

MARKER CODE



Student Personal Identification Number

South Pacific Form Seven Certificate

ACCOUNTING

2019

QUESTION and ANSWER BOOKLET

Time allowed: Three hours

(An extra 10 minutes is allowed for reading this paper.)

INSTRUCTIONS

Write your **Student Personal Identification Number (SPIN)** in the space provided on the top right-hand corner of this page.

Answer **ALL QUESTIONS**. Write your answers in the spaces provided in this booklet.

If you need more space for answers, ask the Supervisor for extra paper. Write your SPIN on all extra sheets used and clearly number the questions. Attach the extra sheets at the appropriate places in this booklet.

Major Learning Outcomes (Achievement Standards)	Skill Level & Number of Questions				Weight/ Time
	Level 1 <i>Uni- structural</i>	Level 2 <i>Multi- structural</i>	Level 3 <i>Relational</i>	Level 4 <i>Extended Abstract</i>	
Strand 1: The Conceptual Basis of Accounting Understand foundations on which accounting is based and apply concepts and assumptions of accounting in context.	7	4	-	-	15% 38 min
Strand 2: Financial Information for Partnerships and Companies Understand financial transactions of a partnership and a company.	-	-	2	1	10% 26 min
Strand 3: Financial Information for a Manufacturing Job-costing Subsystem Record and process financial transactions of a manufacturing enterprise and evaluate a job cost system.	7	4	-	-	15% 38 min
Strand 4: Reporting of Financial Information Understand financial reports of a partnership and a company.	-	2	2	-	10% 26 min
Strand 5: Evaluation of a Company's Financial Information Analyse and interpret financial and non-financial information for reporting and decision making.	3	2	1	-	10% 26 min
Strand 6: Information for Management Decision Making Understand information for management decision making.	2	2	-	1	10% 26 min
TOTAL	19	14	5	2	70% 180 min

Check that this booklet contains pages 2–15 in the correct order and that none of these pages are blank.

HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

STRAND 1: THE CONCEPTUAL BASIS OF ACCOUNTING

Assessor's use only

1.1a	<p>State the purpose of the Accounting Framework.</p> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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1.1b	<p>State the purpose of the International Financial Reporting Standards (IFRS).</p> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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1.1c	<p>State the purpose of the Generally Accepted Accounting Practice.</p> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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1.2a	<p>Describe the liabilities of partners in a partnership operation.</p> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR	
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1.2b	<p>State two features of a Partnership Agreement.</p> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR	
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1.2c	<p>Define reporting entity.</p> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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1.2d	Define exempt companies . <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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1.2e	Describe the liabilities of the shareholders of an exempt company. <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR	
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1.2f	Define Limited Liability Company (LLC) . <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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1.2g	Describe the liabilities of the directors of a limited liability company. <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR	
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1.2h	Relevance is one of the fundamental qualitative characteristics of financial information. Define relevance . <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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STRAND 2: FINANCIAL INFORMATION FOR PARTNERSHIPS AND COMPANIES*Assessor's use only*

2.1	<p>Explain how a partnership operation accounts for the distribution of profits to partners and drawings by partners.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Relational</th> </tr> </thead> <tbody> <tr> <td>3</td> <td></td> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Relational		3		2		1		0		NR																			
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2.2a	<p>Explain the importance of the Articles of Association in the formation and operation of a company.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Relational</th> </tr> </thead> <tbody> <tr> <td>3</td> <td></td> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Relational		3		2		1		0		NR																			
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2.2b	<p>ABC Ltd had a goodwill value of \$50 000. After the acquisition of XYZ Ltd on 31 December, 2018, the company decided to amortise its goodwill by 15%. Prepare the accounting entries to record the amortisation of goodwill.</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Particulars</th> <th>Debit</th> <th>Credit</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>(to record the amortisation of goodwill)</td> <td></td> <td></td> </tr> </tbody> </table>	Date	Particulars	Debit	Credit										(to record the amortisation of goodwill)			<table border="1"> <thead> <tr> <th colspan="2">Extended Abstract</th> </tr> </thead> <tbody> <tr> <td>4</td> <td></td> </tr> <tr> <td>3</td> <td></td> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Extended Abstract		4		3		2		1		0		NR	
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STRAND 3: FINANCIAL INFORMATION FOR A MANUFACTURING JOB-COSTING SUB-SYSTEM

Assessor's use only

3.1a	Define the term indirect cost . <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR															
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3.1b	Define the term cost driver . <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR															
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3.1c	Identify one cost driver for a garment factory. <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR															
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3.1d	<p>Safety Ltd produces a range of safety products for industries on getting bulk orders. It uses a job-costing system to calculate the cost of a particular job. A manufacturing overhead is allocated to different jobs by using direct manufacturing labour costs.</p> <p>Safety Ltd provides the following information for 2018:</p> <table border="1" data-bbox="236 1261 1236 1576"> <thead> <tr> <th></th> <th>Budget</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Direct Material Costs</td> <td>\$2 500 000</td> <td>\$3 000 000</td> </tr> <tr> <td>Direct Manufacturing Labour Costs</td> <td>\$1 500 000</td> <td>\$1 620 000</td> </tr> <tr> <td>Manufacturing Overhead Costs</td> <td>\$2 700 000</td> <td>\$2 800 000</td> </tr> </tbody> </table> <p>Based on the information provided, calculate the factory overhead rate.</p> <div data-bbox="236 1816 1220 2078" style="border: 1px solid black; padding: 10px;"> <p>Working</p> <p>Factory Overhead Rate: _____</p> </div>		Budget	Actual	Direct Material Costs	\$2 500 000	\$3 000 000	Direct Manufacturing Labour Costs	\$1 500 000	\$1 620 000	Manufacturing Overhead Costs	\$2 700 000	\$2 800 000	<table border="1"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR	
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3.1e	<p>Using the information given above, calculate and state whether the manufacturing overhead is under or over applied.</p> <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <p>Working</p> <p>Underapplied/Overapplied: \$ _____</p> </div>	<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR	
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3.1g	<p>Identify one fixed cost for a soap manufacturing factory.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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3.2a	<p>Describe the main objective of a job cost system.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR	
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3.2b	<p>List two appropriate source documents used in a job cost system.</p> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR	
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3.2c	<p>Identify one input element of a job cost system.</p> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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3.2d	<p>Two of the costs under job costing system can be directly determined. However, the third cost (factory overhead) is not easily determined.</p> <p>What can be used to determine the factory overhead?</p> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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STRAND 4: REPORTING OF FINANCIAL INFORMATION*Assessor's use only*

4.1a	Describe the purpose of a Statement of Profit Distribution. _____ _____ _____ _____	<table border="1"> <tr> <th colspan="2">Multistructural</th> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Multistructural		2		1		0		NR	
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4.1b	Outline the process of preparing a partnership's Statement of Profit Distribution. _____ _____ _____ _____	<table border="1"> <tr> <th colspan="2">Multistructural</th> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Multistructural		2		1		0		NR	
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Use the information given below to answer questions 4.1c and 4.1d.

The following Unadjusted Trial Balance relates to AAB Solicitors for the year ending 31 Dec 2018.

	\$		\$
Cash at Bank	12 000	Fees	140 000
Accounts Receivable	2 000	Accounts Payable	5 000
Building	100 000	Capital Contribution	41 000
Insurance	12 000		
Equipment	10 000		
Vehicle	50 000		
	186 000		186 000

Adjustments:

- Legal advice provided to the client in October 2018, worth \$3 000, is yet to be received.
- The insurance premium covers the period September 2018 to August 2019.

<p>4.1c</p>	<p>Prepare the journal entries for fees yet to be received.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 25%; text-align: center;">\$</td> <td style="width: 25%; text-align: center;">\$</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </table>		\$	\$										<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Relational</th> </tr> <tr> <td style="text-align: center;">3</td> <td></td> </tr> <tr> <td style="text-align: center;">2</td> <td></td> </tr> <tr> <td style="text-align: center;">1</td> <td></td> </tr> <tr> <td style="text-align: center;">0</td> <td></td> </tr> <tr> <td style="text-align: center;">NR</td> <td></td> </tr> </table>	Relational		3		2		1		0		NR	
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<p>4.1d</p>	<p>Prepare the journal entries for insurance prepaid.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 25%; text-align: center;">\$</td> <td style="width: 25%; text-align: center;">\$</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </table>		\$	\$										<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Relational</th> </tr> <tr> <td style="text-align: center;">3</td> <td></td> </tr> <tr> <td style="text-align: center;">2</td> <td></td> </tr> <tr> <td style="text-align: center;">1</td> <td></td> </tr> <tr> <td style="text-align: center;">0</td> <td></td> </tr> <tr> <td style="text-align: center;">NR</td> <td></td> </tr> </table>	Relational		3		2		1		0		NR	
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STRAND 5: EVALUATION OF A COMPANY'S FINANCIAL INFORMATION

Use the information given below to answer the questions that follow.

The following information refers to the business of XYZ Ltd and ABC Ltd for the financial year ending 30 June 2018.

Financial Ratios

Measure	XYZ Ltd	ABC Ltd	Industry Average
Gross Profit Ratio	19%	22%	21%
Net Profit Ratio	6%	7%	5%
Rate of Return on Owner's Equity	5%	10%	10%
Rate of Return on Total Assets	6%	11%	11%
Working Capital Ratio	2.5:1	1.8:1	2:1
Quick Asset Ratio	2.2:1	0.7:1	1:1
Proprietary Ratio	70%	63.5%	60%
Debt Ratio	30%	36.5%	40%
Rate of Turnover of Inventories	6 times	4 times	6 times
Turnover of Accounts Receivable in days	40 days	55 days	50 days

Assessor's use only

5.1a State the purpose of analysing financial information as presented in the above table.

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<p>5.1b</p>	<p>List two strengths of XYZ Ltd from the above analysis.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Multistructural</th> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Multistructural		2		1		0		NR	
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<p>5.1c</p>	<p>List two weaknesses of ABC Ltd from the above analysis.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Multistructural</th> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Multistructural		2		1		0		NR	
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<p>5.1d</p>	<p>State the purpose of the Net Profit Ratio.</p> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Unistructural</th> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR			
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<p>5.1e</p>	<p>State the purpose of the Quick Asset Ratio.</p> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th colspan="2">Unistructural</th> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Unistructural		1		0		NR			
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Assessor's use only

5.2	Comment on the management effectiveness of XYZ Ltd. <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"><thead><tr><th colspan="2" data-bbox="1262 418 1452 472">Relational</th></tr></thead><tbody><tr><td data-bbox="1262 472 1362 526">3</td><td data-bbox="1362 472 1452 526"></td></tr><tr><td data-bbox="1262 526 1362 580">2</td><td data-bbox="1362 526 1452 580"></td></tr><tr><td data-bbox="1262 580 1362 633">1</td><td data-bbox="1362 580 1452 633"></td></tr><tr><td data-bbox="1262 633 1362 687">0</td><td data-bbox="1362 633 1452 687"></td></tr><tr><td data-bbox="1262 687 1362 719">NR</td><td data-bbox="1362 687 1452 719"></td></tr></tbody></table>	Relational		3		2		1		0		NR	
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STRAND 6: INFORMATION FOR MANAGEMENT DECISION MAKING

Assessor's use only

6.1a	Identify the type of decision made by managers on a daily basis. <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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6.1b	Identify the non-financial information that a restaurant manager would need in order to make a decision in controlling food wastage. <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Unistructural</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Unistructural		1		0		NR			
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6.2a	Outline the process of preparing a cash budget. <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR	
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6.2b	Cash inflows and outflows are two key components of a cash budget. Apart from cash sales, list two elements under cash inflows. <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th colspan="2">Multistructural</th> </tr> </thead> <tbody> <tr> <td>2</td> <td></td> </tr> <tr> <td>1</td> <td></td> </tr> <tr> <td>0</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Multistructural		2		1		0		NR	
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6.2c

Subrails Window Supplies Ltd's management accountant provided the following information for the production of 1000 window blinds for the first quarter of 2018. The current selling price per window blind is \$300 with a variable cost of \$120. The fixed cost for making these 1000 window blinds is \$75 000.

Subrails Window Supplies Ltd recently received an order from a hotel for the provision of 200 window blinds. The following table presents the current budget for the first quarter.

Receipts	\$	\$
Cash from sales (1000 blinds)		300 000
Payments		
Variable costs	120 000	
Fixed cost (excluding depreciation)	75 000	
Dividend	20 500	
Total payments		205 500
Surplus/deficit		84 500
Bank Balance 1 January 2018		13 000
Bank Balance 30 April 2018		97 500

You are required to:

Prepare a cash budget for the **200 window blinds ONLY**.

NB:

- Sales price is \$310 per blind, cash on delivery.
- Fixed costs paid are expected to be 10% of the budgeted figure.
- A dividend of \$3100 is expected to be paid to shareholders during the year.

Cash Budget for Subrails Window Supplies Ltd for 200 Window Blinds

	\$	\$
Receipts		
Total Receipts		
Payments		
Total Payments		
Surplus / (Deficit)		
Budgeted Bank Balance 30 April 2018		97 500
Bank Balance 30 April 2018		

Extended Abstract	
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THE END