



**South Australian  
Certificate of Education**

# Accounting 2023

## Information booklet

- Refer to the information in this booklet, where appropriate, when answering Questions 1 to 5
- Write your answers in the question booklets



Refer to the following information, where appropriate, when answering Questions 1 to 5.

### FINANCIAL ANALYSIS RATIOS

Name	Calculation	Expressed as
<b>Profitability (return)</b>		
For all entities:		
Return on equity	$\frac{\text{profit}}{\text{owner's equity}^*}$	%
Return on total assets	$\frac{\text{profit} + \text{interest expense}}{\text{total assets}^*}$	%
Profit margin	$\frac{\text{profit}}{\text{revenue}^\dagger}$	%
Expense	$\frac{\text{individual expenses}}{\text{revenue}^\dagger}$	%
Gross profit margin	$\frac{\text{gross profit}}{\text{revenue}^\dagger}$	%
For companies:		
Earnings per ordinary share	$\frac{\text{profit for ordinary shareholders}}{\text{number of ordinary shares}}$	\$
Earnings yield	$\frac{\text{earnings per ordinary share}}{\text{market price per ordinary share}}$	%
Dividend per ordinary share	$\frac{\text{total ordinary dividend}}{\text{number of ordinary shares}}$	\$
Dividend yield	$\frac{\text{dividend per ordinary share}}{\text{market price per ordinary share}}$	%
<b>Financial stability (risk)</b>		
Short term (liquidity)		
Quick ratio (acid test)	$\frac{\text{cash assets} + \text{receivables}}{\text{current liabilities}}$	ratio
Working capital (current ratio)	$\frac{\text{current assets}}{\text{current liabilities}}$	ratio
Debtors turnover	$\frac{\text{net credit sales}}{\text{debtors}^*}$	times
Inventory turnover	$\frac{\text{cost of goods sold}}{\text{inventory}^*}$	times
Long term (solvency)		
Debt ratio	$\frac{\text{total liabilities}}{\text{total assets}}$	%
Debt/equity	$\frac{\text{total liabilities}}{\text{owner's equity}}$	%
Times interest earned	$\frac{\text{profit} + \text{interest expense}}{\text{interest expense}}$	times

\*Averages are used for these values. However, the availability of information may necessitate the use of opening or closing values.

†Net sales should be used, except in the case where a business only provides service.

## SECTION 1

### Question 1

Vincent Vanderbergh is the owner of an online camping goods store, Starlit Nights, which caters to the 'glamping' (glamorous camping) market. The business sells comfortable tents, luxury sleeping bags, and a variety of deluxe camping accessories. Starlit Nights records transactions for sleeping bags on inventory cards, using the perpetual inventory system. A new line of luxury sleeping bags will be sold from 1 March. There are currently no sleeping bags in stock.

The following transactions were recorded for Starlit Nights.

1 March	Purchased 8 sleeping bags on credit for \$230 each from supplier Gear Up and Go.
3 March	Returned 3 sleeping bags to Gear Up and Go.
7 March	Purchased 9 sleeping bags with cash for \$290 each.
9 March	Sold 6 sleeping bags for \$670 each. All sales were for cash.
10 March	Sold 5 sleeping bags on credit to E Bernard for \$670 each.
15 March	E Bernard returned 1 sleeping bag.
18 March	Final stocktake showed 3 sleeping bags on hand.

## Question 2

Animal Companions Pet-Minders is an in-home, pet-sitting business that is owned and operated by Theresa Huynh. The business uses organic pet food and grooming products during pet-sitting jobs.

Theresa provides the following information.

- Animal Companions Pet-Minders has a bank statement balance of \$28 000 credit as at 30 September 2023.
- As many pet owners take holidays in the quarter ending December, Animal Companions Pet-Minders expects a 30% increase in pet-sitting revenue compared to the quarter ending 30 September 2023.
- All pet-sitting revenue is on credit with 60% being collected in the quarter that it is made, and 35% received in the following quarter.
- In November 2023, Theresa intends to inject \$10 000 capital into Animal Companions Pet-Minders.
- Purchases of organic pet food and grooming products cost \$12 000 per quarter and are paid in cash within the quarter of sale, so that Theresa can take advantage of a 5% cash discount.
- Expenses for the quarter ending December 2023 are expected to consist of:
  - bad debts of \$9000
  - advertising expenses of \$3000
  - administrative expenses (\$500 per month)
  - insurance costs (these total \$6000 per year, and are paid quarterly)
  - wages (normally \$27 000 per quarter, these are expected to increase by 10% for the December quarter).

### Question 3

Taylor Mason-Long is a sole trader operating Great Australian Bytes, a computer business that sells and repairs computers. They have prepared the following trial balance as at 30 June 2023.

**GREAT AUSTRALIAN BYTES**  
**Trial balance as at 30 June 2023**

<i>Account</i>	<i>Debit</i>	<i>Credit</i>
Prepaid shop rent	30 000	
Electricity	1 800	
Sales		175 000
Service revenue		95 000
Discount allowed	5 000	
Sales returns	2 000	
Cash	6 000	
Cost of goods sold	100 000	
Allowance for doubtful debts		1 000
Inventory	40 000	
Accumulated depreciation – computer repair equipment		30 600
Accumulated depreciation – office furniture		10 000
Creditors		25 000
Capital – Taylor Mason-Long		47 400
Office expenses	4 700	
Computer repair equipment	85 000	
Long-term loan		56 000
Office furniture	50 000	
Office wages	70 000	
Debtors control	34 000	
Advertising	1 500	
Drawings – Taylor Mason-Long	8 300	
Interest expense	1 700	
	440 000	440 000

*Additional information*

- Prepaid shop rent covers the 12-month period from 1 October 2022 to 30 September 2023.
- Bad debts of \$4000 were identified during the year, but have not been written off.
- The allowance for doubtful debts needs to be adjusted to 10% of debtors control.
- The closing inventory was determined through a stocktake on 30 June 2023 to be \$38 000.
- The depreciation expense on computer repair equipment has been calculated at \$10 880 for the year.
- The depreciation expense on office furniture has been calculated at \$5000 for the year.
- An amount of \$1300 is owing for electricity; this amount has not been recorded or paid.

## SECTION 2

Casey Wingara owns a marine store, called Lakeland Sports, in a lakeside town. The business sells a range of products, including:

- waterskis, wakeboards, and kneeboards
- water craft such as kayaks and canoes
- fishing rods, tackle, and other fishing equipment
- a range of water-safety equipment, including life vests.

The town in which Casey's store is located is a popular tourist spot. However, an unseasonably cold summer has had a major impact on the business, as holidaymakers have stayed at home.

Before the downturn, the business had invested \$40 000 in an increase in equipment, in preparation for an expansion into boat-motor servicing and repairs. Casey was planning to extend the business premises to allow space for the boat-motor servicing and repairs to be carried out, and to employ a family member who is a mechanic to undertake the servicing and repairs. The projected total cost for the expansion was \$90 000.

Casey considers themselves luckier than some local businesses, because many loyal customers have gone out of their way to visit their store despite the poor weather. But Casey is still concerned about the cash flow of their business and is unsure whether to continue with their plans for expansion.

They have provided the following three reports.

### LAKELAND SPORTS Statement of changes in equity for the years ended 30 June 2022 and 30 June 2023

	<b>2023</b>	<b>2022</b>
Opening capital – Casey Wingara	237 100	205 000
Additional capital	16 000	5 000
Drawings	(1 500)	(20 000)
Profit	5 200	47 100
<b>Closing capital</b>	<b>256 800</b>	<b>237 100</b>

**LAKELAND SPORTS**  
**Comparative income statements for the year ended 30 June**

	<b>2023</b>	<b>2022</b>
<b>Revenue</b>		
Credit sales	180 000	280 000
Cash sales	23 700	25 000
Sales returns	(1 100)	(3 500)
<b>Cost of goods sold</b>		
Opening inventory	9 900	21 000
Purchases	65 000	125 000
Purchase returns	(400)	—
Freight inwards	3 500	2 500
Closing inventory	(11 400)	(9 900)
<b>Gross profit</b>	<b>136 000</b>	<b>162 900</b>
<b>Other revenue</b>		
Rent received	14 700	14 700
<b>Expenses</b>		
Wages	96 000	97 000
Insurance	20 000	4 300
Advertising	5 500	10 000
Depreciation on fixtures and fittings	3 800	4 000
Bad and doubtful debts	2 000	3 500
Interest on mortgage	18 200	11 700
<b>Profit</b>	<b>5 200</b>	<b>47 100</b>

*Additional information*

- Bad debts for the 2023 financial year were \$1400.
- All sales returns are on a credit basis.

***Information continues on page 8.***

**LAKELAND SPORTS**  
Comparative balance sheets as at 30 June

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash at bank	—	4 100
Debtors	13 500	7 000
Allowance for doubtful debts	(2 100)	(1 500)
Prepaid insurance	2 000	1 000
Inventory	11 400	9 900
	<b>24 800</b>	<b>20 500</b>
<b>Non-current assets</b>		
Equipment	160 000	120 000
Accumulated depreciation on equipment	(20 000)	(10 000)
Fixtures and fittings	107 000	132 000
Accumulated depreciation on fixtures and fittings	(23 800)	(30 000)
Land and buildings	400 000	400 000
	<b>623 200</b>	<b>612 000</b>
<b>Total assets</b>	<b>648 000</b>	<b>632 500</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	3 400	—
Creditors	7 900	4 000
Rent received in advance	900	1 400
Loan	8 000	—
	<b>20 200</b>	<b>5 400</b>
<b>Non-current liabilities</b>		
Mortgage	371 000	390 000
	<b>371 000</b>	<b>390 000</b>
<b>Total liabilities</b>	<b>391 200</b>	<b>395 400</b>
<b>EQUITY</b>	<b>256 800</b>	<b>237 100</b>

*Additional information*

- All loan repayments are for cash.





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# Accounting 2023

## Question booklet 1

**Section 1** (Questions 1 to 3) 70 marks

- Answer **all** questions
- Write your answers in this question booklet
- Allow approximately 80 minutes

## Examination information

### Materials

- Question booklet 1
- Question booklet 2
- Information booklet
- SACE registration number label

### Instructions

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

**Total time:** 130 minutes

**Total marks:** 120

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Attach your SACE registration number label here



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**SECTION 1 (70 marks)**

**Question 1** (20 marks)

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

- (a) Complete the inventory card for Starlit Nights, recording any inventory discrepancy using the first-in, first-out method.

**STARLIT NIGHTS**  
**Inventory card for luxury sleeping bags**

Date	Details	In			Out			Balance		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total

(7 marks)

(b) Post the transactions for Starlit Nights to the general ledger for:

(i) the inventory control account (*formal balancing is not required*).

**GENERAL LEDGER**  
**Inventory control account**

Date	Details	\$	Date	Details	\$

(4 marks)

(ii) the cost of goods sold account (*formal balancing is not required*).

**GENERAL LEDGER**  
**Cost of goods sold account**

Date	Details	\$	Date	Details	\$

(2 marks)

(c) Complete the general journal entry for all elements of the sales transaction that occurred on 10 March. *Narrations are required.*

Date	Details	Debit	Credit

(3 marks)

(d) Vincent has 10 camping mattresses in stock. The cost price of each camping mattress is \$350. The usual selling price for each camping mattress is \$800. However, Starlit Nights is planning a sale in April, in which it will discount the selling price of the camping mattresses by 50%.

(i) Calculate the total cost price of the 10 camping mattresses.

(1 mark)

(ii) The total advertising expenses for the camping mattress sale is \$550. Calculate the total net realisable value of the 10 camping mattresses.

(2 marks)

(iii) What is the dollar value of the inventory that should be recorded in the final report?

\_\_\_\_\_

\_\_\_\_\_ (1 mark)

**Question 2** (20 marks)

Refer to page 4 of the information booklet when answering Question 2.

- (a) Explain how the monetary unit convention is applied to financial reports, and why it is important in the preparation of these reports.

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(2 marks)

- (b) A variance analysis for the quarter ended 30 September 2023 shows the information below.

**ANIMAL COMPANIONS PET-MINDERS**  
**Variance analysis for the quarter ended 30 September 2023**

Item	Budget	Actual	Variance
Pet-sitting revenue	123 000	109 000	(14 000)
Wages	27 000	27 000	—
Advertising	3 000	1 500	(1 500)
Insurance	500	1 500	1 000
Administrative expenses	1 250	1 450	200

Using the information provided above, explain a possible reason for the variance found in pet-sitting revenue.

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(2 marks)

(c) Complete the receipts from debtors schedule for Animal Companions Pet-Minders.

**ANIMAL COMPANIONS PET-MINDERS**  
**Schedule of receipts from debtors**

	<i>Pet-sitting revenue</i>	<i>Collected during October–December</i>
August–September	\$109 000	
October–December		
<b>Total</b>		

(2 marks)

(d) Prepare the cash budget for Animal Companions Pet-Minders for the quarter ending 30 December 2023.

**ANIMAL COMPANIONS PET-MINDERS**  
**Cash budget for the quarter ending 30 December 2023**

	October–December
Estimated cash receipts	
Total estimated cash receipts	
Estimated cash payments	
Total estimated cash payments	
Surplus/deficit	
Opening bank balance	
Closing bank balance	

(7 marks)

- (e) Theresa is considering investing the additional cash from Animal Companions Pet-Minders into Acme Veterinary Clinic Pty Ltd. She has provided the following information as at 30 June 2023.

**ACME VETERINARY CLINIC PTY LTD**

Net profit	\$825 000
Ordinary dividend	\$380 000
Number of ordinary shares	400 000
Market price per ordinary share	\$8.50
Earnings yield	24.3%

- (i) Calculate the dividend yield of Acme Veterinary Clinic Pty Ltd.

(2 marks)

- (ii) Outline why the earnings yield is also an important figure for Theresa to consider in deciding whether or not to invest in Acme Veterinary Clinic Pty Ltd.

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(2 marks)

- (iii) Discuss the advisability of Theresa's planned investment, given that Animal Companions Pet-Minders has a return on equity of 12.1%.

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(1 mark)

- (iv) Using examples from the cash budget in part (d), explain why Theresa should be cautious about using the budgeted information in making investment decisions.

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(2 marks)

**Question 3** (30 marks)

Refer to page 5 of the information booklet when answering Question 3.

(a) Calculate the balance of prepaid shop rent.

(1 mark)

(b) Calculate the balance of the debtors control account after the bad debt is written off.

(1 mark)

(c) Complete the general ledger to adjust the allowance account to be 10% of debtors control.  
*Formal balancing is required.*

**GENERAL LEDGER**  
**Allowance for doubtful debts**

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(4 marks)



(d) Prepare the balance sheet for Great Australian Bytes as at 30 June 2023.

**GREAT AUSTRALIAN BYTES**  
**Balance sheet as at 30 June 2023**

<b>ASSETS</b>
<b>Current assets</b>
<b>Non-current assets</b>
<b>Total assets</b>
<b>LIABILITIES</b>
<b>Current liabilities</b>
<b>Non-current liabilities</b>
<b>Total liabilities</b>
<b>Net assets</b>
<b>Equity</b>
<b>Capital – Taylor Mason-Long</b>

(8 marks)

(e) Using details from page 5 of the information booklet, complete the income statement extract for Great Australian Bytes for the year ended 30 June 2023.

**GREAT AUSTRALIAN BYTES**  
**Income statement extract for the year ended 30 June 2023**

<b>Gross profit</b>	161 000
<b>Expenses</b>	
Selling	
<b>Administrative</b>	
<b>Financial</b>	
<b>Profit/loss</b>	

(5 marks)

(f) Discuss the principle of faithful representation and how it applies to balance day adjustments.

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(2 marks)

(g) State and give a reason for the most appropriate method of depreciating the following non-current assets.

(i) Computer repair equipment

Method: \_\_\_\_\_

Reason: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ (2 marks)

(ii) Furniture

Method: \_\_\_\_\_

Reason: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ (2 marks)

(h) State an accounting concept that relates to applying the same method of depreciation to non-current assets.

\_\_\_\_\_

\_\_\_\_\_ (1 mark)

(i) Calculate the working capital ratio at 30 June 2023.

(2 marks)

(j) What does the working capital ratio tell Taylor about the liquidity of the business?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ (2 marks)





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# Accounting 2023

## Question booklet 2

**Section 2** (Questions 4 and 5) 50 marks

- Answer **all** questions
- Write your answers in this question booklet
- Allow approximately 50 minutes

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**SECTION 2 (50 marks)**

**Question 4** (20 marks)

*Refer to pages 6 to 8 of the information booklet when answering Question 4.*

- (a) Outline *one* benefit of preparing a statement of cash flows.

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(1 mark)

- (b) Show the calculations that you need to complete the inflows from operating activities section of the statement of cash flows for 2023.

Debtors.

Cash received for rent revenue.

(3 marks)

(c) Prepare a statement of cash flows for Lakeland Sports for the year ended 30 June 2023.

**LAKELAND SPORTS**  
**Statement of cash flows for the year ended 30 June 2023**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Inflows</i>			
<i>Outflows</i>			
Payment to creditors	60 700		
Operating expenses	126 000		
Interest on mortgage	18 200	(204 900)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Inflows</i>			
Fixtures and fittings	25 000	25 000	
<i>Outflows</i>			
Equipment	40 000	(40 000)	(15 000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Inflows</i>			
<i>Outflows</i>			
<b>NET INCREASE/DECREASE IN CASH HELD</b>			
<b>CASH AT BEGINNING OF YEAR</b>			
<b>CASH AT END OF YEAR</b>			

(5 marks)

- (d) In the income statements on page 7 of the information booklet, the profit for Lakeland Sports was \$5200 for 2023.

Using examples from the statement of cash flows, explain why the change in cash from 2022 to 2023 is a negative value.

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(3 marks)

- (e) From the income statements for 2023 and 2022, identify the change in any *two* expenses and use this information to complete the table below.

Expense	Increase/decrease (\$)	Potential impact on business

(2 marks)

- (f) Make the calculation to complete the following table of Lakeland Sports' return on equity. *You may use the space below to show your working.*

	2021	2022	2023
Return on equity	19.8%	18.7%	

(2 marks)



(g) Long-term stability is an important consideration for any business.

(i) Identify a solvency ratio that a bank would use to determine whether or not a business is eligible for a loan, and calculate this ratio for Lakeland Sports for 2023.

Solvency ratio: \_\_\_\_\_

Calculation:

(2 marks)

(ii) Discuss the result of your calculation in part (g)(i) and how banks might interpret it.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (2 marks)

**Question 5 begins on page 6.**

**Question 5** (30 marks)

*Refer to pages 6 to 8 of the information booklet, and to your answers in Question 4, when answering Question 5.*

Write a letter, report, or email that provides detailed accounting advice on the following:

- the cash flow of Lakeland Sports, with reference to the statement of cash flows that you completed in Question 4 (5 marks)
- the current position and performance of Lakeland Sports, using values from the financial statements and ratios already calculated (10 marks)
- a source of finance that would be appropriate to fund the extension of the premises, including the advantages and disadvantages of using this source of finance (5 marks)
- qualitative and quantitative factors that Casey should consider when deciding whether or not to continue with plans to expand their business to include boat-motor servicing and repairs. (5 marks)

Credit will be given for answers that demonstrate clear and concise communication and contain only relevant information. Advice may be provided as dot points. (5 marks)

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***You may use the space below for any calculations that you may wish to do to support your answer to Question 5; however, these calculations will not be assessed.***

