2022/54932

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

ATAR course examination, 2022

ACCOUNTING AND FINANCE

INFORMATION BOOKLET

Ref: 22-002

Question 17 **(28 marks)**

Zanthria Safetywear manufactures personal protective clothing at a factory in Perth. Annual overhead costs are estimated to be $236,500 and these are allocated to the various products on the basis of direct labour hours, which are expected to be a total of 11,000 hours for the year.

Among its main products are protective coats. These are costed on the basis of a batch of 500 coats, for which the standard costs are estimated as follows:

- 1,500 square metres of cloth at $8 per square metre
- sundry materials (zips, buttons, thread) at $5 per coat
- labour hours – 40 hours at $35 per hour.

Question 18 **(33 marks)**

Lawdsher Ltd is preparing a cash budget for May and June 2023.

All sales are on credit and 20% are collected during the month of sale, 50% in the month following sale, 20% in the second month following sale and 8% in the third month following sale. The remaining 2% are treated as uncollectable.

The company pays for 80% of purchases in the month after purchase and the balance in the following month.

Fixed selling expenses amount to $4,400 per month plus variable selling expenses equal to 5% of the previous month's sales. Administration expenses are estimated to be $8,800 per month, which includes $3,200 of depreciation expense. Finance expenses are $800 per month. All expenses other than purchases are paid for in the month they are incurred. It is planned to purchase equipment for $14,400 cash during May 2023. A $6,000 loan payable will be repaid during July 2023. The interest due on the loan is calculated at 7% per annum, paid monthly.

The company's expected cash at bank balance on 1 May 2023 is $9,000 credit.

Estimated sales and purchases		
Month	**Sales $**	**Purchases $**
February	50,000	13,000
March	44,000	11,000
April	56,000	12,000
May	60,000	8,000
June	72,000	10,000

Question 19 **(33 marks)**

The following are extracts from the most recent annual report for Xunobus Ltd.

Balance sheet as at 30 June

	2022 $	2021 $
Total assets	**3,422,400**	**3,058,200**
Current liabilities		
Borrowings (bank overdraft)	17,900	0
Accounts payable	33,000	29,000
Income tax payable	59,100	73,200
Lease liabilities	10,000	10,000
Accrued interest expense	6,000	8,000
Total current liabilities	**126,000**	**120,200**
Non-current liabilities		
Borrowings	200,000	100,000
Lease liabilities	50,000	50,000
Total non-current liabilities	**250,000**	**150,000**
Total liabilities	**376,000**	**270,200**
Net assets	**3,046,400**	**2,788,000**
Shareholders' equity		
Share capital	2,800,000	2,500,000
Reserves	100,000	50,000
Retained earnings	146,400	238,000
Total equity	**3,046,400**	**2,788,000**

Additional information

- The company transferred $50,000 from retained earnings into a general reserve during the year.
- The company paid its 2021 income tax liability in September 2021. The company tax rate is 30%.
- There was a cash issue of 150,000 shares on 1 January 2022. All the company's shares have been issued at $2 each.
- The number of shares issued at 30 June 2021 was 1,250,000.
- The company classifies interest and dividends received and paid as financing activities.

Income statement for the year ended 30 June

	2022 $	2021 $
Sales (all on credit)	1,043,000	986,000
Less: Cost of sales	596,000	540,000
Gross Profit	**447,000**	**446,000**
Other income – interest revenue	0	6,000
Total operating income	447,000	452,000
Less expenses		
Interest	35,000	4,000
Other	215,000	204,000
Total expenses	**250,000**	**208,000**
Operating profit before tax	**197,000**	**244,000**

See next page

Question 20 **(35 marks)**

Fyndulos Ltd operates a retail business in Perth. The directors want to review the company's performance and position for the year ended 30 June 2022. They have provided the following information.

Fyndulos Ltd
Trial balance (extract)
as at 30 June 2022

	Debit $	Credit $
Accrued income	1,000	
Accumulated depreciation of plant and equipment		20,000
Allowance for doubtful debts		3,000
Asset revaluation reserve		20,000
Cash at bank		18,100
Cash on hand	200	
Cost of sales	416,000	
Debtors	69,000	
Other expenses	171,800	
Goodwill	60,000	
Interest expenses	35,000	
Investments (maturing in 2030)	10,000	
Land	2,730,000	
Mortgage		60,000
Patents and trademarks	15,000	
Plant and equipment	360,000	
Prepayments	4,670	
Sales		1,050,000
Sales returns	10,500	
Share issue costs	11,000	
Inventory	104,500	
Stock of stationery supplies	500	

Additional information, not reflected above:
- Plant and equipment is depreciated using the reducing balance method, at a rate of 12% per annum.
- Land is to be revalued upwards on balance day by $30,000.
- The company is subject to an income tax rate of 30%.

Question 21 **(30 marks)**

Juntrae Pty Ltd is a small company based in Perth and has two directors who are also the only shareholders. The company produces quality hair products that are sold throughout Australia and New Zealand.

Kelly Bianchi, one of the directors, has developed the knowledge and experience to produce the quality hair products and also oversees their production and marketing.

Lee Chao is the other director and majority shareholder. Lee provided the funding to help start up the business but does not get involved in its day-to-day running. Lee is happy to receive an annual dividend and leave the management of the business to Kelly.

The company has a small number of employees who are involved in the production process, but Kelly tries to do all the administration work to help keep costs down.

An accountant prepares financial reports and completes the tax work for Juntrae Pty Ltd. The accountant has raised the following issues:

- Juntrae Pty Ltd appears to make frequent use of its overdraft facility
- while the sales figures are excellent, profit is declining
- debtors frequently pay what they owe after the due date
- creditors are often paid late and this sometimes leads to late payment costs being incurred
- inventory levels are quite high and the cost of sales has increased significantly over the past twelve months.

The accountant is suggesting that Juntrae Pty Ltd should be undertaking significant planning and control to protect its assets, ensure the company has cash flow to pay debts and to investigate why profits are declining.

Although Kelly is concerned about the accountant’s advice, Lee is confident that she will sort out the problems and is not interested in getting involved in the running of the company.

Question 22 **(30 marks)**

Krebsaw Ltd is a manufacturing company located in Western Australia. It produces large storage sheds for both urban and rural properties. It has built a reputation for excellence, and demand for its sheds is increasing. Many orders are now coming from all over Australia.

Management is considering establishing another factory in one of two different locations in Australia, believing it will lead to an increase in sales and reduction in transport costs. The cost of transporting sheds from the current factory to the proposed new locations is significant. In addition, the company has problems competing on price with existing shed makers in other parts of Australia.

Krebsaw Ltd has provided the information below regarding payback period and net present value (NPV).

Location 1: Factory		Location 2: Factory	
Payback period	**NPV**	**Payback period**	**NPV**
4 years 6 months	$125,000	4 years 8 months	$120,000

The factory proposal for Location 1 will be in a city urban area and will be close to all transport systems. Government officials in Location 1 have not indicated their support for the factory project at this stage.

The factory proposal for Location 2 will be in a rural area and close to rural customers. Government officials in Location 2 have already given approval for development of the proposed factory. They believe the factory will provide much-needed employment opportunities for people in the area.

Management of Krebsaw Ltd expects that other manufacturers of sheds in both proposed locations will reduce their prices to ensure that they remain competitive. Krebsaw Ltd believes that its product is superior and will be able to compete successfully within a few months of its commencement. Management also believes that the company has better after-sales service than its competitors.

Krebsaw Ltd is considering a long-term business finance option for the proposed purchase.

End of booklet

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