**Leeming Senior High School**

**Accounting and Finance ATAR (Year 12)**

**Unit 3**

**Task 1**

**Part B – In-Class Validation Example Question**

Toddlersmart Ltd manufactures a range of toys aimed at preschool children. Three years ago it launched a new electronic toy which, at that time, had no competitors in the market.

To satisfy demand, two years ago, the company invested $5 million in a new automated manufacturing facility. Operating at full capacity, this allowed the company to manufacture 50% more toys, saving 15% in labour costs and 10% in raw materials, due to less wastage.

For many manufacturing businesses, non-current assets constitute a significant proportion of total assets. Explain three (3) financial principles of asset management, as they apply to maintaining appropriate levels of investment in non-current assets. **(6 marks)**

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