



South Australian  
Certificate of Education

# Accounting 2025

## 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.*

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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) Outline *one advantage* and *one disadvantage* for a business that does not extend credit to their customers.

(i) Advantage:

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

(ii) Disadvantage:

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

- (b) Outline why a business would classify advertising as a selling expense.

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

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

(1 mark)

- (d) Calculate the depreciation expense of the printing equipment.

(3 marks)

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

| Date | Details                                    | Debit | Credit |
|------|--|-------|--------|
|      | Recording the adjustment for insurance     |       |        |
|      | Recording the adjustment for general wages |       |        |

(3 marks)

*Use the space below for other calculations.*

(f) Using details from page 3 of the information booklet, complete the fully classified income statement for Mug It Up for the year ended 30 June 2025.

**MUG IT UP**  
**Income statement for the year ended 30 June 2025**

|                           |
|---------------------------|
| <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>        |

(10 marks)

(g) State the amount for the following balance sheet item after any balance day adjustment.

|  | Amount (\$) |
|--|-------------|
| Accumulated depreciation on shop fixtures and fittings |             |

(1 mark)

(h) Identify where prepaid shop rent would be reported in a fully classified balance sheet.

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

(i) As the business produces personalised mugs, there may be occasions when certain designs become outdated and can only be sold for less than they cost to produce.

(i) Identify *one* accounting concept that is relevant in this scenario.

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

(ii) Explain *two* ways a business could avoid the issue of outdated mugs.

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

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

**Question 2** (25 marks)

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

- (a) Complete the following calculations in order to prepare a statement of cash flow for Hike My Way for the year ended 30 June 2025.

Cash received from debtors.

Cash paid to creditors.

Cash paid for wages.

Cash paid for advertising.

(6 marks)



(c) With reference to the statement of cash flows that you prepared in part (b), discuss the operating activities of Hike My Way.

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(2 marks)

(d) Calculate the working capital ratio for the year ended 2025.

(1 mark)

(e) Outline what the working capital ratio that you calculated in part (d) indicates about the liquidity of Hike My Way.

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(2 marks)

(f) The Government has announced they are going to invest money in expanding and upgrading the hiking tracks used by Hike My Way.

With reference to the financial statements, discuss how the Government's decision might impact the internal decision making of Hike My Way.

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(2 marks)



**Question 3** (20 marks)

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

Before finalising the cash budget, the owner needs assistance reconciling the business's bank account with the accounting records and provides the following details:

Mortar Merrier's bank statement shows a debit balance of \$2230 as of 31 October 2025.

The reconciliation process identified the following discrepancies:

- Bank charges amounting to \$90
- Unpresented cheques totalling \$1900
- Two direct debits recorded in the bank statement, totalling \$6870
- A \$4800 deposit yet to be presented to the bank
- \$1300 in investment interest appearing on the bank statement but not yet recorded by the business.

(a) Complete the bank reconciliation for Mortar Merrier.

**MORTAR MERRIER**  
**Bank reconciliation statement as at 31 October 2025**

(2 marks)

(b) State *one* benefit of the owner preparing a bank reconciliation each month.

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(1 mark)

(c) Outline what a credit balance in a bank statement signifies.

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(1 mark)

(d) Complete the schedule of collections from debtors table for Mortar Merrier.

**MORTAR MERRIER**  
**Schedule of collections from debtors**

| Month     | Cash sales | Credit sales | November | December |
|-----------|------------|--------------|----------|----------|
| September | 12 420     | 28 980       |          |          |
| October   | 13 860     | 32 340       |          |          |
| November  | 14 700     | 34 300       |          |          |
| December  | 14 820     | 34 580       |          |          |
| TOTAL     | —          | —            |          |          |

(3 marks)

(e) Prepare the cash budget for November and December 2025.

**MORTAR MERRIER**  
**Cash budget for the months of November and December 2025**

|                                      | November | December |
|--------------------------------------|----------|----------|
| <b>Estimated cash receipts</b>       |          |          |
| <b>Total estimated cash receipts</b> |          |          |
| <b>Estimated cash payments</b>       |          |          |
| <b>Total estimated cash payments</b> |          |          |
| Surplus/deficit                      |          |          |
| Opening bank balance                 |          |          |
| Closing bank balance                 |          |          |

(8 marks)

- (f) Use *one* example from the cash budget you prepared in part (e) on page 11, and explain why cash and profit figures are not the same.

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(2 marks)

- (g) Based on the information in the cash budget you prepared in part (e):

- (i) Discuss if it is advisable for the business to purchase a van in November.

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(1 mark)

- (ii) Suggest an alternative way the business could finance the work van.

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(1 mark)

- (iii) Outline *one* advantage of the answer you provided in part (g)(ii).

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(1 mark)

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



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# Accounting 2025

## 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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(b) Outline *one* possible reason for an inventory discrepancy.

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(1 mark)

(c) With reference to the information on page 9 of the information booklet and part (a) on page 2, post the relevant transactions to the general ledger for the drones inventory account below. *Formal balancing is required.*

**GENERAL LEDGER**  
**Drones inventory account**

|  |  |
|--|--|
|  |  |
|--|--|

(4 marks)

(d) Calculate the inventory turnover for drones for October 2025.

(2 marks)

(e) Comment on how your answer to part (d) compares with the industry benchmark for drones annual inventory turnover.

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(2 marks)

(f) The owner has summarised all transactions for the debtors in October 2025.

|                            |        |
|----------------------------|--------|
| Opening balance            | 21 000 |
| Credit sales               | 25 500 |
| Sales returns              | 1 500  |
| Cash receipts from debtors | 4 500  |

(i) The closing debtors balance as at 31 October 2025 was 40 500. Calculate the debtor turnover for the month.

(2 marks)

(ii) Complete the table below for the average collection days for debtors.

|                 | August  | September | October |
|-----------------|---------|-----------|---------|
| Debtor turnover | 33 days | 50 days   |         |

(1 mark)

(iii) With reference to the information on page 8 of the information booklet and your answers in parts (f)(i) and (f)(ii), comment on the debtor turnover trend for HoverHub.

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(2 marks)

(g) The owner has supplied the following information for October 2025.

|                                       | Drones | Rechargeable drone batteries |
|---------------------------------------|--------|------------------------------|
| Units sold                            | 20     | 18                           |
| Selling price                         | 1 500  | 150                          |
| Monthly fixed costs                   | 7 000  | 2 100                        |
| Cost price per unit                   | 900    | 60                           |
| Packaging and delivery costs per unit | 75     | 50                           |

(i) With reference to the information in the table on page 4, calculate the number of units HoverHub needed to sell in October to break-even for:

(1) Drones:

(2) Rechargeable drone batteries:

*Show your calculations.*

(3 marks)

(ii) Compare October's actual sales performance with the break-even point you calculated.

Advise how Hoverhub could respond to this information in relation to:

(1) Drones: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

(2) Rechargeable drone batteries: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

(h) (i) Identify *one* ethical or social issue related to the use or disposal of rechargeable drone batteries.

\_\_\_\_\_

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

(ii) Explain how this issue could change the owner's decisions about HoverHub's current and future product range.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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









***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 2025

## Information booklet

- Refer to the information in this booklet 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 4.

### 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

Mug It Up is a micro sole trader business that sells personalised mugs. The following trial balance was prepared as at 30 June 2025.

**MUG IT UP**  
**Extract from the trial balance as at 30 June 2025**

| <i>Account</i>  | <i>Debit</i> | <i>Credit</i> |
|---|--------------|---------------|
| Accumulated depreciation – Printing equipment         |              | 10 800        |
| Accumulated depreciation – Shop fixtures and fittings |              | 1 000         |
| Capital   |              | 41 400        |
| Purchase returns                                      |              | 2 000         |
| Sales   |              | 140 000       |
| Advertising   | 1 000        |               |
| Cash  | 15 000       |               |
| Discount received                                     |              | 500           |
| Drawings  | 20 000       |               |
| Electricity   | 2 200        |               |
| General wages   | 29 000       |               |
| Prepaid insurance                                     | 3 300        |               |
| Printing equipment                                    | 33 000       |               |
| Inventory (1 July 2024)                               | 30 000       |               |
| Purchases   | 27 000       |               |
| Sales return  | 1 500        |               |
| Shop expenses   | 4 700        |               |
| Shop fixtures and fittings                            | 10 000       |               |
| Shop rent   | 19 500       |               |

*Additional information for the year ending 30 June 2025*

- All sales and purchases are made using cash only.
- The shop fixtures and fittings are depreciated using the straight-line method at 10% per annum with no residual value.
- The printing equipment is depreciated using the reducing-balance method at 20% with a residual value of \$1000. An additional piece of printing equipment was purchased and recorded on 1 December 2024 for \$3000 which had no residual value.
- The monthly shop rent is \$1500, and the payment made in June was for July's rent.
- General wages of \$550 had not been paid or recorded as at 30 June 2025.
- Insurance expense of \$3300 was paid on 1 August 2024 for a 12-month period.
- An electricity bill was received on 20 June 2025 for \$400 for the previous quarter. This has not been recorded or paid.
- The closing inventory was determined through a stocktake on 30 June 2025 as being \$25000.

## Question 2

Hike My Way is a partnership owned and operated by siblings. It specialises in running multi-day camping trips and selling hiking gear for camping.

### HIKE MY WAY Comparative balance sheet as at 30 June 2025 and 30 June 2024

|   | 2025    |                  | 2024    |                |
|---|---------|------------------|---------|----------------|
| <b>ASSETS</b>   |         |                  |         |                |
| <b>Current assets</b>                                   |         |                  |         |                |
| Cash at bank  |         |                  | 2 150   |                |
| Debtors   | 15 300  |                  | 11 800  |                |
| Inventory   | 315 000 |                  | 120 000 |                |
| Prepaid wages   | 400     |                  | —       |                |
|   |         | 330 700          |         | 133 950        |
| <b>Non-current assets</b>                               |         |                  |         |                |
| Shop fittings and fixtures                              | 50 000  |                  | 26 000  |                |
| Accumulated depreciation:<br>Shop fittings and fixtures | (5 200) |                  | (2 600) |                |
| Vehicle   | 68 000  |                  | —       |                |
| Shop building   | 750 000 | 862 800          | 750 000 | 773 400        |
| <b>Total assets</b>                                     |         | <b>1 193 500</b> |         | <b>907 350</b> |
| <b>LIABILITIES</b>                                      |         |                  |         |                |
| <b>Current liabilities</b>                              |         |                  |         |                |
| Overdraft   | 2 700   |                  |         |                |
| Creditors   | 18 000  |                  | 5 400   |                |
| Accrued advertising                                     | 100     |                  | 200     |                |
|   |         | 20 800           |         | 5 600          |
| <b>Non-current liabilities</b>                          |         |                  |         |                |
| Loan  | 300 000 |                  | —       |                |
| Mortgage on shop building                               | 550 000 | 850 000          | 550 000 | 550 000        |
| <b>Total liabilities</b>                                |         | <b>870 800</b>   |         | <b>555 600</b> |
| <b>Net assets</b>                                       |         | <b>322 700</b>   |         | <b>351 750</b> |

**HIKE MY WAY**  
**Income statement for the year ended 30 June 2025**

|                                       | \$      | \$              |
|---------------------------------------|---------|-----------------|
| <b>Revenue</b>                        |         |                 |
| Credit sales                          | 83 000  |                 |
| Cash sales                            | 196 200 | 279 200         |
| <b>Cost of goods sold</b>             |         | <b>204 250</b>  |
| <b>Gross profit</b>                   |         | <b>74 950</b>   |
| <b>Other revenue</b>                  |         |                 |
| Revenue received on camping trips     |         | 15 000          |
| <b>Expenses</b>                       |         |                 |
| Wages                                 | 88 000  |                 |
| Track maintenance expense             | 5 000   |                 |
| Advertising                           | 1 400   |                 |
| Depreciation on fixtures and fittings | 2 600   |                 |
| Interest on mortgage                  | 12 000  | 109 000         |
| <b>Profit/loss</b>                    |         | <b>(19 050)</b> |

*Additional information*

- The owners each withdrew \$5000 during the year in cash.
- No additional capital contributions were made.
- Credit purchases amounted to \$400 000.
- Discount received from creditors for early payment was \$750.
- All acquisitions and disposals of non-current assets were for cash.

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### Question 3

Mortar Merrier is a cement and concreting business that provides the following details to prepare a cash budget for November and December:

#### Sales

| Month | September | October | November | December |
|-------|-----------|---------|----------|----------|
| Sales | 41 400    | 46 200  | 49 000   | 49 400   |

- 30% of sales are received in cash.
- Debtors are expected to pay:
  - 75% in the month of sale
  - 20% in the month following the sale
  - 5% in the second month after the sale.

#### Purchases

| Month     | September | October | November | December |
|-----------|-----------|---------|----------|----------|
| Purchases | 15 800    | 18 700  | 16 800   | 19 300   |

- All purchases are made on credit.
- Payments are made in the same month to receive a 3% discount.

#### Operating expenses

| Expenses for October 2025 |        |
|---------------------------|--------|
| Labourer wages            | 10 000 |
| Delivery inwards          | 1 000  |
| Depreciation              | 980    |
| Administration expenses   | 13 000 |
| Interest on loan          | 2 700  |

- All expenses are paid in cash.
- Expenses will remain consistent in November and December, except:
  - Labourer wages, which will increase by 2% in November and by a further 2% in December
  - At the end of November, \$500 of the administration expense is expected to be accrued
  - There will be no accrued expense at the end of December.

#### Additional information

- The business plans to purchase a \$35 000 work van in November, with:
  - A \$10 000 deposit to be paid in November
  - The remaining balance, plus \$2000 for on-road costs, will be paid in December when the van is ready for collection.
- To assist in funding the van purchase, the business will sell \$20 000 worth of equipment for cash in December.

#### Question 4

HoverHub is an online retail business that sells drones mainly to emergency services. The business uses a perpetual inventory system and values inventory using the first-in, first-out method. HoverHub offers both cash and credit sales of drones, with credit terms of 21 days for approved customers.

While drones remain HoverHub's primary product, the introduction of rechargeable drone batteries in October marked the beginning of a broader strategy to diversify the product range. The owner is now considering expanding their product range further by offering additional drone accessories, such as camera mounts and carry cases from December 2025.

#### *Additional information*

- Industry benchmark:
  - Inventory turnover (drones): 28 times per year.

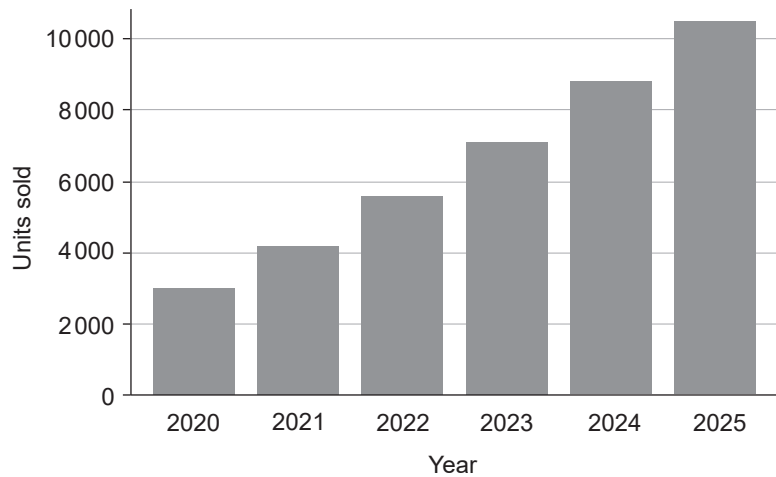
#### **HOVERHUB Information**

|   | August  | September | October    |
|---|---------|-----------|------------|
| Inventory turnover (rechargeable drone batteries) |         |           | 0.69 times |
| Debtor turnover (drones)                          | 33 days | 50 days   |            |
| Monthly profit margin                             | 22%     | 17%       | 15%        |

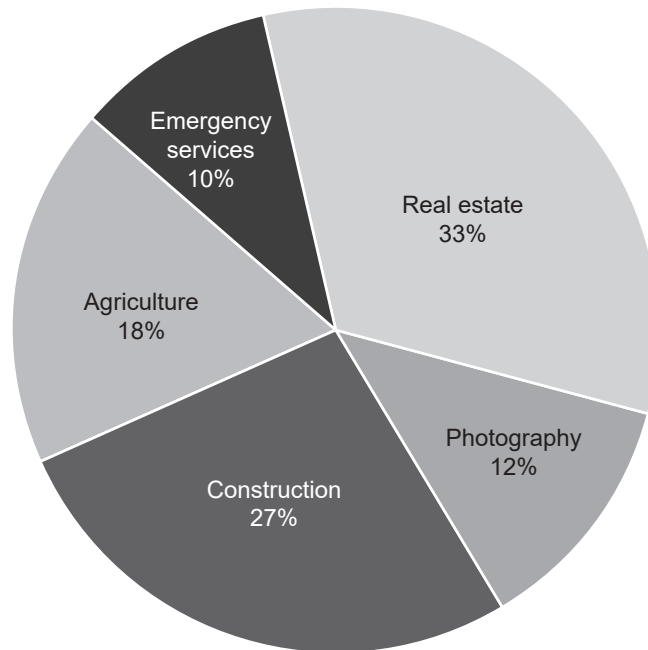
#### **HOVERHUB Debtors ageing analysis**

|         | Current | 8 – 14 days | 15 – 21 days | 21 days+ |
|---------|---------|-------------|--------------|----------|
| Debtors | 26 500  | 3 500       | 4 500        | 6 000    |

### Annual sales for rechargeable drone batteries (2020–2025)



### Growth in drone use by industry (2025)



During the month of October 2025, HoverHub recorded the following transactions for the drones it sells.

- 1 October Opening inventory: 10 drones valued at \$900 each.
- 3 October Purchased 15 drones for \$950 each on credit from supplier.
- 6 October Sold 12 drones for \$1500 each (8 on credit, 4 for cash).
- 18 October Sold 9 drones for \$1500 each (all on credit).
- 22 October A customer returned 1 drone due to a defect. The drone was bought on 18 October (credit sale).
- 31 October A stocktake on 31 October shows a balance of 4 drones valued at \$950 each.





