



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

**Western Australian Certificate of Education
ATAR course examination, 2016**

ACCOUNTING AND FINANCE

INFORMATION BOOKLET

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 18**(45 marks)**

Sally Limited has provided the following account information.

Account	2015 \$	2016 \$
Cash at bank	55,200	(49,000)
Trade receivables	120,000	160,000
Ordinary share capital net of issue costs	1,000,000	1,500,000
General reserve	-	-
Debentures	-	400,000
Revaluation reserve	10,000	75,000
Land	150,000	275,000
Plant and equipment	200,000	250,000
Accumulated depreciation plant and equipment	50,000	70,000
Long-term investments	20,000	5,000
Dividends payable	55,000	65,000
Long-term borrowings – mortgage	200,000	-

Additional information:

- During 2016, dividends of \$65,000 were declared and some dividends were paid in cash.
- The purchase and sale of all non-current assets was for cash.
- An item of Plant originally purchased for \$50,000 was sold during the year. It had a carrying amount of \$20,000 and the loss on disposal was \$10,000.
- During 2016, some Land was revalued upward by \$65,000.
- Loss on sale of Long-term investments was \$12,000.

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Question 19**(50 marks)**

XYZ! Ltd was formed on 1 July 2015. On the same day, the company issued a prospectus offering 200,000 ordinary shares at an issue price of \$5 per share. The formation and share issue incurred the following costs:

	\$
Company formation:	
ASIC fee	760
Legal fees	2,500
Share issue:	
Prospectus printing	5,000
Underwriter fee	20,000
Accounting fees	8,000

The offering was fully subscribed on 17 August 2015 and it was resolved at a directors' meeting that all shares be allotted on 31 August 2015.

The trial balance (extract) for XYZ! Ltd as at 30 June 2016 is below.

XYZ! Ltd
Trial Balance (extract)
As at 30 June 2016

Account	Debit \$	Credit \$
Accounts payable		64,880
Accounts receivable	102,700	
Accumulated depreciation – buildings		100,000
Accumulated depreciation – plant and equipment		72,000
Allowance for doubtful debts		800
Bank	75,890	
Term deposit	300,000	
Debentures		60,000
Buildings (at cost)	450,000	
Cost of sales	400,000	
Discount allowed	24,260	
Dividends received		8,450
Doubtful debts	1,300	
Goodwill	200,000	
Interest expense	9,900	
Interest received		3,400
Inventory	120,000	
Long-term investments	96,400	
Land (at cost)	900,000	
Other expenses (includes depreciation)	288,000	
Long-term borrowings		1,100,000
Plant and equipment (at cost)	501,820	
Preliminary expenses	3,260	
Sales		1,356,000
Share issue costs	33,000	
Wages	260,000	

Additional information

- An interim dividend of \$0.05 per share was declared and authorised on 19 September 2015 and paid on 22 September 2015.
- At the 2016 annual general meeting, the directors resolved to recommend a final dividend of \$0.07 be paid.
- On 30 June 2016, the directors decided to revalue the land upward by \$50,000.
- Term deposit will mature on 31 January 2017.
- Income tax is payable at 30%.

Question 20**(30 marks)**

‘Accountants have a major role to play ... They are experts in the measurement and reporting of financial information. They need to broaden their content knowledge to include non-financial information ...’

Over the past few decades, corporate sustainability communications have become more commonplace. Companies link their operations to generating long-term value, both for its business and for society as a whole. Many companies currently define their success in terms of internal financial returns and external social and economic results.

Question 21**(30 marks)**

Your friend Vanessa is starting a business manufacturing fragrant and flavoured tea for retail sale and has come to you for advice. Vanessa has two options for manufacturing the product. She can either make the tea in-house or she can buy the tea from a supplier. The manufacturing of the tea in-house includes all necessary treatments, quality controls, packaging and branding. The purchasing of the tea in bulk from a supplier only requires packaging and branding. Vanessa has prepared some preliminary information that she is using to make her business decisions.

Vanessa has the following costings for her business proposal:

Account	In-house \$	Supplier \$
Selling price to an internet retailer	\$20/kg	\$12/kg
Direct materials (DM):		
Raw product	\$1/kg	-
Inputs for production	\$2/kg	\$4/kg
Packaging	\$1/kg	\$1/kg
Total DM	\$4/kg	\$5/kg
Direct labour (\$20/hr)	2 hours	1 hour
Variable Overhead (per direct labour hour)	\$3	\$1
Fixed costs (per annum)	\$45,200	\$45,200

Vanessa intends to manage the business and will be actively involved in day-to-day operations but she intends to employ administrative staff and a production manager for support. Vanessa confirms that there are no restrictions on tea supplies for both proposals. She has secured a property to manufacture and package the tea on a walk-in walk-out basis, including all necessary plant and equipment. The lease for the property, plant and equipment can be further negotiated, but Vanessa confirms the price she has estimated is at the higher end for rental. The fixed costs comprises entirely of the property, plant and equipment rental for the business. Vanessa estimates that the property will be sufficient for the supply of her product over the next five to ten years.

ACKNOWLEDGEMENTS

Question 20

Quote from: Eccles. R. (2011, February). The age of integration: A new dawn for corporate reporting? Perspective: the academic. *Accountancy Futures*, 3, p.9. Retrieved April, 2016, from https://issuu.com/accaglobal_publications/docs/af03_150

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