



**ATAR course examination, 2023**

# **ACCOUNTING AND FINANCE**

**INFORMATION BOOKLET**

## Question 16

(16 marks)

Paczalot Pty Ltd is expanding its business and will be purchasing new equipment. The company has two equipment purchase options to consider.

	Option 1	Option 2
Initial outlay	\$450,000	\$560,000
Residual value	\$125,000	\$130,000
Useful life	5 years	5 years
Interest rate	6%	6%
Acceptable payback period	4 years	4 years
Increased cash inflows	\$120,000 each year for years 1 to 5	Years 1 to 3 \$145,000 each year Year 4 \$135,000 Year 5 \$140,000
Decrease in wages paid	\$10,000 each year	\$20,000 each year
Increase in other cash costs	\$5,000 each year	\$9,000 each year
Net present value	\$169,963	?
Payback period	3 years 8 months	3 years 8 months

See next page

## Question 17

(28 marks)

Kwisty Pastries Pty Ltd has prepared a cash budget for the six months ending 31 December 2023.

**Kwisty Pastries Pty Ltd**  
**Cash budget**  
**for the six months ending 31 December 2023**

<b>Estimated receipts</b>	<b>\$</b>
Cash sales	105,000
Receipts from debtors	184,195
Proceeds from sale of pastry oven	11,500
Loan from bank	5,000
Interest on term deposit	250
Term deposit (maturing 31/12/2023)	20,000
<b>Total estimated receipts</b>	<b>325,945</b>
<b>Estimated payments</b>	
Advertising	4,500
Drawings	45,000
Payments to creditors	105,000
Interest paid on term loan for six months	850
Shop rental for six months	26,000
Insurance	6,000
Purchase of new pastry oven	14,500
Wages paid	70,000
Web page and internet fees paid	120
<b>Total estimated payments</b>	<b>271,970</b>
Cash surplus	53,975
<b>Cash balance as start of period</b>	<b>55,000</b>
<b>Budgeted cash balance at end of period</b>	<b>108,975</b>

**Additional information:**

- Credit sales are usually received in the month of sale, less 1.5% discount.
- Accounts receivable balance as at 30 June 2023 was \$30,850 and it is expected the balance of accounts receivable as at 31 December 2023 will be \$25,850.
- Cost of sales for the period is expected to be \$105,000.
- Advertising is expected to be paid on 1 November 2023 for a three-month campaign due to commence on 1 December 2023.
- The sale of the pastry oven is expected to take place on 1 October 2023. The asset was purchased for \$13,500 and accumulated depreciation as at the expected date of sale will be \$2,500.
- Accrued wages as at 31 December 2023 is expected to be \$1,250. There were no accrued wages as at 1 July 2023.
- Depreciation expense of the new pastry oven for the period is expected to be \$1,500.
- Insurance premium costs are due to be paid on 1 November 2023 for a period of 12 months in advance.
- All other expenses are expected to be paid as incurred.
- The company tax rate is 30%.

**See next page**

## Question 19

(36 marks)

**Prizright Limited**  
**Trial balance (extract)**  
**as at 30 June 2023**

Account	Debit \$	Credit \$
Cash at bank	78,000	
Deposit (on call)	100,000	
Accounts receivable	117,000	
Vehicles	110,000	
Accounts payable		53,000
Allowance for doubtful debts		8,500
Mortgage (repayable 2030)		88,000
Prepaid expenses	17,000	
Accrued expenses		14,000
Accumulated depreciation of vehicles		38,000
Buildings (at cost)	355,000	
Other intangibles	156,000	
Goodwill	160,000	
Income tax payable		64,000
Accrued interest	12,500	
Inventory	129,000	
Land	170,000	
Accumulated depreciation of buildings		88,000
Profit and loss		210,000
Ordinary share capital		523,000
Asset revaluation reserve		134,000
Interim dividend	37,000	

**Additional information:**

As at 1 July 2022:

- Share capital consisted of 800,000 ordinary shares
- the balance of Retained earnings was \$169,000
- the balance of the General reserve was \$75,000.

The following events occurred during the year ended 30 June 2023:

- on 30 September 2022, the company made a one-for-eight bonus share issue at \$0.60 each, from the Asset revaluation reserve
- share issue costs of \$17,000 were paid on 20 October 2022
- on 1 November 2022, Land was revalued upwards by \$64,000
- on 30 June 2023, the directors resolved to transfer \$30,000 from Retained earnings to the General reserve.

**See next page**

## Question 20

(42 marks)

**Halloz Limited**  
**Balance sheet (extracts) as at 30 June**

<b>Assets</b>	<b>2023 \$</b>	<b>2022 \$</b>
Cash at bank	2,105	2,500
Accounts receivable	5,200	4,300
Inventory	5,000	5,200
Prepaid insurance	300	500
Accrued interest income	10	15
Investments	2,000	1,000
Equipment	20,000	18,000
Accumulated depreciation of equipment	(5,000)	(4,500)
<b>Total assets</b>	<b>29,615</b>	<b>27,015</b>
<b>Liabilities</b>		
Accounts payable	3,800	3,200
Accrued wages and salaries	600	400
Other accrued expenses	200	300
Income tax liability	1,170	1,440
<b>Total liabilities</b>	<b>5,770</b>	<b>5,340</b>
<b>Net assets</b>	<b>23,845</b>	<b>21,675</b>

**Income statement for the year ended 30 June 2023**

<b>Income</b>	<b>2023 \$</b>	<b>2022 \$</b>
Sales	48,000	
Cost of sales	(33,600)	
<b>Gross profit</b>	<b>14,400</b>	
<b>Other income</b>		
Interest revenue from investments	100	14,500
<b>Expenses</b>		
Wages and salaries	6,500	
Insurance	800	
Loss on sale of equipment	200	
Depreciation of equipment	2,000	
Other expenses	1,100	10,600
<b>Profit</b>		<b>3,900</b>
Income tax		(1,170)
<b>Net profit</b>		<b>2,730</b>

**Additional information:**

- Equipment at an original cost of \$2,000, and with a carrying value of \$500, was sold at a loss.
- New equipment was purchased during the year for cash.
- All sales and purchases of inventory were on credit.
- Additional investments were purchased for cash.
- Interest is treated as an investing activity.

**See next page**

## Question 21

(30 marks)

Jan and Lee Tracz are the directors of Jaleetraz Pty Ltd. They manage the day-to-day running of their business, which manufactures fencing suitable for factories and homes. The cost of purchasing the aluminium and metal supplies for their fencing has increased over the past year but they have not been able to increase the selling price due to increased competition in the market. Other costs, including factory and office rental, and other day-to-day costs of running their business, have also increased over the year.

Over the last two years Jan and Lee have begun to worry about the level of cash they have available to pay staff and creditors. Some creditors are requesting immediate payment of their accounts. Profits have also declined over the two years.

The following information has been extracted from the financial reports of Jaleetraz Pty Ltd.

<b>Extracted from Jaleetraz Pty Ltd Balance sheet as at 30 June</b>	<b>2023 \$</b>	<b>2022 \$</b>
Cash at bank		25,000
Debtors	35,000	45,000
Inventory	200,000	155,000
Total non-current assets	1,000,000	1,000,000
Bank overdraft	12,000	
Creditors	45,000	35,000
Loan from Z Bank due to be repaid by 31 December 2023	50,000	60,000

<b>Other information provided by Jaleetraz Pty Ltd</b>	<b>2023 \$</b>	<b>2022 \$</b>
Total sales	750,000	750,000
Break-even point (sales dollars)	752,000	740,000

## Question 22

(30 marks)

Plaxion Limited is a manufacturing company that has produced financial reports for the year ending 30 June 2023. An extract from the company's financial reports is shown below, together with a selection of ratios and an extract of relevant social and environmental information.

<b>Plaxion Limited</b>		
<b>Statement of financial position (extract)</b>		
<b>for the years ended 30 June</b>		
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Cash	30,000	45,000
Accounts receivable	95,000	75,000
Inventory	85,000	55,000
Other assets	100,000	100,000
<b>Total assets</b>	<b>310,000</b>	<b>275,000</b>
<b>Liabilities</b>		
Accounts payable	35,000	26,000
Other liabilities	85,000	95,000
<b>Total liabilities</b>	<b>120,000</b>	<b>121,000</b>
<b>Net assets</b>	<b>190,000</b>	<b>154,000</b>

Profit after tax for the year ending 2023 was \$26,000, and for the year ending 2022 it was \$36,000.

<b>Ratio</b>	<b>2023</b>	<b>Target set by company for 2023</b>
Quick asset	3.57:1	2:1
Working capital/current	6:1	2.5:1
Inventory turnover	4.5 times per year	6 times per year
<b>Extract of social and environmental information from the annual report</b>		
<b>Details</b>	<b>2023</b>	<b>Target set by company for 2023</b>
Increase in number of women in management roles	5%	3%
Reduction in use of plastic packaging across all product lines	50%	45%
Carbon emissions reduction	15% reduction	15% reduction

This document – apart from any third party copyright material contained in it – may be freely copied, or communicated on an intranet, for non-commercial purposes in educational institutions, provided that it is not changed and that the School Curriculum and Standards Authority (the Authority) is acknowledged as the copyright owner, and that the Authority's moral rights are not infringed.

Copying or communication for any other purpose can be done only within the terms of the *Copyright Act 1968* or with prior written permission of the Authority. Copying or communication of any third party copyright material can be done only within the terms of the *Copyright Act 1968* or with permission of the copyright owners.

Any content in this document that has been derived from the Australian Curriculum may be used under the terms of the Creative Commons [Attribution 4.0 International \(CC BY\)](https://creativecommons.org/licenses/by/4.0/) licence.

An *Acknowledgements variation* document is available on the Authority website.

*Published by the School Curriculum and Standards Authority of Western Australia  
303 Sevenoaks Street  
CANNINGTON WA 6107*