



South Australian  
Certificate of Education

# Accounting 2022

## 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

<b>Name</b>	<b>Calculation</b>	<b>Expressed as</b>
<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

Frank Larsen is the owner of The Vegan Vanguard, a mobile food-truck business. The following information has been provided for the preparation of a cash budget for the business for the months of October and November 2022.

- Debtors in the past have paid their debts in the following manner:
  - 70% in the month following the sale
  - 30% in the second month following the sale.
- Credit sales from previous months were:
  - August \$15 000
  - September \$17 000.
- Purchases are paid for in the month in which they are made, to take advantage of a 4% discount.
- Expenses are paid in the month in which they are incurred.
- The following estimates have been made for the budget period:

	October	November
Cash sales	11 000	28 500
Credit sales	18 000	24 000
Purchases	14 000	23 000
Wages	7 000	9 750
Other expenses	3 800	4 200

#### *Other information*

- The business plans to buy an additional food truck in October at a cost of \$85 000. Payments will be spread over 2 months, with 25% of the price to be paid in November and the balance in December.
- The interest received on investments comes to a total \$10 000. This will be received in October.
- Loan repayments are \$12 000 per year, paid in monthly instalments.
- Other expenses include a depreciation expense of \$400 each month.
- Public liability insurance of \$2650 for the year needs to be paid in November.
- Accrued wages at the end of September were \$750, and no wages were accrued at the end of November.
- The bank statement at the end of September showed a credit balance of \$8415. The monthly bank reconciliation process revealed the following differences:
  - a cash receipt of \$1800 did not appear in the bank statement
  - the bank statement showed a \$900 direct credit entry received from a customer
  - unpresented cheques for the month totalled \$2395
  - bank fees and charges totalled \$84 for the month.

## Question 2

Priya Sandhu owns and operates Family Likenesses, a photography business specialising in family and individual portraits.

She presented the following information to be used in the preparation of a statement of cash flows for the year ended 30 June 2022.

### FAMILY LIKENESSES Comparative balance sheet extracts as at 30 June

	2022		2021	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash at bank	13 200		—	
Debtors	28 000		17 500	
Prepaid advertising	100		0	
Stock	79 000	120 300	60 000	77 500
<b>Non-current assets</b>				
Photography equipment	46 000		56 000	
Accumulated depreciation on photography equipment	(4 600)		(2 300)	
Van	25 000		0	
Photography studio and dark room	210 000		210 000	
Accumulated depreciation on photography studio and dark room	(7 000)	269 400	—	263 700
<b>TOTAL ASSETS</b>		<b>389 700</b>		<b>341 200</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	—		4 100	
Creditors	29 300		18 400	
Accrued electricity	300	29 600	850	23 350
<b>Non-current liabilities</b>				
Mortgage on building	180 000	180 000	180 000	180 000
<b>TOTAL LIABILITIES</b>		<b>209 600</b>		<b>203 350</b>

**FAMILY LIKENESSES**  
**Statement of changes in equity for the year ended 30 June 2022**

Capital	137 850
Additional capital cash contribution	42 290
Drawings	(10 000)
Profit	9 960
<b>Total owner's equity</b>	<b>180 100</b>

**FAMILY LIKENESSES**  
**Income statement for the period ended 30 June 2022**

<b>Revenue</b>		
Cash sales	42 000	
Credit sales	170 530	
Discount allowed	(250)	212 280
<b>Cost of goods sold</b>		
Stock (opening)	60 000	
Credit purchases	132 000	
Credit purchase returns	(2 000)	
Delivery	950	
Stock (closing)	(79 000)	111 950
<b>Gross profit</b>		<b>100 330</b>
<b>Other revenue</b>		
Commission	480	480
<b>Other expenses</b>		
Advertising	950	
Wages	64 000	
Electricity	12 000	
Bad debts	400	
Depreciation on photography equipment	2 300	
Depreciation on photography studio and dark room	7 000	
Interest on mortgage	4 200	90 850
<b>Profit</b>		<b>9 960</b>

*Additional information*

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

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### Question 3

Nathan Lee is the owner of sporting goods store Kick-off Kit. He has provided the following information about the business for the financial year ended 30 June 2022.

**KICK-OFF KIT**  
**Trial balance as at 30 June 2022**

<i>Account</i>	<i>Debit</i>	<i>Credit</i>
Bank	8 295	
Petty cash	150	
Debtors	11 930	
Allowance for bad and doubtful debts		1 193
Inventory	34 300	
Stationery on hand	80	
Prepaid insurance	3 600	
Shop equipment	12 800	
Accumulated depreciation – shop equipment		3 552
Office building	90 000	
Accumulated depreciation – office building		14 000
Creditors		22 330
Accrued advertising		1 386
Bank loan (5 years)		65 000
Capital – Nathan Lee		51 534
Drawings – Nathan Lee	9 500	
Services revenue		54 340
Sales		102 160
Sales returns	3 700	
Sales staff wages	41 840	
Shop rent	26 000	
Internet and telephone	2 800	
Interest	6 500	
Cost of goods sold	64 000	

#### *Additional information*

- Prepaid insurance, paid on 1 June, covers the 6 months to 30 November 2022.
- The shop rent expense is \$2000 per month, and 1 month is prepaid for July 2022.
- Shop equipment is depreciated using the reducing-balance method at 25%. This equipment is expected to be sold for \$2800 at the end of its useful life.
- The office building has a residual balance of \$20 000 and a useful life of 10 years. It is depreciated using the straight-line method.
- Sales staff wages of \$1150 are owed on 30 June 2022.
- Services revenue includes \$1340 for work that will not be performed until 10 July 2022.
- The closing inventory figure was determined through a stocktake as being \$34 100.

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## SECTION 2

### Questions 4 and 5

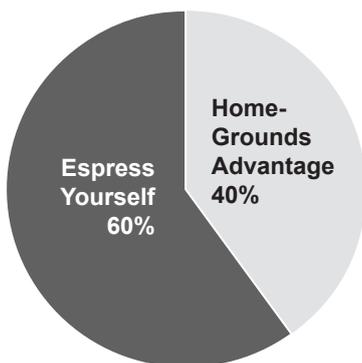
Gabriele Horvath is the sole owner of Espress Yourself, a business selling coffee machines for home use. The business has been in operation for more than 20 years and has built a strong reputation, despite being in a low-traffic, low-visibility location. Espress Yourself's objective is to maintain its standing as one of the most recognised and respected retailers of coffee machines for households.

Coffee machines have accounted for 90% of Espress Yourself's net sales (alongside 10% for accessories). However, the average consumer only replaces their coffee machine once every 5 years. Gabriele has been selling the same model of coffee machine for the past 3 years.

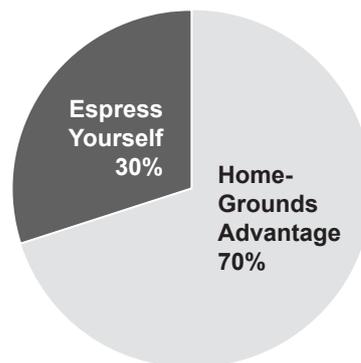
Espress Yourself's main competitor, Home-Grounds Advantage, has changed the coffee machine that it sells to a more expensive model with a greater number of functions. Selling this machine also provides a better gross profit margin. Home-Grounds Advantage relocated to a high-traffic, high-visibility location about a year ago.

The relative market share of each business in 2021 and 2022 is shown in the graph below.

**2021 MARKET SHARE**



**2022 MARKET SHARE**



The home coffee machine industry is experiencing sustained growth. It is expected that the market will increase by 5% in the 2023 financial year.

Gabriele has provided the following information, which may be helpful in assessing their business.

	<b>Espress Yourself 2022</b>	<b>Industry average 2022</b>
Inventory turnover	54 days	45 days
Debtor turnover	46 days	30 days
Working capital ratio	12.9:1	1.2:1
Return on equity	20.4%	25%
Return on assets	15.5%	20%

Gabriele has provided the following three reports.

**ESPRESS YOURSELF**  
**Income statement for the year ended 30 June 2022**

	\$	\$
<b>Revenue</b>		
Cash sales	255 000	
Credit sales	259 000	
Credit sales returns	(1 800)	512 200
<b>Less</b>		
Cost of goods sold	179 575	
Freight inwards	4 800	
		184 375
<b>Gross profit</b>		<b>327 825</b>
<b>Expenses</b>		
Advertising	2 825	
Depreciation on furniture and fittings	6 500	
General expenses	47 000	
Interest on loan	15 000	
Wages	145 000	216 325
<b>Profit</b>		<b>111 500</b>

**ESPRESS YOURSELF**  
**Comparative balance sheet as at 30 June**

	2021	2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash at bank	12 075	77 000
Cash on hand	4 500	5 000
Debtors	27 000	38 250
Inventory	35 000	24 125
<b>Non-current assets</b>		
Building and storage facility	650 000	650 000
Furniture and fittings	65 000	65 000
Accumulated depreciation	(6 500)	(13 000)
Equipment	0	5 600
	708 500	707 600
<b>Total assets</b>	<b>787 075</b>	<b>851 975</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Creditors	11 800	11 200
<b>Non-current liabilities</b>		
Mortgage	275 000	250 000
<b>Total liabilities</b>	<b>286 800</b>	<b>261 200</b>
<b>EQUITY</b>	<b>500 275</b>	<b>590 775</b>

**ESPRESS YOURSELF**  
**Statement of change in equity**  
**for the years ended 30 June 2021 and 30 June 2022**

	2021	2022
<b>EQUITY</b>		
Opening capital	133 775	500 275
Profit	394 500	111 500
Drawings	(28 000)	(21 000)
Closing capital	500 275	590 775





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# Accounting 2022

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## 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** (25 marks)

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

- (a) Prepare the bank reconciliation statement for The Vegan Vanguard for 30 September 2022.

**THE VEGAN VANGUARD**  
**Bank reconciliation statement as at 30 September 2022**

(2 marks)

- (b) Outline the purpose of preparing a bank reconciliation statement for The Vegan Vanguard.

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(1 mark)

- (c) Explain whether Frank Larsen is an *internal* or an *external* user of the information for The Vegan Vanguard.

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(2 marks)

(d) Complete the collection from debtors schedule for The Vegan Vanguard.

**THE VEGAN VANGUARD**  
**Collection from debtors schedule for October and November 2022**

	Credit sales	October	November
August	15 000		
September	17 000		
October	18 000		
November	24 000		
<b>Total</b>			

(2 marks)

(e) Prepare the cash budget for The Vegan Vanguard for October and November 2022.

**THE VEGAN VANGUARD**  
**Cash budget for October and November 2022**

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

(12 marks)

(f) All values in the cash budget should be recorded in dollars.

State the accounting convention that requires all items in financial statements to be recorded as dollar values.

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

(g) The predicted closing bank balance in November will be insufficient to cover the amount payable for the food truck in December.

(i) State a source of finance that could be used to pay the remaining balance due on the food truck.

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

(ii) State *one advantage* of using the source of finance that you identified in part (g)(i).

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

(iii) State *one disadvantage* of using the source of finance that you identified in part (g)(i).

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

(h) Implementation of a cash budget comprises three stages: forecasting, planning, and control.

Choose *one* of the three stages of implementing a cash budget. Discuss its role and importance in the cash-budget process.

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

**Question 2** (20 marks)

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

- (a) Perform the following calculations to prepare a statement of cash flows for Family Likenesses for the year ended 30 June 2022.

Cash received from debtors.

Cash paid to creditors.

Cash paid for advertising.

Cash paid for electricity.

(6 marks)

***Use the space below for other calculations.***



(c) Comment on the net cash flows from operating activities that you calculated in part (b) and how this result will affect the future operations of Family Likenesses.

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(2 marks)

(d) Explain why the change in cash that you calculated in part (b) is not the same as the profit figure of \$9960.

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(2 marks)

(e) State the legal entity of Family Likenesses.

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(1 mark)

(f) State the report that shows the accounting entity concept being applied.

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(1 mark)

**Question 3** (25 marks)

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

(a) State the inventory recording system being used by Kick-off Kit.

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

(b) Using an example from page 7 of the information booklet, explain the accounting period concept.

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

(c) Show the calculation for the depreciation on the shop equipment.

(2 marks)

(d) Complete the general journal entries to record the adjustments shown.

Date	Details	Debit	Credit
	Adjustment for prepaid insurance		
	Adjustment for unearned service revenue		

(3 marks)

(e) Complete the following income statement.

**KICK-OFF KIT**  
**Income statement for the year ended 30 June 2022**

<b>Revenue</b>
<b>Cost of goods sold</b>
<b>Gross profit</b>
<b>Expenses</b>
<i>Selling</i>
<i>Administrative</i>
<i>Financial</i>
<b>Profit/loss</b>

(8 marks)

(f) Explain how profit/loss provides a link between the income statement and the statement of changes in equity.

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(1 mark)

(g) Nathan would like advice on whether or not he should make further capital contributions into Kick-off Kit. Nathan has worked out that his equity balance as at 30 June 2022 will be \$43 092. If Nathan were to contribute \$20 000 and take no drawings, then his expected profit for 2023 would be \$5000.

(i) Calculate Kick-off Kit's expected return on equity for 2023.

(3 marks)

Nathan also has the option to use the \$20 000 to purchase shares in a company called Pitch Legends. This company has 100 000 shares issued and the market price per share is \$2.20. In 2023 the current owners of Pitch Legends intend to pay out a total dividend of \$25 000.

(ii) Calculate Pitch Legends' expected dividend yield for 2023.

(2 marks)

(iii) Advise Nathan on whether to invest his \$20 000 into either Kick-off Kit or Pitch Legends, providing clear reasons to support your advice.

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(3 marks)





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# Accounting 2022

## Question booklet 2

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

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

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Copy the information from your SACE label here

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**SECTION 2 (50 marks)**

**Question 4** (20 marks)

Refer to pages 9 to 11 of the information booklet when answering Question 4.

- (a) (i) A stocktake at Espress Yourself showed an inventory closing balance of \$24 125.  
Finalise and formally balance the general ledger for inventory control as at 30 June 2022.  
*In your answer, account for any stock discrepancies.*

**Inventory control general ledger**

Date	Details	\$	Date	Details	\$
1 June	Balance	35 000	5 June	COGS	4 375
10 June	Creditors	6 000	6 June	COGS	3 500
12 June	COGS	350	19 June	COGS	8 750
			24 June	Creditors	200

(2 marks)

- (ii) Using the information in the inventory control general ledger, calculate the **monthly** inventory turnover for the coffee machines. *Provide your answer in days. (Inventory adjustments are included when calculating cost of goods sold).*

(3 marks)

- (iii) Referring to the inventory control general ledger, what does the entry on 12 June represent?

\_\_\_\_\_

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

(iv) State *two* qualitative factors that a business should take into consideration when analysing inventory turnover.

(1) Factor 1:

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

(2) Factor 2:

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

(b) While Gabriele sells only one type of coffee machine, they also sell a range of accessories, as displayed in the table below. The business uses both the first-in, first-out method and the specific-identification method of recording inventory.

Items sold by Espress Yourself	
<i>High-cost items</i>	<i>Low-cost items</i>
Coffee machines	Coffee beans
Coffee grinders	Measuring cups
	Milk froth thermometers
	Reusable cups
	Filters

From the table above:

(i) identify *one* inventory item for which Espress Yourself would use the specific-identification method of valuing inventory. Give a reason for your answer.

Inventory: \_\_\_\_\_

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

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

(ii) identify *one* inventory item for which Espress Yourself would use the first-in, first-out method of valuing inventory. Give a reason for your answer.

Inventory: \_\_\_\_\_

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

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

(c) (i) Using the information in the table below, calculate the break-even point for 2022.

**COFFEE MACHINE COSTINGS**

			Variable costs per unit	
Selling price	Units sold in 2022	Fixed costs	Cost price	Delivery expense
\$950	1 020	\$130 000	\$175	\$5

(2 marks)

(ii) From 10 July 2022, Espress Yourself's supplier will increase the cost price of coffee machines from \$175 to \$200 per unit.

Discuss the effects that this change will have on the:

(1) break-even point for sales of coffee machines

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(2 marks)

(2) profitability of selling these coffee machines.

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(2 marks)

(d) Calculate the profit margin for Espress Yourself for the year ended 30 June 2022.

(2 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.***

