



South Australian
Certificate of Education

Accounting

2019 sample paper

Question booklet

- Questions 1 to 5
- Answer **all** questions
- Write your answers in this question booklet

Examination information

Materials

- Question booklet
- Information booklet
- SACE registration number label

Instructions

- Use black or blue pen
- You may use a sharp dark pencil for calculations
- Approved calculators may be used

Total time: 130 minutes

Total marks: 120

The purpose of this version of the 2018 Accounting paper is to show the format of the examination from November 2019.

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Government
of South Australia

SACE BOARD OF SOUTH AUSTRALIA

Question 1 (25 marks)

Refer to page 3 of the information booklet when answering Question 1.

- (a) At the end of December 2018, Cookie Cafe's bank statement shows a balance of \$8140 credit.

When Kane checked the bank statement against the business's cash records, he noted the following differences:

- Government charges in the bank statement totalling \$75.
- Deposits not presented to the bank totalling \$800.
- Bank interest received totalling \$18.
- Cheques written for the month totalling \$3900, but only \$3200 of this total appears in the December bank statement.

Prepare a bank reconciliation statement as at 31 December 2018.

COOKIE CAFE
Bank reconciliation statement as at 31 December 2018

SAMPLE

(2 marks)

- (b) Complete the collection from debtors schedule for the January–March quarter and the April–June quarter.

COOKIE CAFE
Collection from debtors schedule for January–March and April–June

	Credit sales	January–March 2019	April–June 2019
October–December 2018	23 000		
January–March 2019	20 000		
April–June 2019	27 500		
TOTAL			

(2 marks)

- (c) Complete the cash budget for the January–March quarter and the April–June quarter.

COOKIE CAFE
Cash budget for January–March and April–June

	January–March 2019	April–June 2019
Receipts		
Total receipts		
Payments		
Total payments		
Opening bank balance		
Receipts less payments		
Closing bank balance		

(12 marks)

- (d) Kane uses vertical analysis to interpret the cash budgets for Cookie Cafe.

Explain the difference between vertical analysis and trend analysis.

(2 marks)

- (e) After analysing the cash budget, Kane is considering investing funds from Cookie Cafe in McAll Sports Ltd. To aid in decision-making, he has provided the following financial information about McAll Sports Ltd as at 31 December 2018:

Profit	\$550 000
Dividends to ordinary shareholders	\$540 000
Number of ordinary shares	200 000
Market price per ordinary share	\$14.00
Industry average (benchmark) — earnings per ordinary share	\$2.20
Industry average (benchmark) — earnings yield	16.10%

- (i) Calculate the earnings yield for McAll Sports Ltd as at 31 December 2018.

(2 marks)

- (ii) Based on your result in part (e)(i), would you advise Kane to invest in McAll Sports Ltd? Give a reason for your answer.

(1 mark)

- (iii) Why should Kane also consider the dividend yield when he is deciding whether or not to invest in McAll Sports Ltd?

(1 mark)

- (f) Kane is intending to buy McAll Sports Ltd shares to the value of \$10 000 in March 2019.

With reference to the cash budget that you completed in part (c) on page 4, state *one* factor that might influence his decision.

_____ (1 mark)

- (g) Kane applies the concept of consistency when preparing his financial reports.

- (i) State *one* advantage of applying the concept of consistency.

_____ (1 mark)

- (ii) State *one* disadvantage of applying the concept of consistency.

_____ (1 mark)

End of Question 1

(d) State *two* advantages of maintaining a debtors' ageing analysis.

(i) _____
_____ (1 mark)

(ii) _____
_____ (1 mark)

(e) Provide *one* piece of evidence from the information on page 5 of the information booklet that indicates why Liana should be concerned about the way she manages her debtors.

_____ (1 mark)

(f) Liana wants to expand the business by producing and selling beach umbrellas, and she provides the following information:

- Monthly hire of a machine to cut and stitch umbrella fabric \$200.
- Variable costs of materials \$20 for each umbrella.
- Selling price for umbrellas \$55 each.
- Additional monthly rent for manufacturing space \$600.

(i) Calculate the monthly break-even point.

(2 marks)

(ii) Calculate what the business's profit or loss would be if Liana were to produce and sell 300 beach umbrellas in the 12 months following the expansion.

(2 marks)

(iii) Identify *one* factor that could result in a loss on the production and sale of the beach umbrellas in the 12 months following the expansion.

_____ (1 mark)

End of Question 2

Question 3 (30 marks)

Refer to page 7 of the information booklet when answering Question 3.

- (a) (i) Show the calculation for depreciation on the manager's car.

(2 marks)

- (ii) Show the calculation for depreciation on printing equipment.

(2 marks)

- (b) Using the information on page 7 of the information booklet, complete the general journal entries to record the adjustments shown.

GENERAL JOURNAL

Date	Details	Debit	Credit
	Recording rent expense		
	Recording the doubtful debts expense		

(3 marks)

- (c) Using the information on page 7 of the information booklet, prepare a fully classified income statement for José's Office Products for the year ended 30 June 2018.

JOSÉ'S OFFICE PRODUCTS
Income statement for year ended 30 June 2018

Revenue
Cost of goods sold
Gross profit
Expenses
Selling
Administrative
Financial
Profit/loss

(8 marks)

- (d) Using the information on page 7 of the information booklet, complete the balance sheet (extract) for José's Office Products as at 30 June 2018.

JOSÉ'S OFFICE PRODUCTS
Extract from the balance sheet as at 30 June 2018

Total assets	153 260
Current liabilities	
Non-current liabilities	
Total liabilities	
Net assets	

(4 marks)

- (e) Identify *one* example of the concept of the accounting entity in the trial balance (extract) on page 7 of the information booklet.

_____ (1 mark)

- (f) At present José's customers pay for their products at checkouts operated by sales staff. José has decided to purchase some self-service checkouts, which will not be operated by sales staff.

(i) Identify *one* social issue relating to José's decision.

(1 mark)

(ii) Suggest *one* way that José could reduce the impact of his decision.

(1 mark)

- (g) Identify *two* potential sources of finance that José could use to fund the acquisition of the self-service checkouts.

(i) _____

(1 mark)

(ii) _____

(1 mark)

- (h) Using the information in the balance sheet (extract) on page 11, calculate the total debt/total assets ratio for José's Office Products.

(1 mark)

- (i) Discuss how your result in part (h) might impact on the likelihood of José obtaining finance from an external source.

(2 marks)

- (j) Using the information in the income statement on page 10, calculate the times interest earned ratio for José's Office Products for 2018.

(1 mark)

- (k) Explain what your result in part (j) indicates about the financing of the business. *The current industry average is 3.2 times.*

(2 marks)

End of Question 3

Question 4 (30 marks)

Refer to page 9 of the information booklet when answering Question 4.

- (a) Complete the following inventory card for January 2018, using the first-in first-out method of recording inventory. Include the inventory adjustment.

INVENTORY CARD

Date	Details	In			Out			Balance		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
1 Jan	Balance							10	9	90
FINAL BALANCE										

(7 marks)

- (b) Using the information in the inventory card on page 14, complete the cost of goods sold account.

Cost of goods sold account

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(2 marks)

- (c) Give *one* reason why Hung has chosen the first-in first-out method of recording inventory.

(1 mark)

- (d) Record the inventory adjustment for January in the general journal. *A narration is required.*

GENERAL JOURNAL

Date	Details	Debit	Credit

(2 marks)

- (e) What measures could Hung take to address the inventory discrepancy?

(1 mark)

(f) State *two* impacts of the inventory adjustment in part (d) on Illuminate's financial statements.

(i) _____
_____ (1 mark)

(ii) _____
_____ (1 mark)

(g) Using the information on page 9 of the information booklet, prepare the extract from the income statement for Illuminate for the month ended 31 January 2018. Include the inventory adjustment.

ILLUMINATE
Extract from income statement for month ended 31 January 2018

Revenue	
Cost of goods sold	
Gross profit	

(2 marks)

(h) (i) State *one* impact of the rising purchase price of necklaces on Illuminate's gross profit figure.

_____ (1 mark)

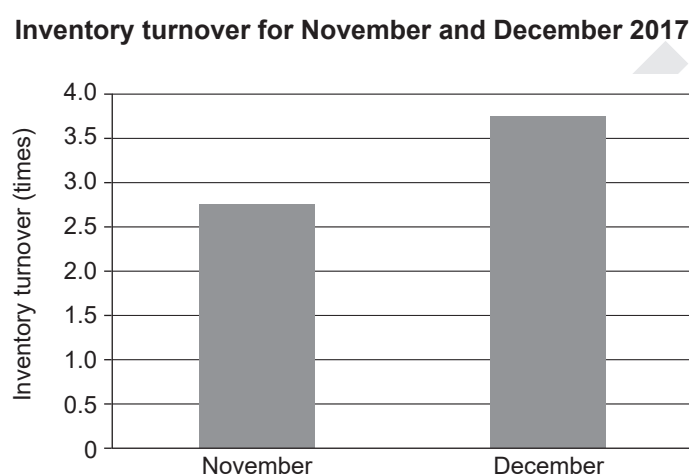
(ii) With reference to your answer in part (h)(i), suggest a change that Hung could make in order to increase profitability.

_____ (1 mark)

- (i) Using the information on page 9 of the information booklet, calculate the inventory turnover for Illuminate for the month ended 31 January 2018.

(2 marks)

- (j) Hung has provided the following bar graph of inventory turnover for November and December 2017:



Using the graph and the inventory turnover that you calculated in part (i) above:

- (i) comment on the inventory turnover trend.

(1 mark)

- (ii) suggest a possible reason for this trend.

(1 mark)

- (k) Hung purchased 100 bracelets for \$5.50 each, and he is now selling them for \$4 each.

What value should Hung record in the financial statements for these bracelets? Give a reason for your answer.

(1 mark)

- (l) Hung has provided the following information about the performance of Illuminate during January:

	1 January 2018	31 January 2018
Assets	235 000	236 000
Liabilities	92 000	94 500

If Hung withdrew inventory to the value of \$6000 during January, what was Illuminate's net profit for January?

(2 marks)

- (m) Hung is introducing online sales, so he wants to purchase a delivery vehicle.

- (i) Using the information in part (l), calculate a ratio that would help Hung to decide whether or not to contribute capital to the business.

(1 mark)

- (ii) On the basis of your result in part (m)(i), would you advise Hung to contribute capital to the business in order to purchase a delivery vehicle? Give a reason for your advice.

_____ (1 mark)

- (n) In deciding whether or not to purchase a delivery vehicle, Hung will consider qualitative data and quantitative data.

- (i) Give *one* example of a piece of qualitative data that he should consider.

_____ (1 mark)

- (ii) Give *one* example of a piece of quantitative data that he should consider.

_____ (1 mark)

End of Question 4

This version of the 2018 Accounting paper shows the format of the examination from November 2019.

Question 5 (20 marks)

Refer to pages 10 and 11 of the information booklet when answering Question 5.

- (a) Using the information on page 9 of the information booklet, calculate the working capital ratio for Dressed Up as at 30 June 2018.

(1 mark)

- (b) Comment on what your result in part (a) means for the business.

_____ (1 mark)

Question 5 continues on page 20.

- (c) Complete the following calculations in order to prepare a statement of cash flows for Dressed Up for the year ended 30 June 2018.

Cash received from debtors.

Cash paid to creditors.

Cash paid for advertising.

Cash paid for salaries.

(6 marks)

Use the space below for other calculations.

- (d) Prepare a statement of cash flows for Dressed Up for the year ended 30 June 2018.

DRESSED UP
Statement of cash flows for year ended 30 June 2018

CASH FLOWS FROM OPERATING ACTIVITIES
Inflows
Outflows
<i>Net cash flows from operating activities</i>
CASH FLOWS FROM INVESTING ACTIVITIES
Inflows
Outflows
<i>Net cash flows from investing activities</i>
CASH FLOWS FROM FINANCING ACTIVITIES
Inflows
Outflows
<i>Net cash flows from financing activities</i>
NET INCREASE/DECREASE IN CASH HELD
CASH AT BEGINNING OF YEAR
CASH AT END OF YEAR

(8 marks)

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- (e) Comment on whether or not Naeem's actions relating to investing activities for Dressed Up were justified.

(2 marks)

- (f) During a recent winter sale, Naeem advertised that a bear costume 'was \$200' and is 'now \$150', even though the store had never offered the costume for sale at \$200.

State the ethical issue relating to Naeem's advertisement.

(1 mark)

- (g) Identify the accounting entity and the legal entity of Dressed Up. Tick the appropriate boxes to indicate your answer.

	Accounting entity	Legal entity
Naeem		
Dressed Up		

(1 mark)

End of Question 5

