



## ATAR course examination, 2024

### Question/Answer booklet

# ACCOUNTING AND FINANCE

Place one of your candidate identification labels in this box.  
Ensure the label is straight and within the lines of this box.

WA student number: In figures

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In words

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### Time allowed for this paper

Reading time before commencing work: ten minutes  
Working time: three hours

Number of additional  
answer booklets used  
(if applicable):

### Materials required/recommended for this paper

#### *To be provided by the supervisor*

- This Question/Answer booklet
- Multiple-choice answer sheet
- Information booklet
- Specifications booklet

#### *To be provided by the candidate*

Standard items: pens (blue/black preferred), pencils (including coloured), sharpener, correction fluid/tape, eraser, ruler, highlighters

Special Items: up to three calculators, which do not have the capacity to create or store programmes or text, are permitted in this ATAR course examination

### Important note to candidates

No other items may be taken into the examination room. It is **your** responsibility to ensure that you do not have any unauthorised material. If you have any unauthorised material with you, hand it to the supervisor **before** reading any further.



## Structure of this paper

Section	Number of questions available	Number of questions to be answered	Suggested working time (minutes)	Marks available	Percentage of examination
Section One Multiple-choice	15	15	25	15	15
Section Two Short answer	6	6	120	166	70
Section Three Extended answer	2	1	35	30	15
<b>Total</b>					100

## Instructions to candidates

- The rules for the conduct of the Western Australian external examinations are detailed in the *Year 12 Information Handbook 2024: Part II Examinations*. Sitting this examination implies that you agree to abide by these rules.

- Answer the questions according to the following instructions.

Section One: Answer all questions on the separate Multiple-choice answer sheet provided. For each question, shade the box to indicate your answer. Use only a blue or black pen to shade the boxes. Do not use erasable or gel pens. If you make a mistake, place a cross through that square, then shade your new answer. Do not erase or use correction fluid/tape. Marks will not be deducted for incorrect answers. No marks will be given if more than one answer is completed for any question.

Section Two: Answer all questions. Show all calculations clearly in the space marked Workings for questions where calculations are applicable. Marks will be awarded principally for the relevant accounting and finance content. Write your answer in this Question/Answer booklet preferably using a blue/black pen. Do not use erasable or gel pens.

Section Three: Answer one question from a choice of two. Write your answers in this Question/Answer booklet preferably using a blue/black pen. Do not use erasable or gel pens.

- You must be careful to confine your answers to the specific questions asked and to follow any instructions that are specific to a particular question.
- Supplementary pages for planning/continuing your answers to questions are provided at the end of this Question/Answer booklet. If you use these pages to continue an answer, indicate at the original answer where the answer is continued, i.e. give the page number.
- Some questions have been repeated in the Information booklet so that you can refer more easily to the information while answering the questions. Do not write your answers in the Information booklet. The Information and Specifications booklets are not to be handed in with your Question/Answer booklet.

**See next page**

**Section One: Multiple-choice****15% (15 Marks)**

This section has **15** questions. Answer **all** questions on the separate Multiple-choice answer sheet provided. For each question, shade the box to indicate your answer. Use only a blue or black pen to shade the boxes. Do not use erasable or gel pens. If you make a mistake, place a cross through that square then shade your new answer. Do not erase or use correction fluid/tape. Marks will not be deducted for incorrect answers. No marks will be given if more than one answer is completed for any question.

Suggested working time: 25 minutes.

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1. Costs classified by behaviour are
  - (a) past and future costs.
  - (b) product and period costs.
  - (c) variable and fixed costs.
  - (d) direct and indirect costs.
  
2. The preparation of a master budget is important for a business because it
  - (a) assists management in focusing on the past performance of a business' activities.
  - (b) assists management in planning future business activities.
  - (c) focuses on the past capital investments of a business.
  - (d) focuses on the past cash usage of a business.
  
3. One of the important principles of managing assets is
  - (a) ensuring short term debt always exceeds equity capital.
  - (b) ensuring cash held always exceeds long term debt.
  - (c) continually increasing investment in non-current assets.
  - (d) maintaining an appropriate level of equity capital.
  
4. A purpose of a budgeted income statement is to estimate
  - (a) cash performance for a future period of time.
  - (b) financial performance for a future period of time.
  - (c) all cash receipts and cash payments for a future period of time.
  - (d) income earned and expenses incurred for a past period of time.
  
5. Capital investment decisions are important because they usually involve investment
  - (a) of large sums of money over a short term.
  - (b) in assets with low risk of loss.
  - (c) of large sums of money over a long term.
  - (d) in assets that can be quickly sold at market price.

6. The earnings per share ratio measures the
- (a) company's ability to cover its borrowing costs with share earnings.
  - (b) after tax profit available per ordinary share.
  - (c) number of times per ordinary share earnings an investor is prepared to buy the share for.
  - (d) company's ability to cover its borrowing costs with share earnings.
7. The accrual method of calculating a company's profit will
- (a) be based only on cash receipts and cash payments for a particular accounting period.
  - (b) always result in a larger profit compared with any other method of calculating profit.
  - (c) be based on all income earned and expenses incurred for a particular accounting period.
  - (d) always result in a smaller profit compared with any other method of calculating profit.
8. Financial accounting focuses on
- (a) cost-volume-profit analysis.
  - (b) job order costing processes.
  - (c) interpretation of performance reports.
  - (d) financial reporting for external users.
9. If the sales volume of a product increases by 10% and fixed costs also increase by 10%, but variable costs per product and selling price remain the same, what will be the effect on the profit from the sale of the product? Profit will
- (a) decline.
  - (b) remain the same.
  - (c) increase.
  - (d) turn into a loss.
10. The time value of money is the concept that states that the value of money will
- (a) increase over future years.
  - (b) decline over future years.
  - (c) not change over future years.
  - (d) increase over future years as the discount rate increases.

Questions 11 and 12 relate to the following information provided by a public company that is listed on the Australian Stock Exchange and pays 30% company tax.

	2024	2023
Market price of each ordinary share	\$36	\$26
Net profit before tax	\$6,000	\$4,000
Number of ordinary shares issued	1,200	1,200
Dividends declared during the year	\$2,600	\$1,600

11. Calculate the earnings per share for the 2024 year.

- (a) \$3.33
- (b) \$5.00
- (c) \$3.50
- (d) \$1.40

12. The dividend yield for the 2024 year for the entity is

- (a) 72.22%.
- (b) 61.54%.
- (c) 5.13%.
- (d) 6.02%.

13. Extracts from balance sheets at 30 June of a company are:

	2024 \$	2023 \$
Total assets	4,560,000	3,680,000
Total liabilities	1,910,000	1,230,000

Calculate the leverage of the company for 2024.

- (a) 72.08%
- (b) 238.74%
- (c) 50.20%
- (d) 299.19%

14.

**Zofness Ltd****Statement of cash flows for the year ended 30 June 2024 (extract)**

	\$
Net cash flow from operating activities	(300,000)
Net cash flow from investing activities	(500,000)
Net cash flow from financing activities	450,000
Decrease in cash and cash equivalents during the year	(350,000)
Cash and cash equivalents at start of year	750,000
Cash and cash equivalents at end of year	400,000

From the Statement of cash flows (extract) above, which interpretation could be made of movements in cash flow items during the year? The company has

- (a) paid for additional non-current assets during the year.
  - (b) made a loss for the year.
  - (c) increased its cash holdings during the year.
  - (d) issued bonus shares during the year.
15. When a company incurs preliminary expenses, these are related to
- (a) costs associated with the incorporation of the company and are treated as an expense.
  - (b) prospectus and share issues to the public and are treated as an offset to the capital raised.
  - (c) capital investment and are included in the asset cost.
  - (d) costing for production and are regarded as a sunk cost.

**End of Section One**

**See next page**

**Section Two: Short answer****70% (166 Marks)**

This section has **six** questions. Answer **all** questions. Write your answers in the spaces provided.

Show **all** calculations clearly in the space marked **Workings** for questions where calculations are applicable. Marks will be awarded principally for the relevant accounting and finance content.

Supplementary pages for planning/continuing your answers to questions are provided at the end of this Question/Answer booklet. If you use these pages to continue an answer, indicate at the original answer where the answer is continued, i.e. give the page number.

Suggested working time: 120 minutes.

**Question 16****(23 marks)**

ZBTQ Trading Pty Ltd has provided the following information.

**Actual sales and purchases for October 2024**

Sales	\$176,000
Purchases	\$98,000

ZBTQ Trading Pty Ltd has also provided the following estimates for the months of November and December 2024.

**Estimated revenue and expenses**

Month	Sales	Purchases	Wages	Factory rental	Other expenses
2024	\$	\$	\$	\$	\$
November	177,000	99,000	28,000	4,000	32,000
December	187,500	106,500	30,000	4,000	38,000

**Additional information:**

- All sales are on credit, with 75% expected to be received in the month of sale, less a discount of 1.5% for early payment. The remaining balance is expected to be received in the month following sale.
- Purchases are all on credit and are usually paid for in the month following purchase.
- Plant and equipment, with a carrying amount of \$10,500, is expected to be sold on 1 November 2024 for \$9,250. The expected loss on sale is included in other expenses.
- New plant and equipment is expected to be purchased in November 2024 for \$25,000.
- Accrued wages at the end of each of November and December are expected to be \$2,100 and are included in estimated wages expense.
- Monthly depreciation expense is expected to be \$3,500 and is included in other expenses.
- All remaining other expenses are expected to be paid as incurred.
- Factory rental for twelve months was paid on 1 October 2024.
- The bank overdraft balance as at 31 October 2024 is \$10,500.

**See next page**

**Question 16** (continued)

**Required:**

- (a) Prepare a schedule of collections from debtors for each of the months of November and December 2024. Round all figures to the nearest whole dollar. (6 marks)

**ZBTQ Trading Pty Ltd**  
**Schedule of collections from debtors**  
**for each of the months of November and December 2024**

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- (b) Prepare a cash budget for each of the months of November and December 2024. Round all figures to the nearest whole dollar. (17 marks)

**Workings:**

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## Question 17

(35 marks)

Twetzee Pty Ltd operates from a factory making a variety of metal fencing products. Demand for its products has been increasing over recent years and the directors are proposing to invest in new robotic equipment, known as ROB E, to manufacture the fencing products.

The ROB E equipment will enable Twetzee Pty Ltd to increase production and increase sales. Management is also planning to increase the sale price of their products.

The number of employees needed in the production process will decrease. Cost of transport will increase as there will be many more delivery trucks coming and going from the factory building.

The additional cost of transport is included in the additional cash outflows over each of the five years.

The following information has also been provided for the ROB E equipment purchase proposal.

Cost of new equipment:	
Initial payment	\$250,000
Further payment at the end of the first year	\$100,000
Residual value	\$100,000
Useful life	5 years
Interest rate	8%
Acceptable payback period	4 years
Additional cash inflows:	
Year 1	\$130,000
Year 2	\$150,000
Year 3	\$165,000
Year 4	\$155,000
Year 5	\$145,000
Decrease in wages paid for each of the years 1–5	\$30,000
Additional cash outflows for each of the years 1–5	\$50,000

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- (a) Calculate the net present value (NPV) for ROB E and, based on your calculations, state whether the ROB E proposal should be accepted or rejected. Round all calculations to the nearest whole dollar. (18 marks)

**Workings:**

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Net present value of ROB E: \_\_\_\_\_

Accept or reject the ROB E investment proposal: \_\_\_\_\_

**See next page**

**Question 17** (continued)

- (b) Calculate the payback period for ROB E and, based on your calculations, state whether the ROB E proposal should be accepted or rejected. (9 marks)

**Workings:**

Payback period for ROB E: \_\_\_\_\_

Accept or reject the ROB E investment proposal: \_\_\_\_\_

**See next page**

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- (c) Describe **two** non-financial factors that the management of Twetzee Pty Ltd should consider before purchasing the ROB E equipment. (4 marks)

One: \_\_\_\_\_

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Two: \_\_\_\_\_

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An alternative manufacturing process that has been suggested has been assessed as having a net present value (NPV) of \$315,250 and a payback period of 4 years 1 month.

- (d) Suggest whether the management of Twetzee Pty Ltd should proceed with the original or the alternative proposal and justify your response. (4 marks)

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## Question 18

(23 marks)

SwaftPottery is a small business that specialises in handcrafted pottery, led by its owner and artisan, Ian Swaft. In preparation for the coming year, Ian is reviewing the operating costs for 2024 to determine new selling prices. The total standard operating costs for 2023 are summarised below.

Standard operating costs	\$
Direct materials	183,000
Indirect materials	34,500
Fixed costs – miscellaneous pottery	36,500
Depreciation – pottery equipment	11,800
Electricity and water – pottery	12,500
Cleaning – pottery	12,000
Direct labour	720,000

SwaftPottery creates 300 handcrafted pottery items per month. Each item is estimated to take 10 hours to make. As the process is labour intensive, the recovery rate is based on labour hours.

**Required:**

- (a) Calculate the predetermined overhead recovery rate. (8 marks)

**Workings:**

Predetermined overhead recovery rate: \_\_\_\_\_

See next page

- (b) Calculate the cost of making **one** handcrafted pottery item. (8 marks)

**Workings:**

Cost of making **one** handcrafted pottery item: \_\_\_\_\_

- (c) Calculate the direct labour efficiency variance per item using the information below. (4 marks)

Actual direct labour rate: \$25 per hour

Actual direct labour hours: 15

**Workings:**

Direct labour efficiency variance per item: \_\_\_\_\_

**See next page**

Question 18 (continued)

(d) Explain how costs are classified according to time orientation. (3 marks)

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## Question 19

(41 marks)

Oxchidna Ltd has provided the following financial information for the six months ended 31 December 2023.

**Oxchidna Ltd  
Trial balance (extract)  
as at 31 December 2023**

Account	Debit \$	Credit \$
Accounts payable		160,020
Accounts receivable	206,000	
Accumulated depreciation – buildings		125,000
Accumulated depreciation – motor vehicle		13,000
Allowance for doubtful debts		1,200
Bank	83,370	
Term deposit (matures on 31 January 2027)	250,000	
Debentures (repayable on 30 June 2028)		120,000
Buildings (at cost)	1,250,000	
Cost of sales	550,000	
Discount allowed	32,650	
Dividends received		12,450
Doubtful debts	3,300	
Goodwill	120,000	
Interest expense	12,950	
Interest received		6,400
Inventory	234,000	
Land (at cost)	1,450,000	
Other expenses	228,000	
Long-term borrowings		1,500,000
Motor vehicle (at cost)	65,820	
Ordinary share capital		1,000,000
Rent received		24,600
Sales		1,555,050
Wages	320,000	

**Additional information**

- Share capital consists of 200,000 ordinary shares at an issue price of \$5 per share.
- An interim dividend of \$0.05 per share was declared and authorised on 19 September 2023 and paid on 22 September 2023.
- On 31 December, the directors decided to revalue the land upward by \$150,000.
- Depreciation is yet to be calculated on buildings and the motor vehicle. The buildings are depreciated using the straight-line method at 10% pa and the motor vehicle uses the reducing balance method at 5% pa.
- Income tax is payable at 30%.

See next page

**Question 19** (continued)

- (a) Prepare the Statement of comprehensive income for Oxchidna Ltd for the six months ended 31 December 2023. (20 marks)

**Workings:**



**Question 19** (continued)

- (b) Prepare the Notes to the accounts for Property, plant and equipment as at 31 December 2023. (8 marks)

**Workings:**

**Oxchidna Ltd**  
**Notes to the accounts (extract)**  
**as at 31 December 2023**

Property, plant and equipment

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- (c) Prepare an extract of the assets section of the Statement of financial position for Oxchidna Ltd as at 31 December 2023. (7 marks)

**Workings:**

**Oxchidna Ltd  
Statement of financial position (extract)  
as at 31 December 2023**

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Question 19 (continued)

- (d) Explain the effect on the general ledger of the declaration of interim dividends on 19 September 2023. (3 marks)

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Oxchidna Ltd is looking to expand its business operations by incorporating a new section focusing on teaching individuals handyman skills. It has acquired an expert in this field and would like to consider the new employee as an asset in its balance sheet.

- (e) Applying the recognition criteria as per the *Conceptual Framework for Financial Reporting*, explain whether an employee would be recognised as an asset in the financial statements of the company. (3 marks)

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## Question 20

(27 marks)

Wudigee Ltd is a tourist operator based in Perth that transports passengers to various attractions in Western Australia. It divides its operations into three regions: Metropolitan, Coral Coast, and Great Southern.

Statistics of the company's operations for the current financial year are as follows.

	Metropolitan	Coral Coast	Great Southern	Total
Revenue	\$1,650,000	\$972,000	\$601,000	\$3,223,000
Direct labour costs	\$760,000	\$532,000	\$380,000	\$1,672,000
Direct material costs	\$463,000	\$324,000	\$251,000	\$1,038,000
Kilometres travelled	3,000,000	2,000,000	1,200,000	6,200,000

Fixed costs (overheads) are allocated to the three regions on the basis of kilometres travelled. Overheads for the current year totalled \$311,000.

The managers of Wudigee Ltd are reviewing the operations and are thinking of shutting down the Great Southern service, which they consider to be the least profitable part of the business. This would enable them to dispose of two coaches and so reduce overheads by 10%.

**Required:**

- (a) Calculate the current profit or loss for each of the three regions. (16 marks)

**Workings:**

Current profit or loss for the Metropolitan region: \_\_\_\_\_

Current profit or loss for the Coral Coast region: \_\_\_\_\_

Current profit or loss for the Great Southern region: \_\_\_\_\_

**See next page**



- (b) Calculate the effect on profit or loss for the company if the Great Southern service is closed. (9 marks)

**Workings:**

Effect on profit or loss if the Great Southern service is closed:

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- (c) On the basis of your calculations, would you recommend to the managers to go ahead with the plan to close the Great Southern service? Justify your answer. (2 marks)

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Question 21

(17 marks)

The following information was provided by Repubation Ltd.

Date	Details
1 July 2023	Retained earnings account balance was \$535,000 Cr Cash at bank account balance was \$685,000 Dr Ordinary share capital account balance was \$900,000
18 August 2023	The company issued a prospectus for 450,000 ordinary shares at the price of \$3.50 per share, payable in full on application
18 September 2023	Share issue costs of \$50,000 were paid
18 October 2023	Applications were received for 350,000 shares
22 October 2023	The directors resolved that the new ordinary shares be allotted

- (a) Prepare entries in the following general ledger accounts for the transactions for the period from 1 July 2023 until 31 October 2023. Balancing of accounts is **not** required. (9 marks)

**Workings:**

**Applications account**

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**Bank account**

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**Ordinary share capital account**

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**Share issue costs account**

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- (b) Describe legal entity **and** liability of owners as characteristics of public companies. (4 marks)

Legal entity: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Liability of owners: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- (c) Discuss the role of an external auditor. (4 marks)

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**End of Section Two**

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**Section Three: Extended answer****15% (30 Marks)**

This section has **two** questions. You must answer **one** question. Write your answer in the space provided following Question 23.

If you use a page for planning, indicate this clearly at the top of the page.

Suggested working time: 35 minutes.

**Question 22****(30 marks)**

FrameForm Pty Ltd, a Western Australian manufacturing company, is facing concerns among its stakeholders regarding the steady decline in its profits and cash balance. The directors recognise the importance of effective business planning in navigating financial uncertainties. This prompts a re-evaluation of the company's goals, objectives and business strategies to navigate through this time of financial instability.

During the annual general meeting, shareholders expressed mounting concerns about the firm's transparency in handling sensitive information. This concern intensified when shareholders discovered that one of FrameForm Pty Ltd's major business competitors involves a family company owned by the managing director, a connection unknown to the other directors. Amid these challenges, shareholders have accused FrameForm Pty Ltd of inadequate disclosure and manipulating financial data, further complicating matters and heightening the obstacles faced by the company.

Despite implementing strategies to improve its cash position, FrameForm Pty Ltd continues to experience a steady decline, leading to a financial crisis. The company is now considering options such as liquidation or voluntary administration to determine the most viable path forward. Another alternative is to sell the business to a competitor.

- (a) Explain the importance of business planning for the company and suggest a strategy that it could implement to improve business performance. (4 marks)
- (b) Describe insolvency to the directors of FrameForm Pty Ltd and discuss the process of voluntary administration. (6 marks)
- (c) Discuss **two** ethical issues that FrameForm Pty Ltd has encountered in its financial operations. (8 marks)
- (d) Discuss the purpose of accounting standards in providing confidence to investors in Australian capital markets **and** assisting directors in discharging their obligations. (8 marks)
- (e) Discuss the importance of the Financial Reporting Council (FRC). (4 marks)

or

**See next page**

## Question 23

(30 marks)

Jo and Jamie are the owners/directors of Gunyodi Beekeepers Pty Ltd, a small company operating in regional Western Australia. Its main operations are in forests and adjacent farming areas. The company's cash position has deteriorated. As a result, Jo and Jamie are investigating whether engaging in socially and environmentally responsible practices could improve the company's financial position.

The following Cash flow statement was prepared by the company's accountant for the year ended 30 June 2024.

**Gunyodi Beekeepers Pty Ltd**  
**Cash flow statement**  
**for the year ending 30 June 2024**

<b>Cash flows from operating activities</b>	<b>\$</b>	<b>\$</b>
Receipts from customers	150,000	
Payments to suppliers and employees	(80,000)	
Cash generated from operations	70,000	
Interest paid	(5,000)	
Income tax paid	(10,000)	
Net cash flow from operating activities		55,000
 <b>Cash flows from investing activities</b>		
Purchase of vehicles	(80,000)	
Proceeds from sale of vehicles	20,000	
Purchase of shares	(45,000)	
Net cash flow from investing activities		(105,000)
 <b>Cash flows from financing activities</b>		
Additional capital from share issue	10,000	
Payment of loan	(50,000)	
Dividends paid	(60,000)	
Net cash flow from financing activities		(100,000)
<b>Net increase (decrease) in cash held</b>		(150,000)
<b>Cash and cash equivalents at start of year</b>		100,000
<b>Cash and cash equivalents at end of year</b>		(50,000)

Gunyodi Beekeepers Pty Ltd has also supplied the following information regarding its inventory and accounts receivable.

Ratio	2023	2024	Industry averages
Inventory turnover	2.2 times	4.2 times	5.5 times
Debtor's collection period	30 days	38 days	20 days
Gross profit ratio	46.67%	50.00%	45.00%

See next page

**Required:**

- (a) Use the information provided to comment on how the business is managing its inventory and debtors, and identify an action it could take to improve its performance in each of these areas. (6 marks)
- (b) Discuss the costs and potential income associated with the company engaging in environmentally responsible practices. (4 marks)
- (c) Describe the change in the overall cash position of the company, and analyse the effect of the cash flows from operating and financing activities that have contributed to the change. (10 marks)
- (d) Explain **two** limitations investors and other stakeholders may have in assessing financial information from available resources. (6 marks)
- (e) Explain what is meant by cash equivalents as per AASB 107. Provide an example to support your response. (4 marks)

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**End of questions**



















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