



South Australian
Certificate of Education

Accounting

November 2020 sample paper

Information booklet

- Refer to the information in this booklet, where appropriate, when answering Questions 1 to 4
- Write your answers in the question booklets

SAMPLE

INFORMATION BOOKLET



Government
of South Australia

SACE
BOARD
OF SOUTH
AUSTRALIA

Refer to the following information, where appropriate, when answering Questions 1 to 4.

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 (solveny)		
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

Heather Page owns and operates a health food store called 'Vegan Values', which sells vegan food and lifestyle products. The following trial balance for this business was prepared as at 31 December 2018.

VEGAN VALUES Trial balance as at 31 December 2018

<i>Account</i>	<i>Debit</i>	<i>Credit</i>
Prepaid advertising	11 400	
Creditors		30 726
Debtors	38 160	
Shop fixtures and fittings	42 260	
Accumulated depreciation on shop fixtures and fittings		4 080
Office equipment	21 180	
Accumulated depreciation on office equipment		5 400
Allowance for doubtful debts		2 124
Bad debts	420	
Capital – Heather Page		114 458
Cash at bank	12 720	
Interest revenue		3 360
Drawings	8 400	
Insurance expense	3 000	
Inventory	24 600	
Mortgage on premises		46 320
Premises	205 080	
Cost of goods sold	74 520	
Discount revenue		6 660
Rates	8 520	
Sales		276 000
Sales returns	12 600	
Salespeople – wages	26 268	
	489 128	489 128

More information

- Advertising was paid on 1 September 2018 to cover the next 12 months.
- Shop fixtures and fittings have a residual value of \$5000 and are depreciated using the straight-line method. The useful life of shop fixtures and fittings is 10 years.
- The figure for office equipment includes the cost of a printer that was purchased for \$2000 on 1 September 2018.
- Office equipment has a residual value of \$3000 and is depreciated at 15%, using the diminishing-balance method.
- Additional bad debts of \$300 are to be written off.
- Heather records 10% of closing debtors as an allowance for doubtful debts.
- Insurance expense for the year ended 31 December 2018 was \$1000.
- A stocktake on 31 December 2018 revealed inventory on hand of \$23 500.

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Question 2

Lew's Grocery is a neighbourhood store, owned and operated by Lew Hong, that extends 7-day credit to local residents. Lew is reviewing his business operations, particularly the way that he manages debtors and inventory. Currently, Lew uses a perpetual inventory system and maintains a record of subsidiary accounts.

On 31 December 2018, Lew provided the following information:

LEW'S GROCERY Debtors ageing analysis at 1 December 2018

<i>Debtor</i>	<i>Current</i>	<i>7 days</i>	<i>30 days</i>	<i>60+ days</i>	<i>Total</i>
R Carter	250	300	450		1000
D Smith				500	500
A Ross	400				400
Total	650	300	450	500	1900

Summary of transactions for December

Cash receipts journal	
Bank	23 500
Cash sales, cost price	7 680
Cash sales, selling price	10 960
Discount allowed	250
Cash received from debtors	7 600
Cash payments journal	
Bank	25 000
Cash purchases of inventory	3 900
Payments to creditors	15 900
Discount received from creditors	300
Sales journal	
Cost price	6 800
Selling price	12 300
Sales returns journal	
Cost price	700
Selling price	1 100
Purchases journal	
	9 600

More information

- R Carter paid \$50 on 31 December and this has not been recorded.
- R Carter and D Smith will each be charged \$30 for failing to pay their debts in full by the due date.
- A stocktake at the end of December revealed inventory on hand of \$14 500.

Question 3

Marcus Costanzo owns and operates Dunkin' Good, a shop that sells basketball merchandise and offers 2-day weekend basketball training camps for schools.

At the end of September 2019, Marcus provided the following information to help with the preparation of a cash budget for October:

- 85% of revenue is received in cash
- 15% of revenue is earned from fees for training camps, which are made on credit and paid in the month after the sale
- total revenue was \$10 000 in July, \$12 000 in August, and \$12 000 in September
- revenue for October is estimated to be \$18 000
- it is expected that another \$800 will be received from selling merchandise bags at a special event in October
- stock purchases are made monthly in cash and are equal to 60% of expected revenue
- wages are \$4500 per month, and are expected to increase by 10% in October
- electricity is \$2200 per month
- depreciation of shop fittings and equipment is \$800 per month
- rent for the shop is \$3000 per month
- in October, Dunkin' Good will set up a pop-up stall in the city centre to coincide with the start of the basketball season. The stall will cost \$2000.

SAMPLE

SECTION 2

Question 4

Joy's Potato Farm, located in a small rural town, is in its fifth year of operation. Since starting her potato-farming business, Joy Chan has investigated equipment that will improve the efficiency of her business. Joy is considering sources of finance for purchasing this equipment.

Joy has compiled the following information to help her decide whether to purchase equipment for her farm:

- new equipment cost: \$450 000
- increase in the proportion of potatoes harvested without damage: 25%
- wage savings: \$25 000 annually
- current loan rates: 5.5%.

Joy must also consider how to ensure that her farm has sufficient water to produce the maximum number of potatoes possible. Currently Joy pays for water as she uses it, and is usually able to draw sufficient water from the local river. However, in times of low rainfall there may not be enough water in the river for all the farms in the district.

One option available to Joy is to purchase a water licence, which would guarantee a certain amount of water to her farm in the future. In the event that water availability is limited, Joy would be able to access water from the local river before the other farmers in the district.

JOY'S POTATO FARM Income statement for the year ended 30 June 2018

Revenue		
Sales		240 232
Less cost of goods sold		
Opening inventory	22 600	
Purchases	15 450	
Closing inventory		(20 400)
		17 650
Gross profit		222 582
Expenses		
Operating expenses	10 667	
Wages expense	47 000	
Water expense	24 000	
Miscellaneous expenses	8 765	
Depreciation expenses	5 500	95 932
Profit/loss		126 650

JOY'S POTATO FARM
Comparative statements of changes in equity as at 30 June 2018 and 30 June 2017

	2018	2017
Joy Chan, opening capital	725 000	500 000
Profit/loss	126 650	225 000
Drawings	(120 000)	0
Joy Chan, closing capital	731 650	725 000

JOY'S POTATO FARM
Comparative balance sheets as at 30 June 2018 and 30 June 2017

	2018		2017	
ASSETS				
Current assets				
Cash at bank	8 750		3 500	
Debtors	3 800		2 000	
Inventory	20 400		12 600	
	32 950		18 100	
Non-current assets				
Vehicle	20 000		20 000	
Less accumulated depreciation	(10 000)	10 000	(5 000)	15 000
Equipment	4 900		3 500	
Less accumulated depreciation	(1 200)	3 700	(700)	2 800
Land and buildings	700 000		700 000	
	713 700		717 800	
Total assets	746 650		735 900	
LIABILITIES				
Current liabilities				
Creditors	2 200		1 600	
Accrued wages	11 400		9 300	
	13 600		10 900	
Non-current liabilities				
Loan	1 400		0	
	1 400		0	
Total liabilities	15 000		10 900	
EQUITY				
Joy Chan, capital	731 650		725 000	

This sample Accounting paper shows the format of the examination from November 2020.

JOY'S POTATO FARM
Statement of cash flows for the year ended 30 June 2018

Operating activities		
Receipts from customers	232 432	
Payments to suppliers and employees	(107 182)	125 250
Investing activities		
Purchase of new equipment		(1 400)
Financing activities		
Loan	1 400	
Drawings	(120 000)	(118 600)
Net increase/decrease in cash		5 250
Cash at beginning of year		3 500
Cash at end of year		8 750

