



## **ATAR course examination, 2021**

# **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 answer.

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### Question 16

At the beginning of January 2021, a small Perth manufacturing business commenced manufacturing pop-up sunshade tents for use at the beach and other outdoor settings. During the first year ending 31 December 2021, the business produced a total of 1,050 pop-up sunshade tents in batches of 150.

The actual costs of producing the 1,050 pop-up sunshade tents are shown below.

<b>Direct materials</b>	
Cutting department	Anti UV factor polyester material purchased and used = 11,000 metres @ \$2.45 per metre
Sewing and assembly department	\$57,000

<b>Direct labour</b>	
Cutting department	2,100 hours @ \$24 per hour
Sewing and assembly department	3,150 hours @ \$22 per hour

<b>Other costs</b>	
Factory manager's salary	\$44,000
Factory rent	12,000
Office administration costs	5,000
Cutting department overheads	12,000
Sewing and assembly department overheads	16,000
Office rent costs	10,000

The manufacturing overhead is allocated to each batch based on total labour hours. One pop-up sunshade tent takes 2 hours of cutting time and 3 hours of sewing and assembly time.

**Question 17**

The management of ExDex Modulares Ltd provided the following budget information for the months of July and August 2022.

- Sales are expected to be \$25,000 for July 2022 and \$28,500 for August 2022. Cash sales make up 90% of total sales, with the balance of 10% being paid in the month following sale.
- The following budgeted information is provided for the inventory account:

Date	Inventory account details	Amount
1 July 2022	Opening balance	\$25,000
1 July to 31 August 2022	Total budgeted inventory purchases	10,000
31 August 2022	Closing balance	15,000

- The company has a term deposit of \$30,000 with XZY Bank. The bank pays an interest rate of 2% per annum, payable twice per year on 31 December and 30 June.
- Interest expense for July and August 2022 is expected to total \$1,200.
- Wages paid for July and August 2022 are expected to total \$5,100. The actual accrued wages balance on 1 July 2022 is \$350 and the balance on 31 August 2022 is expected to be \$450.
- Office rent of \$6,300 for 3 months was paid on 1 June 2022.
- Office administration expenses for July and August 2022 are expected to total \$1,200.
- Selling expenses are expected to be 5% of net sales.
- A delivery van with a carrying amount of \$9,500 as at 1 July 2022 is depreciated at 15% per annum using the reducing balance method of calculating depreciation.
- The company tax rate is 30%.
- Round all calculations to the nearest whole dollar.

**Question 18**

Winerack produces a range of premium red wines (Shiraz, Pinot Noir and Cabernet Merlot) that retail at prices between \$60/bottle and \$100/bottle. The selling prices, volume and costs of production for its three wines for 2022 are as follows:

	Shiraz	Pinot Noir	Cabernet Merlot
Selling price/bottle	\$60	\$80	\$100
Annual sales volume for 2022 (bottles)	60,000	40,000	25,000
Variable manufacturing cost/bottle	\$15	\$20	\$25
Variable non-manufacturing cost/bottle	\$10	\$10	\$10
Annual fixed manufacturing costs	\$3,500,000		
Annual fixed non-manufacturing costs	\$1,309,000		

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**Question 19**

Booksbank Traders Ltd has provided you with the following information at the end of the financial year on 30 June 2022.

**Booksbank Traders Ltd  
Trial balance (extract) as at 30 June 2022**

	<b>Debit \$</b>	<b>Credit \$</b>
Accounts payable		950,000
Accounts receivable	855,000	
Accrued expenses		210,000
Accumulated depreciation of furniture and fittings		98,000
Accumulated depreciation of plant and equipment		894,000
Asset revaluation reserve		1,200,000
Cash at bank	497,000	
Debentures (repayable 2024)		2,000,000
Furniture and fittings	342,000	
General reserve		300,000
Inventories	890,000	
Land (at valuation)	3,750,000	
Plant and equipment	3,672,000	
Prepaid expenses	132,000	
Profit and Loss		1,435,000
Allowance for doubtful debts		25,000
Share capital		3,430,000
Shares in Xcavate Mining Ltd	290,000	
Tax payable		615,000

**Additional information:**

- A final dividend of \$250,000 was declared at the 2021 Annual General Meeting held in September 2021 and was paid on 30 September 2021.
- On 1 October 2021 the company issued a prospectus for 1,000,000 ordinary shares at an issue price of \$1.25 per share. Applications were received for 800,000 ordinary shares by 20 October 2021. The Directors allotted the shares on 1 November 2021 and paid share issue costs of \$70,000 on the same day.
- An interim dividend of \$232,000 was declared and paid on 30 March 2022.
- The land was revalued upwards during the year by \$1,200,000.
- The Directors have resolved to transfer an additional \$400,000 to the General reserve on 30 June 2022.
- The Directors intend to recommend at the Annual General Meeting to be held in September 2022, that a final dividend of \$0.06 per share be paid to shareholders.
- As at 30 June 2021, the company's share capital consisted of 5 million ordinary shares issued at \$0.50 each.
- The balance of the retained earnings account as at 1 July 2021 was \$1,369,000.

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**Question 20**

A business is considering an investment in a pharmaceutical development project. The initial capital expenditure budget is limited to \$3,500,000. It has an opportunity to invest in either Option 1 or Option 2. The business has a required rate of return on capital investments of 12%, and usually expects to recover the cost of its investments in three and a half years.

Net cash flows for each option are shown below:

	<b>Option 1</b>	<b>Option 2</b>
Initial investment 1 July	\$3,000,000	\$3,100,000
Net after tax operating cash inflows as at 30 June for the following years:		
Year 1	855,000	Nil
Year 2	855,000	1,050,000
Year 3	855,000	1,050,000
Year 4	855,000	1,100,000
Year 5	855,000	1,100,000
Residual – Year 5	Nil	490,000

## Question 21

The management of Zwenda Ltd has provided the following comparative financial reports for the financial years ending 2021 and 2022.

**Zwenda Ltd  
Balance sheet  
as at 30 June**

	<b>2022 \$</b>	<b>2021 \$</b>
<b>Current assets</b>		
Cash at bank	35,214	40,039
Term deposit (matures 10 July 2022)	40,000	40,000
Accounts receivable	35,425	33,578
Inventories	45,450	43,230
Prepaid factory rent	6,000	4,000
<b>Total current assets</b>	<b>162,089</b>	<b>160,847</b>
<b>Non-current assets</b>		
Motor vehicles (at cost)	65,000	55,425
Accumulated depreciation of motor vehicles	(25,300)	(27,500)
Plant and equipment (at cost)	78,000	65,000
Accumulated depreciation of plant and equipment	(31,200)	(21,666)
Land	250,000	250,000
<b>Total non-current assets</b>	<b>336,500</b>	<b>321,259</b>
<b>Total assets</b>	<b>498,589</b>	<b>482,106</b>
<b>Current liabilities</b>		
Accounts payable	33,245	31,878
Accrued wages	2,500	1,900
Accrued interest expense	500	625
Income tax payable	6,252	6,200
<b>Total current liabilities</b>	<b>42,497</b>	<b>40,603</b>
<b>Non-current liabilities</b>		
Term loan (repayable June 2026)	120,000	120,000
<b>Total non-current liabilities</b>	<b>120,000</b>	<b>120,000</b>
<b>Total liabilities</b>	<b>162,497</b>	<b>160,603</b>
<b>Net assets</b>	<b>336,092</b>	<b>321,503</b>
<b>Equity</b>		
Share capital	230,000	230,000
Retained earnings	106,092	91,503
<b>Total equity</b>	<b>336,092</b>	<b>321,503</b>

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**Zwenda Ltd**  
**Income statement**  
**for the year ended 30 June 2022**

	\$	\$
Credit sales	251,000	
Cash sales	120,000	371,000
Less sales returns		10,200
Net sales		360,800
Less cost of sales		109,200
<b>Gross profit</b>		<b>251,600</b>
Add other income		
Interest income		1,500
Gain on sale of motor vehicle		500
		<b>253,600</b>
<b>Less expenses</b>		
Administration expenses	25,000	
Factory rent	60,000	
Wages	110,000	
Interest	5,500	
Depreciation of plant and equipment	9,534	
Depreciation of motor vehicles	7,725	
Other expenses	15,000	232,759
<b>Profit before tax</b>		<b>20,841</b>
Less income tax expense		6,252
<b>Profit after tax</b>		<b>14,589</b>

**Additional information:**

- Additional plant and equipment was purchased in 2022.
- Sales returns are all for credit sales.
- A motor vehicle with an original cost of \$15,425 and accumulated depreciation of \$9,925 was sold for cash in 2022. A new motor vehicle was purchased for cash in 2022.
- Income tax payable as at the end of 2021 was paid in 2022.
- The company classifies interest received as an investing activity and interest paid as an operating activity to ensure consistency from year to year.

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