



South Australian
Certificate of Education

Accounting 2024

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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The SACE Board of South Australia acknowledges that this examination was created on Kaurna Land. We acknowledge First Nations Elders, parents, families, and communities as the first educators of their children, and we recognise and value the cultures and strengths that First Nations students bring to the classroom. We respect the unique connection and relationship that First Nations peoples have to Country, and their ever-enduring cultural heritage.

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 Ground to Sky Electrical for June 2024, given that a stocktake revealed a closing balance of 26 solar panels.

**GROUND TO SKY ELECTRICAL
Inventory card for solar panels**

Date	Details	In			Out			Balance		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
1 June	Balance							20	3 500	70 000
5 June	Sales				4	3 500	14 000	16	3 500	56 000
7 June	Purchases	6	3 800	22 800				16	3 500	
								6	3 800	78 800
15 June	Sales returns	2	3 500	7 000				18	3 500	
								6	3 800	85 800
26 June	Purchases	3	3 800	11 400				18	3 500	
								9	3 800	97 200
30 June										
									Total	

Additional information

- All transactions were on credit.

(2 marks)

- (b) Referring to the inventory card you completed in part (a),

- (i) identify *one* possible reason for the transaction that took place on 30 June 2024.

_____ (1 mark)

- (ii) complete the inventory ledger given below. *Formal balancing is required.*

Inventory control

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(4 marks)

(c) (i) Calculate the inventory turnover ratio for the month of June 2024.

(2 marks)

(ii) Complete Table 1 below by calculating the time in days for the inventory turnover of solar panels for the year 2024.

Table 1

<i>Year</i>	<i>Inventory turnover</i>	<i>Time (in days)</i>
2022	9.1 times	40.1 days
2023	8.6 times	42.2 days
2024	7.4 times	

(1 mark)

(iii) Explain *one* reason for the significant difference between the inventory turnover for the month of June and the inventory turnover for the year 2024.

_____ (2 marks)

(d) State *one internal* user and *one external* user of the inventory turnover ratio.

Internal user	
External user	

(2 marks)

(e) Select *one* of the stakeholders that you identified in part (d). Using the information provided in part (c)(ii), comment on the impact this trend will have on the stakeholder's decisions.

Stakeholder: _____

Impact: _____

_____ (2 marks)

(f) The debtors ageing analysis is provided below.

GROUND TO SKY ELECTRICAL
Debtors ageing analysis at 30 June 2024

Debtor	Current	30 days	60 days	90 days+	Total
J Mackie			20 000		20 000
I Lewisham				12 000	12 000
V Wang				32 000	32 000
	—	—	20 000	44 000	64 000

Additional information

- Credit terms are 30 days.
- J Mackie has not paid their debt within 30 days and will be charged \$100 interest (this has not been recorded).
- V Wang has paid off \$2000 (this has not been recorded).

(i) Complete the debtors control ledger for Ground to Sky Electrical for 30 June 2024, using the additional information provided above. *Formal balancing is not required.*

Debtors control ledger

Balance	64 000	
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(2 marks)

(ii) Comment on the effectiveness of Ground to Sky Electrical’s approach to managing their debtors, and give *one* suggestion as to how they could improve it.

(2 marks)

Question 2 (20 marks)

Refer to pages 4 and 5 of the information booklet when answering Question 2.

Before completing the statement of cash flows, Isla needs to prepare a bank reconciliation. After reviewing the bank statement, Isla had calculated the cash at bank ledger at 30 June 2024 to be \$26 800 Dr.

The following items were identified in the bank reconciliation process:

- Unpresented cheques, totalling \$3250
- A cheque for \$690 was incorrectly recorded as \$960 in the business records
- Bank charges, totalling \$120
- Bank interest, totalling \$450
- A cash receipt of \$1050 did not appear in the bank statement.

- (a) Prepare the bank reconciliation statement for Baby in Arms for 30 June 2024 to determine the balance as per the bank statement.

BABY IN ARMS
Bank reconciliation statement as at 30 June 2024

Balance as per bank statement	29 000 Cr
Balance as per cash at bank ledger	26 800 Dr

(1 mark)

- (b) Using one of the items identified in the bank reconciliation process, outline why some items are not recorded in the bank reconciliation statement.

(1 mark)

- (c) Outline why cash at bank ledger is debit, while the bank statement is credit.

(1 mark)

- (d) Perform the following calculations to prepare a statement of cash flows for Baby in Arms for the year ended 30 June 2024.

Cash received from debtors.

Cash paid to creditors.

Cash paid for advertising.

Cash paid for commission expense.

(6 marks)

Use the space below for other calculations.

(e) Prepare a statement of cash flows for Baby in Arms for the year ended 30 June 2024.

BABY IN ARMS
Statement of cash flows for the year ended 30 June 2024

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

(7 marks)

(f) Explain how investing activities listed in the statement of cash flows relate to the going concern concept.

(2 marks)

(g) As at 30 June 2023, Baby in Arms had a bank overdraft of \$5000.

(i) State *one* disadvantage of this type of finance.

(1 mark)

(ii) Identify *one* circumstance under which a bank overdraft could be appropriate.

(1 mark)

Question 3 (30 marks)

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

(a) Show the calculation for the depreciation on fixtures and fittings.

(3 marks)

(b) Calculate the advertising expense for the current financial period.

(1 mark)

(c) Complete the general journal entry below to record the adjustments shown.

Date	Details	Debit	Credit
	Recording depreciation on delivery vehicle		
	Recording allowance for doubtful debts		

(4 marks)

Use the space below for other calculations.

- (d) Complete the balance sheet (extract) for Illuminated Lighting as at 30 June 2024.

ILLUMINATED LIGHTING
Balance sheet (extract) as at 30 June 2024

<p>Current assets</p> <p>Non-current assets</p> <p>Total assets</p>
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(9 marks)

- (e) (i) Outline why accumulated depreciation is not an example of the prudence assumption being applied in the balance sheet extract.

_____ (1 mark)

- (ii) State where the prudence assumption is being applied in the balance sheet extract.

_____ (1 mark)

- (iii) Outline how the concept of materiality is applied in the balance sheet extract.

_____ (1 mark)

(f) Prepare the income statement extract to calculate the gross profit.

ILLUMINATED LIGHTING
Income statement extract for the year ended 30 June 2024

REVENUE	
COST OF GOODS SOLD	
GROSS PROFIT	

(4 marks)

(g) (i) Calculate the gross profit margin for Akoya Glare.

(2 marks)

(ii) Outline why Akoya would be interested in the gross profit margin ratio.

(1 mark)

(h) State the amount for the following income statement items after any balance day adjustment.

	Amount (\$)
Dividend on investments	
Rent expense	

(2 marks)

(i) State the link between the income statement and the statement of changes in equity.

(1 mark)



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Accounting 2024

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

2

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Copy the information from your SACE label here

SEQ	FIGURES	CHECK LETTER	BIN
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SECTION 2 (50 marks)

Question 4 (30 marks)

Use additional information from page 9 of the information booklet for parts (b) and (c).

(a) Kyandi is considering establishing the business as a sole trader.

Discuss *two advantages* and *two disadvantages* of this type of ownership structure.

Advantages: _____

_____ (2 marks)

Disadvantages: _____

_____ (2 marks)

(b) Prepare the schedule of collections from debtors for Kyandi's Creations for April, May, and June 2025.

KYANDI'S CREATIONS
Schedule of collections from debtors for April, May, and June 2025

Month	Credit sales \$	Estimated receipts for April \$	Estimated receipts for May \$	Estimated receipts for June \$
February	15 000			
March	18 000			
April	25 000			
May	25 000			
TOTALS				

(3 marks)

(c) Prepare the cash budget for Kyandi's Kreations for the 3 months ending 30 June 2025.

KYANDI'S KREATIONS
Cash budget for the 3 months ending 30 June 2025

	April, May, and June \$
Estimated cash receipts	
Total estimated cash receipts	
Estimated cash payments	
Total estimated payments	
Surplus/deficit	
Opening bank balance	(22 130)
Closing bank balance	

(7 marks)

(d) Provide *one* possible reason why the opening bank balance of the April to June budget is negative.

(1 mark)

(e) Recommend *two* options for improving the 30 June 2025 budgeted cash balance.

(i) Option 1

(1 mark)

(ii) Option 2

(1 mark)

(f) Explain why the budgeted cash balance at the end of June 2025 does not have to be the same as the budgeted profit for the quarter ending June 2025.

(2 marks)

(g) Explain why a budget is important when setting up a new business.

(2 marks)

(h) Calculate the following forecast ratios for Kyandi's Kreations as at 30 June 2025.

Debt ratio.

Debt to equity ratio.

Working capital ratio.

(4 marks)

(i) Kyandi is planning on obtaining a loan of \$90 000 from a bank to fund the fit-out of the bakery. Discuss why a bank would be interested in one of the ratios calculated in part (h) when assessing her loan application.

Ratio: _____

Reason for interest: _____

(3 marks)

(j) Give *one* example and explain how Kyandi can use digital and emerging technologies to manage the financial sustainability of Kyandi's Kreations.

(2 marks)

Question 5 (20 marks)

Refer to pages 8 and 9 of the information booklet when answering Question 5.

Write a letter, report, or email that provides Kyandi with accounting advice that addresses:

- the *forecast profitability* of Kyandi's Kreations, with reference to the financial statements and ratios provided and calculated (5 marks)
- the *forecast financial stability* of Kyandi's Kreations, with reference to the financial statements and ratios provided and calculated (5 marks)
- qualitative factors Kyandi should consider when deciding on the location and product offerings of her new bakery business. (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 with consideration given to the format utilised. (5 marks)

There is space on page 11 of this question booklet for any calculations that you may wish to do to support your advice.

Lined writing area consisting of 25 horizontal lines.

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.





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Accounting 2024

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
Profitability (return)		
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	$\frac{\text{dividend per ordinary share}}{\text{market price per ordinary share}}$	%
Financial stability (risk)		
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

Ground to Sky Electrical, located in Adelaide, South Australia, is a sole trader business owned by Matthew Sheridan. The business has expanded in recent years to have a focus on the installation of solar panels. Ground to Sky Electrical uses the first-in, first-out method of recording inventory.

All information required for calculations for this question are included in Question Booklet 1.

Question 2

Isla Shepherd is the owner of Baby in Arms, a medium business that sells maternity and baby products.

BABY IN ARMS Income statement for the year ended 30 June 2024

	\$	\$	\$
Sales			
Cash sales		515 000	
Credit sales		210 000	
Discount allowed		<u>(6 500)</u>	718 500
Less cost of goods sold			
Opening inventory	200 000		
Credit purchases	280 000		
Credit purchases returns	<u>(20 000)</u>	460 000	
Closing inventory		<u>(135 000)</u>	325 000
Gross profit			393 500
Other expenses			
Advertising expense	7 000		
Depreciation on furniture and fittings	10 000		
Commission expense	11 000		
Salaries	180 000		
Office expenses	22 000		
Bad debts	2 300		
Interest expense	<u>9 700</u>	242 000	
Profit			151 500

BABY IN ARMS
Comparative balance sheets as at 30 June 2024 and 30 June 2023

	2024	2023
ASSETS		
Current assets		
Bank	26 800	0
Debtors	75 000	59 800
Inventory	135 000	200 000
Prepaid advertising	1 500	2 000
	238 300	261 800
Non-current assets		
Buildings	310 000	200 000
Furniture and fittings	440 000	400 000
Accum depr: Furniture and fittings	(70 000)	(60 000)
	680 000	540 000
Total assets	918 300	801 800
LIABILITIES		
Current liabilities		
Bank overdraft	0	5 000
Creditors	41 000	32 000
Accrued commission expense	10 000	12 000
	51 000	49 000
Non-current liabilities		
Loan	45 000	62 000
Total liabilities	96 000	111 000
NET ASSETS	822 300	690 800

BABY IN ARMS
Statement of changes in equity for the years
ended 30 June 2024 and 30 June 2023

	2024	2023
Opening capital	690 800	575 800
Profit	151 500	130 000
Drawings	(20 000)	(15 000)
Closing capital	822 300	690 800

Additional information

- All acquisitions and disposals of non-current assets were paid for in cash.
- All drawings were taken as cash.

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Question 3

Akoya Glare is the owner of a business called Illuminated Lighting. The business sells indoor and outdoor lighting and accessories.

ILLUMINATED LIGHTING
Extract from the trial balance as at 30 June 2024

<i>Account</i>	<i>Debit</i>	<i>Credit</i>
Accumulated depreciation on delivery vehicle		16 000
Accumulated depreciation on fixtures and fittings		36 500
Advertising expense	9 400	
Bank		1 500
Capital		313 600
Cost of goods sold	476 000	
Creditors control		24 200
Debtors control	36 000	
Delivery vehicle	90 000	
Delivery vehicle repairs	5 500	
Dividends on investments		4 700
Fixtures and fittings	64 000	
Freight inwards	6 800	
Goodwill	110 000	
Interest on loans	4 600	
Inventory control	51 800	
Investments (mature November 2024)	80 000	
Office wages expense	65 000	
Prepaid rent	18 000	
Sales		864 000
Sales returns	4 500	
Salesperson wages expense	286 000	

Additional information for the year ending 30 June 2024

- A closing inventory control of \$50 400 was counted on 30 June.
- Fixtures and fittings worth \$15 000 were bought on 1 March 2024. This transaction has already been recorded.
- Fixtures and fittings are depreciated at a rate of 10% using the reducing-balance method of depreciation.
- Advertising expense includes a \$4 000 campaign that runs from 1 June to 30 September 2024.
- Rent expense for the period was \$14 500.
- The delivery vehicle is depreciated using the units-of-use method and has a useful life of 10 years. The delivery vehicle has a trade-in value of \$9 000 after completing 300 000 km. The vehicle travelled 45 000 km in the accounting period ended 30 June 2024.
- An allowance for doubtful debts is to be recorded at 4% of final balance of closing debtors.
- A \$500 dividend on investments is owing to the business at 30 June 2024.

SECTION 2

Questions 4 and 5

Kyandi Satou is a full-time teacher who operates a successful hobby baking business from home. Over the past few years, Kyandi's cakes and desserts have gained popularity among friends, family, and colleagues.

Encouraged by the growing demand for her baked goods, Kyandi is planning on quitting her day job and opening a retail bakery in January 2025. For her new bakery, Kyandi is thinking of expanding her product line to include more than only cakes and desserts.

Kyandi is considering two different options for the location of her new bakery:

- a popular suburban shopping mall with a number of retail shops as well as a large supermarket, bubble tea shop, and pizza takeaway.
- an inner-city, ground floor premises in the main business district with many office buildings. There is a group of businesses across the road, including a gym and a French restaurant.

The rental expense for both locations is the same.

Kyandi has provided the following budgeted financial information, including the profit margin and return on equity, for her new business, Kyandi's Creations.

KYANDI'S CREATIONS Profit margin and return on equity

Year ending	Profit margin	Return on equity
30 June 2024 (actual)	8.3%	15%
30 June 2025 (budgeted)	(5.21%)	(6.25%)
30 June 2026 (budgeted)	(3.13%)	(3.75%)
30 June 2027 (budgeted)	4.5%	6.9%

KYANDI'S CREATIONS Extract of budgeted balance sheet as at 30 June 2025

	\$	\$
ASSETS		
Current assets	68 000	
Non-current assets	120 000	
Total assets		188 000
LIABILITIES		
Current liabilities		
Creditors	18 000	
Non-current liabilities		
Loan – bakery fit-out	90 000	
Total liabilities		108 000
NET ASSETS		80 000
NET EQUITY		80 000

KYANDI'S KREATIONS

Extract of budgeted income statement for the 3 months ending 30 June 2025

	\$	\$
Revenue		
Cash sales	21 000	
Credit sales	75 000	96 000
	75 000	
Cost of goods sold		
Opening inventory	15 000	
Cash purchases	12 000	
Credit purchases	21 000	
Freight inwards	5 700	
Discount received	(2 100)	
Closing inventory	(20 000)	31 600
	(20 000)	
Gross profit		64 400

Additional information

Sales	<ul style="list-style-type: none"> • Credit sales are budgeted to be: <ul style="list-style-type: none"> – February \$15 000 – March \$18 000. • The business expects to receive \$200 interest revenue each month. • Debtors' payment pattern: <ul style="list-style-type: none"> – 80% pay in the month after sales – 15% pay in the second month after sales – the remainder are written off as bad debts.
Purchases	<ul style="list-style-type: none"> • All creditors will be paid in the month of purchase. • Kyandi's Kreations will receive a 10% discount from its creditors.
Expenses	<ul style="list-style-type: none"> • An amount of \$500 is expected to remain owing for freight inwards at the end of June. • Operating expenses will be equal for the 3 months ended June 2025. The totals for the 3 months are anticipated to be: <ul style="list-style-type: none"> – General expenses \$1350 (including depreciation of \$350) – Electricity \$630 – Rent \$4800. • The owner anticipates withdrawing \$200 each month in stock. • Loan repayments of \$1400 per month.

