



## 2011 SAMPLE ACCOUNTING PAPER

*The external assessment requirements of this subject are listed on page 27.*

**FOR OFFICE  
USE ONLY**

SUPERVISOR CHECK

RE-MARKED

**ATTACH SACE REGISTRATION NUMBER LABEL  
TO THIS BOX**

Time: 2 hours

Pages: 27  
Questions: 5

Examination material: one 27-page question booklet  
one SACE registration number label

*Approved dictionaries and calculators may be used.*

### Instructions to Students

1. You will have 10 minutes to read the paper. You must not write in your question booklet or use a calculator during this reading time but you may make notes on the scribbling paper provided.
2. This paper consists of five problem questions.  
Answer *all* questions in the spaces provided in this question booklet.
3. The total mark is 110.
4. The financial analysis ratios are on page 3, which you may remove from this booklet before the examination begins.
5. Remove the tear-out sheets on pages 5, 9, and 21 from the booklet, so that you can refer to the relevant information when you write your answers.
6. Show all working in this booklet. (You are strongly advised *not* to use scribbling paper. Work that you consider incorrect should be crossed out with a single line.)
7. Use only black or blue pens for all work other than calculations, for which you may use a sharp dark pencil.
8. Attach your SACE registration number label to the box at the top of this page.

**STUDENT'S DECLARATION ON THE USE OF  
CALCULATORS**

By signing the examination attendance roll I declare that:

- my calculators have been cleared of all memory
- no external storage media are in use on these calculators.

I understand that if I do not comply with the above conditions for the use of calculators I will:

- be in breach of the rules
- have my results for the examination cancelled or amended
- be liable to such further penalty, whether by exclusion from future examinations or otherwise, as the SACE Board of South Australia determines.

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You may remove this page from the booklet by tearing along the perforations, so that you can refer to it when you write your answers.

### FINANCIAL ANALYSIS RATIOS

<i>Profitability (Return)</i>		<i>Expressed as</i>
For all entities:		
Return on equity	$\frac{\text{net profit}}{\text{owner's equity}^*}$	%
Return on total assets	$\frac{\text{net profit} + \text{interest expense}}{\text{total assets}^*}$	%
Net profit margin	$\frac{\text{net profit}}{\text{net sales}}$	%
Expense	$\frac{\text{individual expenses}}{\text{net sales}}$	%
Gross profit margin	$\frac{\text{gross profit}}{\text{net sales}}$	%
For companies:		
Earnings per ordinary share	$\frac{\text{net profit for ordinary shareholders}}{\text{number of ordinary shares}}$	\$
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	$\frac{\text{dividend per ordinary share}}{\text{market price per ordinary share}}$	%
<i>Financial Stability (Risk)</i>		
Short Term (Liquidity)		
Quick asset (acid test) <sup>†</sup>	$\frac{\text{current assets} - \text{inventory}}{\text{current liabilities}}$	ratio
Working capital	$\frac{\text{current assets}}{\text{current liabilities}}$	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)		
Total debt/total assets	$\frac{\text{total liabilities}}{\text{total assets}}$	%
Debt/equity	$\frac{\text{total liabilities}}{\text{owner's equity}}$	%
Times interest earned	$\frac{\text{net profit} + \text{interest expense}}{\text{interest expense}}$	times

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

<sup>†</sup> It is acceptable also to deduct bank overdrafts from current liabilities when calculating this ratio, as appears in some textbooks and study guides.

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*You may remove this page from the booklet by tearing along the perforations, so that you can refer to the following information when you write your answers to Question 1.*

#### QUESTION 1

Mae Cheng owns and manages a hat shop called Happy Hatters. She has supplied the following information for the preparation of a cash budget for April.

##### *Sales*

- Actual and estimated sales are: February \$80 000, March \$70 000, April \$90 000.
- 40% of sales are made on credit.
- 85% of debtors pay in the month after sale.
- The remaining debtors pay in the second month after sale.

##### *Purchases*

- Actual and estimated purchases are: February \$28 000, March \$40 000, April \$60 000.
- All purchases are made on credit and are paid in the month of purchase so that the business receives a 5% discount.

##### *Other Information*

- Insurance costs \$3600 per year and is paid in monthly instalments.
- Each month Mae Cheng withdraws \$3000 from the business.
- Loan repayments of \$500 are made at the end of each month.
- Interest on the loan is \$2000 per annum; payments are made on 30 June and 31 December.
- Depreciation is calculated at \$800 per month.
- Mae Cheng plans to purchase a \$20 000 display cabinet, using cash, in April.
- The wages expense is \$1500 a month. On 30 April \$200 in wages will be outstanding. No wages are owing for March.
- The bank balance at 1 April is \$2500.

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QUESTION 1

(a) Complete the collection from debtors schedule for Happy Hatters.

**HAPPY HATTERS**  
**Collection from Debtors**

Month	Total Sales	Credit Sales	Collection from Debtors in April
February	80 000		
March	70 000		
April	90 000		
Total			

(2 marks)

(b) Complete the cash budget for Happy Hatters for the month ending 30 April.

**HAPPY HATTERS**  
**Cash Budget for Month Ending 30 April**

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

(10 marks)

(c) Explain how the cash budget allows Mae Cheng to plan the purchase of a display cabinet.

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(2 marks)

TOTAL: 14 marks

*End of Question 1*

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You may remove this page from the booklet by tearing along the perforations, so that you can refer to the following information when you write your answers to Question 2.

QUESTION 2

Gourmet Foods, a restaurant business, supplied the following information at 30 June 2010:

**GOURMET FOODS**  
**Balance Sheet at 30 June 2010**

<b>Owner's Equity</b>		
Capital (O. James)	197 300	
Drawings	(82 000)	
Net profit	68 900	<b>184 200</b>
<b>Current Assets</b>		
Bank	7 200	
Inventory	55 000	
Debtors	16 000	
Less allowance for doubtful debts	(2 000)	76 200
<b>Non-current Assets</b>		
Kitchen equipment	36 500	
Less accumulated depreciation	(10 000)	
Restaurant furniture	35 000	
Land and buildings	290 000	351 500
<b>Current Liabilities</b>		
Creditors	22 000	
Prepaid revenue	1 500	23 500
<b>Non-current Liabilities</b>		
Mortgage	220 000	220 000
Net assets		<b>184 200</b>

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QUESTION 2

(a) (i) Identify the ownership structure of Gourmet Foods.

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(ii) Describe *two* disadvantages of this ownership structure.

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(iii) Name the legal entity of Gourmet Foods.

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(4 marks)

(b) Name *one* advantage of classifying the assets as current and non-current.

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(1 mark)

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(c) The accounting process involves the collection, processing, and analysis of data, and the reporting of information to users for planning, control, and decision-making.

(i) Describe the collection and processing stages as they apply to the production of the balance sheet on page 9.

Collection: \_\_\_\_\_

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Processing: \_\_\_\_\_

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(ii) What type of decision would a potential creditor make on the basis of the information in the balance sheet on page 9, and how would the balance sheet help in making this decision?

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(6 marks)

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**QUESTION 3**

The All Ozie Company Ltd needs to reconcile its cash at bank account with the bank's records.

The company provided the following information at 31 October 2010:

- \$15 in bank fees had not been recorded
- cheques totalling \$3800 had not been presented to the bank
- a \$10 charge for a cheque book had not been recorded
- \$4000 that the business had deposited in the bank had not been recorded.

(a) (i) Prepare the bank reconciliation statement at 31 October 2010.

**ALL OZIE COMPANY LTD**  
**Bank Reconciliation Statement at 31 October 2010**

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(ii) Complete and formally balance the cash at bank account for All Ozie Company Ltd.

<b>Cash at Bank Account</b>					
1 Oct.	Opening balance	10 000	31 Oct.	Total payments	22 380
31 Oct.	Total receipts	12 000			

(5 marks)

- (b) (i) Calculate the break-even point for All Ozie Company Ltd leather bags, using the following information:
- selling price \$120
  - variable cost \$70
  - fixed costs \$2300.

- (ii) The All Ozie Company Ltd wants to make \$1500 profit from the sale of leather bags. Recalculate the break-even point to achieve this result.

(3 marks)

- (c) The All Ozie Company Ltd provided the following information at 30 June 2010:

	2010	2009
Net profit	\$180 000	\$260 000
Ordinary dividend	\$120 000	\$130 000
Number of ordinary shares	600 000	600 000
Market price per ordinary share	\$1.60	\$1.90
Earnings yield		22.80%
Dividend yield	12.50%	11.40%

- (i) Calculate the earnings yield of All Ozie Company Ltd for 2010.

(ii) Describe the change in the earnings yield.

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(iii) Give *one* reason for the change you described in part (c)(ii) above.

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(4 marks)

(d) Explain the difference between an earnings yield and a dividend yield.

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(2 marks)

TOTAL: 14 marks

*End of Question 3*



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- (b) Post the relevant information from the inventory card to the inventory control account.  
Formally balance the account.

**Inventory Control Account**

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(4 marks)

- (c) Complete the debtors' subsidiary ledger.

**Debtor — F. Richards**

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**Debtor — Lee's Coaching Clinic**

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(3 marks)

(d) Calculate the inventory turnover for Aceshot tennis racquets in January.

(3 marks)

(e) The inventory turnover for Aceshot tennis racquets in December 2009 was 2.4 times.  
Suggest *two* reasons for the change in turnover.

(i) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(ii) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(2 marks)

(f) Why does Sports City conduct stocktakes even though it uses inventory cards?

\_\_\_\_\_  
\_\_\_\_\_

(1 mark)

(g) Roger Nagel presents the following information:

	1 January 2010	31 January 2010
Assets	\$125 000	\$122 000
Liabilities	\$71 500	\$71 000

If the business made a profit of \$800 in January, how much were Roger's drawings for the month?

(3 marks)

TOTAL: 22 marks

**End of Question 4**

You may remove this page from the booklet by tearing along the perforations, so that you can refer to the following information when you write your answers to Question 5.

QUESTION 5

Carl Martin is the owner of a business called the Late Show. He provided you with the following information for the previous 12 months:

**THE LATE SHOW**  
**Trial Balance at 30 June 2010**

	<i>Debit</i>	<i>Credit</i>
Advertising	16 000	
Bank		10 000
Capital		202 290
Delivery in	2 600	
Creditors		21 060
Debtors	35 400	
Delivery vehicle	98 000	
Accumulated depreciation on delivery vehicle		36 500
Commission revenue		5 200
Drawings	33 800	
Inventory	104 000	
Mortgage		210 000
Interest on mortgage	21 000	
Office equipment	18 500	
Accumulated depreciation on office equipment		4 700
Premises	268 500	
Insurance	6 400	
Purchases	381 300	
Rates	1 200	
Bad debts	7 950	
Returns inwards	6 000	
Sales		563 000
Salespeople's wages	57 000	
Stationery expense	3 600	
Allowance for doubtful debts		8 500

*Other Information*

- A physical stocktake revealed \$110 000 of inventory on hand.
- \$600 commission revenue was owing at 30 June.
- \$2000 advertising expense was owing at 30 June.
- Office equipment is depreciated at the rate of 15% per annum, using the diminishing-balance method.
- The delivery vehicle is depreciated using the units-of-use method. The vehicle travelled 40 000 kilometres during this accounting period. The vehicle is estimated to have a useful life of 800 000 kilometres and a residual value of \$6000.
- Carl Martin intends to adjust the balance of the allowance for doubtful debts account to 12% of outstanding debtors.

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QUESTION 5

(a) Show calculations for depreciation on:

(i) office equipment.

(ii) the delivery vehicle.

(4 marks)

(b) Complete the general journal entries to record the following adjustments for the Late Show.

**GENERAL JOURNAL**

Date	Particulars	Debit	Credit
30 June	Recording commission revenue owing		
30 June	Recording depreciation on office equipment		
30 June	Transferring bad debts		
30 June	Recording allowance at 12% of outstanding debtors		

(6 marks)

(c) Complete the balance sheet for the Late Show at 30 June 2010.

**THE LATE SHOW**  
**Balance Sheet at 30 June 2010**

OWNER'S EQUITY	
ASSETS	
Current	
Non-current	
LIABILITIES	
Current	
Non-current	
NET ASSETS	

(11 marks)



(d) Calculate the following ratios.

(i) Return on equity.

(ii) Working capital.

(iii) With reference to your ratio calculations in parts (i) and (ii) above, comment on the liquidity of the business.

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(iv) With reference to the balance sheet on page 24 and to the ratio calculations above, suggest what actions the business should take to improve the result.

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(8 marks)

- (e) Complete the income statement for the Late Show for the period ended 30 June 2010.

**THE LATE SHOW**  
**Income Statement for Period Ended 30 June 2010**

Revenue	
Cost of Goods Sold	
Gross Profit	
Other Revenue	
Selling Expenses	
Administrative Expenses	
Financial Expenses	
Net Profit/Loss	

(11 marks)

TOTAL: 40 marks

***End of Question 5***

## 2011 SAMPLE ACCOUNTING PAPER

The purpose of this sample paper is to show the structure of the Accounting examination and the style of questions that may be used. The following extract is from the Stage 2 subject outline for Accounting:

### EXTERNAL ASSESSMENT

#### Assessment Type 3: Examination (30%)

Students undertake a 2-hour external examination that includes a range of problem questions, including short-answer and extended-response questions. Problem questions integrate knowledge, skills, and understanding from all sections of the content, with a focus on the knowledge, skills, applications, analysis, and interpretation involved in accounting practice.

For this assessment type, students provide evidence of their learning in relation to the following assessment design criteria:

- understanding
- analysis and interpretation
- application
- communication.

*Source: Accounting 2011 Subject Outline Stage 1 and Stage 2, p. 35, on SACE website, [www.sace.sa.edu.au](http://www.sace.sa.edu.au)*

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