



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



**ATAR course examination, 2018**

# **ACCOUNTING AND FINANCE**

**INFORMATION BOOKLET**

This booklet 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

New Skate of Mind manufactures skateboards. The owner has provided you with the following information relating to the two most popular skateboards they manufacture:

- cruiser
- longboard.

The following information relates to the planned production and sale of the two skateboards.

	<b>Cruiser</b>	<b>Longboard</b>
Selling price per skateboard	\$180	\$240
Variable expenses per skateboard	\$70	\$100
Sales volume in units per year	3,600	2,400
Number of machine hours required to make each skateboard	5 hours per unit	7 hours per unit

Fixed costs are \$170,800 per year.

### Question 17

M-Sighrus Ltd manufactures a range of designer hand-beaded kaftans for the local market. It uses a job order costing system. Indirect manufacturing costs are allocated using a predetermined overhead rate based on the cost driver of direct labour hours.

At the beginning of 2020, the budgeted indirect manufacturing costs were forecast to be \$1,680,000. The estimated direct labour hours for 2020 were 120,000 hours.

The following information was extracted from M-Sighrus Ltd's accounting records for the month ended 31 October 2020:

- 2,500 kaftans were manufactured
- the standard costs for each kaftan were as follows:
  - direct materials: 3.7 square metres @ \$25.00 per square metre
  - direct labour: 2 hours per kaftan @ \$18.00 per direct labour hour
- direct materials purchased and used were 8,750 square metres at \$25.50 per square metre
- direct labour hours worked were 6,250 hours @ \$17.00 per hour.

**Question 18**

The management of S-Bend Plumbing Pty Ltd has provided the following budgeted information for the two months ending 31 August 2020.

**S-Bend Plumbing Pty Ltd**  
**Cash budget**  
**for the two months ending 31 August 2020**

	<b>July</b> <b>\$</b>	<b>August</b> <b>\$</b>
<b>Opening bank balance</b>	120,000	105,854
<b>Estimated receipts</b>		
Cash sales	52,200	54,000
Collections from debtors/accounts receivable	10,950	13,050
Interest on investments	600	–
Proceeds from sale of equipment	81,900	–
<b>Total cash available</b>	<b>265,650</b>	<b>172,904</b>
<b>Estimated payments</b>		
Salesperson's salary	3,600	3,600
Administration expenses	2,700	2,700
Rent	6,000	–
Freight inwards	3,750	4,250
Equipment	108,000	–
Payments to creditors/accounts payable	34,920	36,750
Interest on loan	826	803
<b>Total payments</b>	<b>159,796</b>	<b>48,103</b>
<b>Closing bank balance</b>	<b>105,854</b>	<b>124,801</b>

**Additional information:**

- Sales are 80% cash and 20% credit. Credit terms are strictly 30 days and no discounts are offered.
- All purchases are on credit, with payment being made within 30 days to take advantage of a 5% discount received.
- The closing balance of the cost of sales account for July is anticipated to be \$45,072.
- Equipment was originally purchased for \$330,000 with a carrying amount of \$85,000 at the time of sale.
- Rent is paid quarterly. All other expenses are paid as they are incurred.
- Depreciation on all equipment is expected to be \$1,212 per month.

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**Question 19**

One Deduction Ltd provided the following trial balance (extract) as at 30 June 2020.

**One Deduction Ltd  
Trial balance (extract)  
as at 30 June 2020**

Account	Debit \$	Credit \$
Creditors/accounts payable		90,000
Debtors/accounts receivable	115,000	
Accrued wages		20,000
Accumulated depreciation – buildings		320,000
Accumulated depreciation – office equipment		70,000
Accumulated depreciation – plant and equipment		110,000
Allowance for doubtful debts		25,000
Buildings (at cost)	1,280,000	
Cash at bank		90,000
Cash on hand	15,000	
General reserve		770,000
Inventory	225,000	
Land (at cost)	2,500,000	
Long-term loan		748,570
Office equipment (at cost)	210,000	
Plant and equipment (at cost)	950,000	
Prepaid insurance	30,000	
Retained earnings (1 July 2019)	85,000	
Share capital		2,500,000
Term deposit (matures 1 March 2021)	80,000	

**Additional Information:**

- The final dividend of 6 cents per share declared at the 2019 annual general meeting was paid on 1 August 2019.
- An interim dividend of 5 cents per share was authorised and declared in January 2020 and paid on 22 January 2020.
- At the upcoming 2020 annual general meeting, the directors have resolved to recommend a final dividend of 10 cents to be paid.
- On 30 June 2020, One Deduction Ltd transferred \$20,000 to the general reserve.
- Share capital consists of 2,500,000, \$1.00 ordinary shares.
- Profit before tax at 30 June 2020 is \$1,021,430.
- On 30 June 2020, the directors established that the current fair value of land was \$2,800,000 and determined to record it at its fair value.
- The company tax rate is 30%.

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**Question 20**

The equity account balances of Timberpool Ltd as at 1 July 2019 are provided below.

**Timberpool Ltd**  
**General ledger balances (extract)**

	\$
Ordinary share capital	4,200,000
General reserve	98,000
Retained earnings	239,000CR

The directors of Timberpool Ltd want to raise funds to expand the business globally.

On 10 October 2019, the company issued a prospectus offering 300,000 ordinary shares, payable in full on application, at an issue price of \$4.00 per share. The shares were fully subscribed and closed on 5 November 2019. The directors allotted the shares on 15 November 2019. Share issue costs of \$40,000 were paid on 15 November 2019.

**Timberpool Ltd**  
**Trial balance (extract)**  
**as at 30 June 2020**

	Debit \$	Credit \$
Creditors/accounts payable		192,000
Debtors/accounts receivable	315,000	
Accrued expenses		76,000
Accumulated depreciation – plant and equipment		145,000
Accumulated depreciation – office furniture and fittings		23,000
Cash at bank	360,000	
Goodwill	400,000	
Inventories	453,000	
Land and buildings	2,400,000	
Office furniture and fittings	230,000	
Plant and equipment	1,450,000	
Profit and loss summary (before tax)		1,184,000

**Additional Information:**

- Share capital at 1 July 2019 consisted of 4,200,000 ordinary shares at \$1.00 fully paid.
- The directors declared and paid an interim dividend of 14 cents per share on 1 March 2020.
- On 30 June 2020, the directors have resolved to:
  - provide \$355,000 for income tax
  - transfer \$150,000 profit to the general reserve
  - revalue land and buildings upwards by \$400,000
  - recommend that ordinary shareholders should receive a dividend of 15 cents per share.

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**Stimulus material for Questions 21 and 22**

Read the following material about B-Onn-Say Ltd for the year ended 30 June 2020 before selecting the question you will complete. The material is relevant to **both** questions.

The Chief Financial Officer for B-Onn-Say Ltd has provided you with draft copies of the Statement of cash flows, Statement of comprehensive income and extract of the Annual report.

**B-Onn-Say Ltd**  
**Statement of cash flows**  
**for the year ended 30 June 2020**

	\$
<b>Cash flows from operating activities</b>	
Receipts from customers	703,694
Payments to suppliers and employees	(611,659)
Cash generated from operations	92,035
Interest paid	(13,344)
Income taxes paid	(21,878)
<b>Net cash flow from operating activities</b>	<b>56,813</b>
<b>Cash flows from investing activities</b>	
Purchase of property, plant and equipment	(260,000)
Purchase of shares in other companies	(93,976)
Interest received	1,154
Dividends received	4,500
<b>Net cash flow from investing activities</b>	<b>(348,322)</b>
<b>Cash flows from financing activities</b>	
Net proceeds from bank borrowings	183,727
Net proceeds from the issue of shares	117,136
Dividends paid	(58,568)
<b>Net cash flow from financing activities</b>	<b>242,295</b>
<b>Net cash flow</b>	<b>(49,214)</b>
Cash and cash equivalents held at the beginning of the year	57,653
Cash and cash equivalents held at the end of the year	8,439

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**B-Onn-Say Ltd**  
**Statement of comprehensive income**  
**for the year ended 30 June 2020**

	Year ended 30 June 2019 \$	Year ended 30 June 2020 \$
Revenue	599,526	750,000
Cost of sales	285,263	344,000
Gross profit	314,263	406,000
Less finance expenses	4,436	16,742
Less other expenses	240,042	247,847
Profit before income tax	69,785	141,411
Income tax	19,889	38,888
Profit after income tax	49,896	102,523
Gain on asset revaluation	–	25,000
Total comprehensive income	49,896	127,523

**B-Onn-Say Ltd**  
**Annual report (extract)**  
**for the year ended 30 June 2020**

B-Onn-Say Ltd has an employee share plan. The Chief Financial Officer received a large number of shares in the company as an annual performance-related bonus. This was related to the increase in profitability from 2019 to 2020.

Ratio	Year ended 30 June 2019	Year ended 30 June 2020	Target key performance indicators (KPIs)
Working capital/current ratio	1.50:1	1.39:1	1.50:1
Quick asset ratio	0.90:1	0.72:1	1:1
Debtor's collection period	53 days	67 days	30 days
Debt to equity	1.40:1	1.32:1	–

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