
Trial balance  
for year ended 30 June 2018**

<b>Account</b>	<b>Debit</b>	<b>Credit</b>
Cash at bank	168,000	
Accounts Receivable	324,000	
Accounts Payable		549,000
Inventories	515,000	
Plant	1,310,000	
Accumulated depreciation plant		552,000
Fixed term deposits (3 months)	500,000	
Debentures (December 2018)		185,000
Discount allowed	12,000	
Discount received		40,000
Interim dividends	150,000	
Ordinary share capital		1,500,000
Allowance for doubtful debts		15,000
Revaluation reserve		400,000
General reserve		300,000
Retained earnings		187,000
Sales		3,480,000
Sales returns	60,000	
Wages	1,119,000	
Interest income		25,000
Interest expense	18,000	
Doubtful debts	5,000	
Depreciation plant	70,000	
Cost of sales	1,560,000	
Office expenses	125,000	
Insurance	74,000	
Factory repairs & maintenance	78,000	
Land (at fair value)	900,000	
Buildings	200,000	
Share issue costs	45,000	
	\$7,233,000	\$7,233,000

**Additional information:**

- Ordinary share capital consists of 2 million shares issued at \$0.50 each and 500,000 shares issued during the year at \$1 fully paid. Share issue costs are related to this latest issue.
- Land was revalued upward by \$400,000 during the year.
- Interim dividends of 6 cents per share were paid in January 2018.
- On 30 June 2018, the directors decided to transfer a further \$40,000 to the General reserve and recommended a final ordinary dividend of 8 cents per share for approval at the AGM on 10 August 2018.
- Income tax is payable at 30%.













## Question 20

(34 marks)

Below is the comparative Balance Sheets of Enterprise Ltd as at 30 June for the years ended:

	2017	2018
<b>Current assets</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	49,600	155,700
Receivables	60,800	67,600
Inventories	99,200	90,800
<b>Non-current assets</b>		
Land	250,000	220,000
Premises	110,000	212,000
Accumulated depreciation – Premises	(68,000)	(80,000)
Plant and equipment	332,000	332,000
Accumulated depreciation – Plant and equipment	(4,000)	(8,000)
<b>Current liabilities</b>		
Accrued interest expense	3,600	2,600
Accounts payable	37,000	46,400
Income tax payable	11,400	7,500
<b>Non-current liabilities</b>		
Loan	349,000	529,000
<b>Shareholders' equity</b>		
Ordinary share capital	259,600	259,600
Retained earnings	134,000	89,000
General reserve	35,000	56,000

**Additional Information:**

- Profit before tax for the year ended 30 June 2018 was \$25,000.
- Gross profit for the year ended 30 June 2018 was \$128,400 and consisted of:
  - o Credit sales \$354,800
  - o Cost of sales \$226,400.
- All purchases and sales of inventory was on credit.
- Interest expense for the year ended 30 June 2018 was \$4,000 and other operating expenses of \$99,400 included depreciation on assets and loss on sale of land.
- Dividends approved by shareholders at the AGM were paid in cash during the year.
- During the year, funds were transferred to the General reserve from Retained earnings.
- Building extensions were paid for during the year and a block of land, costing \$30,000, was sold for \$25,000 cash.
- No other non-current assets were purchased or sold during the year for cash.
- Income tax is payable at 30% in arrears.
-

**Workings:**

**Required:**

- (a) Prepare the operating and financing activities sections of the Statement of cash flows for the year ending 30 June 2018. (27 marks)

**Enterprise Ltd  
Statement of cash flows (extract)  
for year ended 30 June 2018**

(b) Identify three (3) benefits a Statement of cash flows provides to users.

(3 marks)

(c) Outline to Enterprise Ltd, the importance of appropriate management of cash, considering the large amount of funds in their bank account.

(4 marks)



**Section Three: Extended response****15% (30 Marks)**

This section contains **two** questions. You must answer **one** question. Write your answer in the space provided.

Spare pages are included at the end of this booklet. They can be used for planning your responses and/or as additional space if required to continue an answer.

- Planning: If you use the spare pages for planning, indicate this clearly at the top of the page.
- Continuing an answer: If you need to use the space to continue an answer, indicate in the original answer space where the answer is continued, i.e. give the page number. Fill in the number of the question(s) that you are continuing to answer at the top of the page.

Suggested working time for this section is 35 minutes.

---

**Question 21****(30 marks)**

Jarvis Cycles Ltd has a factory making bicycles for distributors across Australia. It employs 500 people, including three accountants and is listed on the Australian Securities Exchange. They currently manufacture road bikes, mountain bikes, BMX bikes and triathlon/time trial bikes. The company is considering a substantial expansion of its factory to make electric bikes.

- a) Outline the characteristics of a capital investment decision. (4 Marks)
- b) Describe and compare two methods of evaluating this sort of investment. (6 Marks)
- c) Explain, using examples, the type of finance that would be appropriate for this sort of investment. (4 Marks)
- d) Identify and describe three different types of cost behaviours. Provide examples relevant to Jarvis Cycles Ltd to aid your explanation of each. (6 Marks)
- e) Define ethics. Explain what conflict of interest is, using an example that might arise in this business. (6 Marks)
- f) What might the annual report from a company contain in the way of corporate social disclosure? (4 Marks)

**OR**

**Question 22****(30 marks)**

Arabesque Pty Ltd, a mining company, has provided the following information from the current 2017/2018 financial year.

Gross assets	\$15.6 million total
Gross revenue	\$21 million
Shareholders	30
Directors	5 (of which 3 are not Australian residents)
Secretary	1 of the directors is currently in this role
Employees	50 full time staff 25 part time staff

**Pre-operational research**

In the previous four financial periods, Arabesque Pty Ltd has been pre-operational as they commenced with an exploration and research phase, investigating diamond and other mineral deposits, on their land tenements. The gross assets figure above includes the leasing of heavy plant and drilling equipment, worth \$2.5 million, used to test the quality of the diamonds and other minerals, and for geologists to map out the depth and length of the find. Arabesque Pty Ltd has disclosed the \$2.5 million in the four previous years as an asset in their financial reports.

**Operation of mine**

In the 2017/2018 financial year, the company commenced mining and purchased heavy haul trucks and mining equipment at a cost of \$13.1 million, to extract the diamonds from the mine site.

Arabesque's executive has requested that you provide a written response to each of the following questions.

- State the type of company structure and size of Arabesque Pty Ltd and justify your answer. (4 marks)
- Describe **four** characteristics of this form of company. (8 marks)
- Identify the restrictions placed on this form of company as per the Corporation Act 2001. (6 marks)
- Explain the role of the Australian Securities and Investment Commission (ASIC) in a registered company such as Arabesque Pty Ltd. (4 marks)
- Outline The Framework definition and recognition criteria of an asset. Should the leased heavy plant and drilling equipment, costing \$2.5 million, have been reported as an asset in the four years before operations commenced? Explain your answer. (8 marks)

**End of questions**











