

MARKER CODE



Student Personal Identification Number

# South Pacific Form Seven Certificate

# ACCOUNTING

## 2016

## QUESTION and ANSWER BOOKLET

Time allowed: Three hours

### 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<br>(Achievement Standards)                                    | Skill Level Band   |                        |                      | Weight<br>/Time              |
|---|--------------------|------------------------|----------------------|------------------------------|
|   | 1<br><i>Basic</i>  | 2<br><i>Proficient</i> | 3<br><i>Advanced</i> |                              |
| <b>AccA:</b><br>Describe the conceptual basis of Accounting.                          | 5<br>items         | 1<br>item              | 1<br>item            | 10%<br>25 min                |
| <b>AccB:</b><br>Process financial information for partnerships and companies.         | 8<br>items         | 2<br>items             | 1<br>item            | 15%<br>30 min                |
| <b>AccC:</b><br>Process financial information for a manufacturing job-costing system. | 8<br>items         | 2<br>items             | 1<br>item            | 15%<br>35 min                |
| <b>AccD:</b><br>Prepare accounting reports.   | 12<br>items        |                        |                      | 12%<br>30 min                |
| <b>AccE:</b><br>Analyse, interpret and report on a company's financial statements.    | 8<br>items         | 3<br>items             | 1<br>item            | 17%<br>40 min                |
| <b>AccF:</b><br>Explain and prepare information for management decision making.       | 5<br>items         | 1<br>item              | 1<br>item            | 10%<br>20 min                |
| <b>TOTAL</b>  | <b>46</b><br>items | <b>9</b><br>items      | <b>5</b><br>items    | <b>79%</b><br><b>180 min</b> |
|   |                    |                        |                      |                              |

Check that this booklet contains pages 2-20 in the correct order and that none of these pages is blank.

**YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.**

## SECTION A: CONCEPTUAL BASIS OF ACCOUNTING

### QUESTION ONE

*Assessor's use only*

| A1a           | <p>In a recent <i>Pacific Annual Accounting Conference</i> that you attended a presentation was made on the need for a Conceptual Framework. Some accountants argue that standard setting regulations are in use and therefore there is no need for a Conceptual Framework.</p> <p>Describe the scope of the Conceptual Framework.</p> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #e0e0e0; text-align: center;">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Basic</td> <td style="width: 20%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>   | Skill Level 1 |  | Basic      |  | Weak       |  | NR    |  |      |  |    |  |
|---------------|--|--|---------------|--|------------|--|------------|--|-------|--|------|--|----|--|
| Skill Level 1 |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| Basic         |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| Weak          |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| NR            |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| A1b           | <p>Explain the purpose of International Financial Reporting Standards (IFRS)</p> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>   | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #e0e0e0; text-align: center;">Skill Level 2</th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Proficient</td> <td style="width: 20%;"></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>  | Skill Level 2 |  | Proficient |  | Basic      |  | Weak  |  | NR   |  |    |  |
| Skill Level 2 |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| Proficient    |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| Basic         |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| Weak          |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| NR            |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| A1c           | <p>Discuss the objectives of General Purpose Financial Reporting as set out in the Conceptual Framework.</p> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>   | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #e0e0e0; text-align: center;">Skill Level 3</th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Advanced</td> <td style="width: 20%;"></td> </tr> <tr> <td>Proficient</td> <td></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 3 |  | Advanced   |  | Proficient |  | Basic |  | Weak |  | NR |  |
| Skill Level 3 |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| Advanced      |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| Proficient    |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| Basic         |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| Weak          |  |  |               |  |            |  |            |  |       |  |      |  |    |  |
| NR            |  |  |               |  |            |  |            |  |       |  |      |  |    |  |

**QUESTION TWO**

*Assessor's use only*

| <p>A2a</p>    | <p>Describe whether you would recognize the item below as an asset, justifying your answer by reference to the Conceptual Framework asset definition and recognition criteria:</p> <p>A trinket of sentimental value only</p> <hr/> <hr/> <hr/> <hr/> | <table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
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| Skill Level 1 |   |   |               |  |       |  |      |  |    |  |
| Basic         |   |   |               |  |       |  |      |  |    |  |
| Weak          |   |   |               |  |       |  |      |  |    |  |
| NR            |   |   |               |  |       |  |      |  |    |  |
| <p>A2b</p>    | <p>The directors of MGM Ltd asked the accountant to clarify between a reporting entity and an exempt entity.</p> <p>Describe the legal requirement of a reporting entity.</p> <hr/> <hr/> <hr/> <hr/>   | <table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
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| Weak          |   |   |               |  |       |  |      |  |    |  |
| NR            |   |   |               |  |       |  |      |  |    |  |
| <p>A2c</p>    | <p>Identify the legal requirements for an exempt entity.</p> <hr/> <hr/> <hr/> <hr/>  | <table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
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| Basic         |   |   |               |  |       |  |      |  |    |  |
| Weak          |   |   |               |  |       |  |      |  |    |  |
| NR            |   |   |               |  |       |  |      |  |    |  |
| <p>A2d</p>    | <p>Describe a disadvantage of a limited liability company.</p> <hr/> <hr/> <hr/> <hr/>  | <table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |   |   |               |  |       |  |      |  |    |  |
| Basic         |   |   |               |  |       |  |      |  |    |  |
| Weak          |   |   |               |  |       |  |      |  |    |  |
| NR            |   |   |               |  |       |  |      |  |    |  |

## SECTION B: PROCESSING FINANCIAL INFORMATION

### QUESTION ONE: PARTNERSHIPS

Happy and Sad share profits in the proportion of two-thirds and one-third respectively. Happy is to be credited with a salary of \$30,000 per annum, and Sad \$45,000. Capitals are fixed at Happy \$144,000, and Sad \$96,000. Interest is to be calculated on the partners' fixed capital at 10% per annum. The summarised trial balance after the determination of profit (not including interest on Happy's advance) for the twelve month period ending 30 June 2015 was as follows:

**Happy and Sad  
Trial Balance as at 30 June 2015**

|                         | Debit<br>\$      | Credit<br>\$     |
|-------------------------|------------------|------------------|
| Capital, Happy          |                  | 144,000          |
| Capital, Sad            |                  | 96,000           |
| Advance 12%, Happy      |                  | 48,000           |
| Retained profits, Happy | 9,600            |                  |
| Retained profits, Sad   | 28,800           |                  |
| Bank overdraft          |                  | 17,500           |
| Profit and loss summary |                  | 164,820          |
| Other assets            | 471,920          |                  |
| Other liabilities       |                  | 40,000           |
|                         | <b>\$510,320</b> | <b>\$510,320</b> |

*Assessor's use only*

B1a Complete the Profit and Loss Summary ledger account for the year ended 30 June 2015.

**Happy and Sad  
Profit and Loss Summary**

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

**Skill Level 1**

|       |  |
|-------|--|
| Basic |  |
| Weak  |  |
| NR    |  |

B1b Prepare a general journal entry to record the transfer of profit.

**Happy and Sad**

| Date | Particulars          | Dr | Cr |
|------|----------------------|----|----|
|      |                      |    |    |
|      |                      |    |    |
|      | (transfer of profit) |    |    |

**General Journal**

**Skill Level 1**

|       |  |
|-------|--|
| Basic |  |
| Weak  |  |
| NR    |  |

| B1c                    | <p>Prepare the Partner's Equity section only of the Balance sheet as at 30 June 2015.</p> <p style="text-align: center;"><b>Happy and Sad</b></p> <p style="text-align: center;"><b><u>(Extract) Balance sheet as at 30 June 2015</u></b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"><b>Partners Equity</b></th> <th style="width: 15%; text-align: center;"><b>\$</b></th> <th style="width: 15%; text-align: center;"><b>\$</b></th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </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> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table> | <b>Partners Equity</b>  | <b>\$</b>            | <b>\$</b> |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #cccccc;"> <th colspan="2" style="text-align: center;"><b>Skill Level 3</b></th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Advanced</td> <td style="width: 20%;"></td> </tr> <tr> <td>Proficient</td> <td></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | <b>Skill Level 3</b> |  | Advanced |  | Proficient |  | Basic |  | Weak |  | NR |  |
|------------------------|--|---|----------------------|-----------|-------|--|------|--|----|--|--|--|--|--|--|--|--|--|--|---|----------------------|--|----------|--|------------|--|-------|--|------|--|----|--|
| <b>Partners Equity</b> | <b>\$</b>  | <b>\$</b>   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
|                        |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
|                        |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
|                        |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
|                        |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
|                        |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
| <b>Skill Level 3</b>   |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
| Advanced               |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
| Proficient             |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
| Basic                  |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
| Weak                   |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
| NR                     |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
| B1d                    | <p>State the purpose of the <i>Partnership Agreement</i>.</p> <hr/> <hr/> <hr/> <hr/>  | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #cccccc;"> <th colspan="2" style="text-align: center;"><b>Skill Level 1</b></th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Basic</td> <td style="width: 20%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | <b>Skill Level 1</b> |           | Basic |  | Weak |  | NR |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
| <b>Skill Level 1</b>   |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
| Basic                  |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
| Weak                   |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |
| NR                     |  |   |                      |           |       |  |      |  |    |  |  |  |  |  |  |  |  |  |  |   |                      |  |          |  |            |  |       |  |      |  |    |  |

**QUESTION TWO: COMPANIES**

White & Black Ltd is a hardware company operating in 'Alafua. The following trial balance is taken from the financial records for the year ended 31 December 2016.

**White & Black Ltd**  
**Trial Balance as at 31 December 2015**

|  |                  |                  |
|--|------------------|------------------|
| Share capital                                      | \$               | \$               |
| 100 000 ordinary shares fully paid to \$1 each     |                  | 100,000          |
| 20,000 8% preference shares fully paid to \$1 each |                  | 20,000           |
| General reserve                                    |                  | 120,000          |
| Retained earnings 1 <sup>st</sup> January 2015     |                  | 110,000          |
| Cash at bank                                       | 86,000           |                  |
| Land and buildings (net)                           | 308,000          |                  |
| Goodwill   | 25,000           |                  |
| Profit and loss account (before tax)               |                  | <u>69,000</u>    |
|  | <u>\$419,000</u> | <u>\$419,000</u> |

Additional transactions at 31 December 2015:

- 10,000 ordinary shares were issued for cash to AAA Superannuation Fund for \$1 per share.
- Income tax of \$20,500 was to be provided.
- A 1 for 20 share dividend, payable on the ordinary shares, was declared and paid. It was financed out of the general reserve. The dividend does not apply to the 10,000 shares issued to the AAA Superannuation fund.
- The bonus shares were issued as \$1 fully paid.
- An 8% cash dividend on the preference shares was declared.
- Land and Building is to be revalued at \$300,000.
- Goodwill amount of \$5,000 is to be written off.

| B2a           | <p>Prepare General Journal entry to record the issue of shares.</p> <p style="text-align: center;"><b>White &amp; Black Ltd</b><br/><b>General Journal</b></p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 45%;">Particulars</th> <th style="width: 15%;">Dr</th> <th style="width: 25%;">Cr</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> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table> | Date | Particulars | Dr | Cr |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       | <p><i>Assessor's use only</i></p> <table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td style="width: 50%;">Basic</td> <td style="width: 50%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
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| Date          | Particulars   | Dr   | Cr          |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
|               |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
|               |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
|               |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
|               |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
| Skill Level 1 |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
| Basic         |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
| Weak          |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
| NR            |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
| B2b           | <p>Prepare General Journal entry to record the income tax liability.</p> <p style="text-align: center;"><b>White &amp; Black Ltd</b><br/><b>General Journal</b></p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 45%;">Particulars</th> <th style="width: 15%;">Dr</th> <th style="width: 25%;">Cr</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> </td><td> </td><td> </td></tr> </tbody> </table>  | Date | Particulars | Dr | Cr |  |  |  |  |  |  |  |  |  |  |  |  | <table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td style="width: 50%;">Basic</td> <td style="width: 50%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak          |  | NR    |  |      |  |    |  |
| Date          | Particulars   | Dr   | Cr          |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
|               |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
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|               |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
| Skill Level 1 |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
| Basic         |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
| Weak          |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |
| NR            |   |      |             |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |               |  |       |  |               |  |       |  |      |  |    |  |

| B2c           | <p>Prepare General Journal entry to record the Goodwill written off.</p> <p style="text-align: center;"><b>White &amp; Black Ltd</b><br/><b>General Journal</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 40%;">Particulars</th> <th style="width: 15%;">Dr</th> <th style="width: 15%;">Cr</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> </td><td> </td><td> </td></tr> </tbody> </table>                      | Date  | Particulars   | Dr | Cr         |  |       |  |      |  |    |  |  |  |  |  |  | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> </thead> <tbody> <tr><td style="width: 80%;">Basic</td><td> </td></tr> <tr><td>Weak</td><td> </td></tr> <tr><td>NR</td><td> </td></tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |   |               |  |            |  |       |  |      |  |    |  |
|---------------|--|---|---------------|----|------------|--|-------|--|------|--|----|--|--|--|--|--|--|--|---------------|--|-------|--|------|--|----|---|---------------|--|------------|--|-------|--|------|--|----|--|
| Date          | Particulars  | Dr  | Cr            |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
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| Skill Level 1 |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Basic         |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Weak          |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| NR            |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| B2d           | <p>Prepare General Journal entry to record the preference dividend declared.</p> <p style="text-align: center;"><b>White &amp; Black Ltd</b><br/><b>General Journal</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 40%;">Particulars</th> <th style="width: 15%;">Dr</th> <th style="width: 15%;">Cr</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> </td><td> </td><td> </td></tr> </tbody> </table>              | Date  | Particulars   | Dr | Cr         |  |       |  |      |  |    |  |  |  |  |  |  | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> </thead> <tbody> <tr><td style="width: 80%;">Basic</td><td> </td></tr> <tr><td>Weak</td><td> </td></tr> <tr><td>NR</td><td> </td></tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |   |               |  |            |  |       |  |      |  |    |  |
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| Skill Level 1 |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Basic         |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Weak          |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| NR            |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| B2e           | <p>Prepare General Journal entry to record the revaluation of Land and Building.</p> <p style="text-align: center;"><b>White &amp; Black Ltd</b><br/><b>General Journal</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 40%;">Particulars</th> <th style="width: 15%;">Dr</th> <th style="width: 15%;">Cr</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> </td><td> </td><td> </td></tr> </tbody> </table>          | Date  | Particulars   | Dr | Cr         |  |       |  |      |  |    |  |  |  |  |  |  | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> </thead> <tbody> <tr><td style="width: 80%;">Basic</td><td> </td></tr> <tr><td>Weak</td><td> </td></tr> <tr><td>NR</td><td> </td></tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |   |               |  |            |  |       |  |      |  |    |  |
| Date          | Particulars  | Dr  | Cr            |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
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| Skill Level 1 |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Basic         |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Weak          |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| NR            |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| B2f           | <p style="text-align: center;"><b>Retained Earnings</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 10%; text-align: center;">\$</th> <th style="width: 30%;"></th> <th style="width: 10%; text-align: center;">\$</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> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table> |   | \$            |    | \$         |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 2</th> </tr> </thead> <tbody> <tr><td style="width: 80%;">Proficient</td><td> </td></tr> <tr><td>Basic</td><td> </td></tr> <tr><td>Weak</td><td> </td></tr> <tr><td>NR</td><td> </td></tr> </tbody> </table> | Skill Level 2 |  | Proficient |  | Basic |  | Weak |  | NR |  |
|               | \$   |   | \$            |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
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|               |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Skill Level 2 |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Proficient    |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Basic         |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Weak          |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| NR            |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| B2g           | <p>Before White &amp; Black Ltd could commence operation, the company must be issued a Certificate of Incorporation from the company registration office. Discuss the significance of this certificate.</p> <hr/> <hr/> <hr/> <hr/>  | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 2</th> </tr> </thead> <tbody> <tr><td style="width: 80%;">Proficient</td><td> </td></tr> <tr><td>Basic</td><td> </td></tr> <tr><td>Weak</td><td> </td></tr> <tr><td>NR</td><td> </td></tr> </tbody> </table> | Skill Level 2 |    | Proficient |  | Basic |  | Weak |  | NR |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Skill Level 2 |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Proficient    |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Basic         |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| Weak          |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |
| NR            |  |   |               |    |            |  |       |  |      |  |    |  |  |  |  |  |  |  |               |  |       |  |      |  |    |   |               |  |            |  |       |  |      |  |    |  |

## SECTION C: PROCESS FINANCIAL INFORMATION FOR A MANUFACTURING CONCERN/ JOB COST SUB-SYSTEMS

### QUESTION ONE

The Hutton Manufacturing Company distributes its manufacturing overhead based on direct labour hours. The estimated manufacturing overhead for the year was \$484,000 and the estimated direct labour hours for the year were 110,000.

*Assessor's use only*

| C1a           | Calculate the factory overhead rate.<br><br><br><p style="text-align: center;">Total Factory Overhead Rate \$ _____</p>  | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Basic</td> <td style="width: 20%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>  | Skill Level 1 |  | Basic      |  | Weak  |  | NR   |  |    |  |
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| Skill Level 1 |  |  |               |  |            |  |       |  |      |  |    |  |
| Basic         |  |  |               |  |            |  |       |  |      |  |    |  |
| Weak          |  |  |               |  |            |  |       |  |      |  |    |  |
| NR            |  |  |               |  |            |  |       |  |      |  |    |  |
| C1b           | Indicate the underapplied or overapplied overhead under each of the following independent situations and the amount:<br><br>(i) Actual direct labour hours 98,000, actual manufacturing overhead \$418,800<br><br><div style="border: 1px solid black; padding: 10px; margin-bottom: 10px;">             Working<br/><br/><br/><br/> <p style="text-align: center;">Underapplied/Overapplied \$ _____</p> </div> | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">Skill Level 2</th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Proficient</td> <td style="width: 20%;"></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 2 |  | Proficient |  | Basic |  | Weak |  | NR |  |
| Skill Level 2 |  |  |               |  |            |  |       |  |      |  |    |  |
| Proficient    |  |  |               |  |            |  |       |  |      |  |    |  |
| Basic         |  |  |               |  |            |  |       |  |      |  |    |  |
| Weak          |  |  |               |  |            |  |       |  |      |  |    |  |
| NR            |  |  |               |  |            |  |       |  |      |  |    |  |
|               | (ii) Actual direct labour hours 118,000, actual manufacturing overhead \$497,400<br><br><div style="border: 1px solid black; padding: 10px; margin-bottom: 10px;">             Working<br/><br/><br/><br/> <p style="text-align: center;">Underapplied/Overapplied \$ _____</p> </div>   | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">Skill Level 2</th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Proficient</td> <td style="width: 20%;"></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 2 |  | Proficient |  | Basic |  | Weak |  | NR |  |
| Skill Level 2 |  |  |               |  |            |  |       |  |      |  |    |  |
| Proficient    |  |  |               |  |            |  |       |  |      |  |    |  |
| Basic         |  |  |               |  |            |  |       |  |      |  |    |  |
| Weak          |  |  |               |  |            |  |       |  |      |  |    |  |
| NR            |  |  |               |  |            |  |       |  |      |  |    |  |



| C1c                                  | <p>The three major inputs into the manufacturing process are direct materials, direct labour and factory overheads. If the costs of any of these are not controlled, they may inflate the cost of manufacturing. If the selling price of the final output is determined by the market for the product and cannot be increased, the profit margin will be reduced. Describe a way in which each of the following inputs could be controlled.</p> <p>Direct material</p> <hr/> <hr/> <hr/> <hr/>   | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |                             | Basic  |                                    | Weak  |                                      | NR    |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
|--------------------------------------|--|---|---------------|-----------------------------|--------|------------------------------------|-------|--------------------------------------|-------|-----------------------|-------|---------------|-------|------------------|-------|------------------|-------|-------------------------------------|-------|--|----|----|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|---|---------------|--|----------|--|------------|--|-------|--|------|--|----|--|
| Skill Level 1                        |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Basic                                |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Weak                                 |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| NR                                   |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| C1d                                  | <p>Direct labour</p> <hr/> <hr/> <hr/> <hr/>   | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |                             | Basic  |                                    | Weak  |                                      | NR    |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Skill Level 1                        |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Basic                                |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Weak                                 |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| NR                                   |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| C1e                                  | <p>Factory overheads</p> <hr/> <hr/> <hr/> <hr/>   | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |                             | Basic  |                                    | Weak  |                                      | NR    |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Skill Level 1                        |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Basic                                |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Weak                                 |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| NR                                   |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| C1f                                  | <p>Mc Manufacturing reports the following information for a recent year.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 40px;">Work in process 1 January</td> <td style="text-align: right;">\$ 7 000</td> </tr> <tr> <td style="padding-left: 40px;">Work in process 31 December</td> <td style="text-align: right;">10 000</td> </tr> <tr> <td style="padding-left: 40px;">Finished goods inventory 1 January</td> <td style="text-align: right;">5 000</td> </tr> <tr> <td style="padding-left: 40px;">Finished goods inventory 31 December</td> <td style="text-align: right;">6 000</td> </tr> <tr> <td style="padding-left: 40px;">Direct materials used</td> <td style="text-align: right;">3 000</td> </tr> <tr> <td style="padding-left: 40px;">Direct labour</td> <td style="text-align: right;">2 000</td> </tr> <tr> <td style="padding-left: 40px;">Factory overhead</td> <td style="text-align: right;">2 000</td> </tr> <tr> <td style="padding-left: 40px;">Selling expenses</td> <td style="text-align: right;">3 000</td> </tr> <tr> <td style="padding-left: 40px;">General and administrative expenses</td> <td style="text-align: right;">4 000</td> </tr> </table> <p>Prepare the Manufacturing Account to calculate the Cost of Goods Manufactured.</p> <p style="text-align: center;"><b>Manufacturing Account</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">\$</th> <th style="width: 20%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </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> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table> | Work in process 1 January   | \$ 7 000      | Work in process 31 December | 10 000 | Finished goods inventory 1 January | 5 000 | Finished goods inventory 31 December | 6 000 | Direct materials used | 3 000 | Direct labour | 2 000 | Factory overhead | 2 000 | Selling expenses | 3 000 | General and administrative expenses | 4 000 |  | \$ | \$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 3</th> </tr> </thead> <tbody> <tr> <td>Advanced</td> <td></td> </tr> <tr> <td>Proficient</td> <td></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 3 |  | Advanced |  | Proficient |  | Basic |  | Weak |  | NR |  |
| Work in process 1 January            | \$ 7 000   |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Work in process 31 December          | 10 000   |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Finished goods inventory 1 January   | 5 000  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Finished goods inventory 31 December | 6 000  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Direct materials used                | 3 000  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Direct labour                        | 2 000  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Factory overhead                     | 2 000  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Selling expenses                     | 3 000  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| General and administrative expenses  | 4 000  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
|                                      | \$   | \$  |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
|                                      |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
|                                      |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
|                                      |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
|                                      |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
|                                      |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
|                                      |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
|                                      |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Skill Level 3                        |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Advanced                             |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Proficient                           |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Basic                                |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| Weak                                 |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |
| NR                                   |  |   |               |                             |        |                                    |       |                                      |       |                       |       |               |       |                  |       |                  |       |                                     |       |  |    |    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |          |  |            |  |       |  |      |  |    |  |

**QUESTION TWO***Assessor's use only*

| C2a           | <p>Job order costing is most appropriate when products are manufactured according to customer specifications and the identity of each job can be kept separately. There are three areas to which costs are assigned. For each of the three costs outline below, describe the accounting procedure used.</p> <p>Accounting for Materials</p> <p>_____</p> <p>_____</p> <p>_____</p> | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
|---------------|--|---|---------------|--|-------|--|------|--|----|--|
| Skill Level 1 |  |   |               |  |       |  |      |  |    |  |
| Basic         |  |   |               |  |       |  |      |  |    |  |
| Weak          |  |   |               |  |       |  |      |  |    |  |
| NR            |  |   |               |  |       |  |      |  |    |  |
| C2b           | <p>Accounting for labour</p> <p>_____</p> <p>_____</p> <p>_____</p>  | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |  |   |               |  |       |  |      |  |    |  |
| Basic         |  |   |               |  |       |  |      |  |    |  |
| Weak          |  |   |               |  |       |  |      |  |    |  |
| NR            |  |   |               |  |       |  |      |  |    |  |
| C2c           | <p>Accounting for factory overhead</p> <p>_____</p> <p>_____</p> <p>_____</p>  | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |  |   |               |  |       |  |      |  |    |  |
| Basic         |  |   |               |  |       |  |      |  |    |  |
| Weak          |  |   |               |  |       |  |      |  |    |  |
| NR            |  |   |               |  |       |  |      |  |    |  |
| C2d           | <p>Direct labour is widely used as a cost driver in determining the factory overhead rate. With the manufacturing entities automating their operations, identify an advantage of this process in terms of a manufacturing entity achieving greater efficiency.</p> <p>_____</p> <p>_____</p> <p>_____</p>  | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |  |   |               |  |       |  |      |  |    |  |
| Basic         |  |   |               |  |       |  |      |  |    |  |
| Weak          |  |   |               |  |       |  |      |  |    |  |
| NR            |  |   |               |  |       |  |      |  |    |  |

**SECTION D: ACCOUNTING REPORTS – PARTNERSHIPS**

Varo and Lesila are partners in an accounting firm providing consultancy services mainly to small and medium enterprises. The following information relates to this firm for the period ending 31 December 2015.

**1 Capital:**

Varo : \$50 000

Lesila : \$30 000

**Current:**

Varo: (\$4 000)

Lesila: \$2 000

2. Both partners are entitled to salary of \$20 000 each.
3. Net profit over the period was \$140 000
4. Varo and Lesila withdrew \$20 000 and \$22 000 respectively.
5. Partners are entitled to a 10% interest on capital.
6. Profit and losses are shared equally.
7. Interest on Drawings is also 10%

**Required:**

Prepare the Profit & Loss Appropriation Statement to allocate the profit of the partnership.

*Assessor's use only*

| D1a            | <p><b>Varo and Lesila</b><br/><b>Profit &amp; Loss Appropriation Statement</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Net Profit</td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: right;">\$140 000</td> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> <tr> <td><b>Add:</b></td> <td> </td> <td> </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> <tr> <td><b>Deduct:</b></td> <td> </td> <td> </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> <tr> <td> </td> <td> </td> <td> </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> | Net Profit |  | \$140 000 |  |  |  | <b>Add:</b> |  |  |  |  |  |  |  |  |  |  |  | <b>Deduct:</b> |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> <tr> <td style="width: 80%;">Basic</td> <td style="width: 20%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  | Skill Level 1 |  | Basic |  | Weak |  | NR |  | Skill Level 1 |  | Basic |  | Weak |  | NR |  | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
|----------------|--|------------|--|-----------|--|--|--|-------------|--|--|--|--|--|--|--|--|--|--|--|----------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|---|---------------|--|-------|--|------|--|----|--|---------------|--|-------|--|------|--|----|--|---------------|--|-------|--|------|--|----|--|---------------|--|-------|--|------|--|----|--|
| Net Profit     |  | \$140 000  |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
|                |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| <b>Add:</b>    |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
|                |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
|                |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
|                |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| <b>Deduct:</b> |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
|                |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
|                |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
|                |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
|                |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
|                |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
|                |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
|                |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Skill Level 1  |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Basic          |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Weak           |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| NR             |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Skill Level 1  |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Basic          |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Weak           |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| NR             |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Skill Level 1  |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Basic          |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Weak           |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| NR             |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Skill Level 1  |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Basic          |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| Weak           |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |
| NR             |  |            |  |           |  |  |  |             |  |  |  |  |  |  |  |  |  |  |  |                |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |   |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |               |  |       |  |      |  |    |  |

On 31 December 2015, the following trial balance extract is obtained from their financial records.

|                       |           |
|-----------------------|-----------|
|                       | <b>\$</b> |
| Accounts payable      | 12 000    |
| Bank                  | 3 000     |
| Accounts receivable   | 2 500     |
| Building              | 300 000   |
| Commission received   | 50 000    |
| Loan – Bank of Hawaii | 100 000   |
| Mortgage on Building  | 150 000   |
| Office wages          | 40 000    |

**Additional information:**

- i. An invoice of \$5 000 was received on 30 December for office furniture that was supplied from Courts Ltd is yet to be recorded.
- ii. Office wages owing on balance day amounted to \$3 000.
- iii. The partners agreed to write off a client’s account of \$350 as the client has fled the country.
- iv. The partners has provided an allowance of 5% on accounts receivable.
- v. Fees earned for consultancy work to Latifa’s Enterprise of \$2 200 is yet to be received
- vi. Interest on mortgage is at 8% per annum.
- vii. Depreciation is charged on the Building at 10% straight line method.

*Assessor’s use only*

D1b Prepare the General Journal entries for the balance day adjustments (i) to (vii) above. Narrations are not required.

**General Journal**

|      |  |  |  |
|------|--|--|--|
| i.   |  |  |  |
|      |  |  |  |
|      |  |  |  |
| ii.  |  |  |  |
|      |  |  |  |
|      |  |  |  |
| iii. |  |  |  |
|      |  |  |  |
|      |  |  |  |
| iv.  |  |  |  |
|      |  |  |  |
|      |  |  |  |
| v.   |  |  |  |
|      |  |  |  |
|      |  |  |  |
| vi.  |  |  |  |
|      |  |  |  |
|      |  |  |  |
| vii. |  |  |  |
|      |  |  |  |
|      |  |  |  |

| Skill Level 1 |  |
|---------------|--|
| Basic         |  |
| Weak          |  |
| NR            |  |
| Skill Level 1 |  |
| Basic         |  |
| Weak          |  |
| NR            |  |
| Skill Level 1 |  |
| Basic         |  |
| Weak          |  |
| NR            |  |
| Skill Level 1 |  |
| Basic         |  |
| Weak          |  |
| NR            |  |
| Skill Level 1 |  |
| Basic         |  |
| Weak          |  |
| NR            |  |

## SECTION E: ANALYSIS AND INTERPRETATION OF FINANCIAL INFORMATION

### QUESTION ONE

#### Eucalyptus Pty Ltd.

#### Statements of Financial Position as at 30 June

|                                | 2014             | 2015             |
|--------------------------------|------------------|------------------|
| <b>CURRENT ASSETS</b>          | \$               | \$               |
| Bank                           | 8,000            | 2,000            |
| Accounts receivable            | 30,000           | 48,000           |
| Inventory                      | <u>42,000</u>    | <u>54,000</u>    |
|                                | <u>80,000</u>    | <u>104,000</u>   |
| <b>NON-CURRENT ASSETS</b>      |                  |                  |
| Equipment (carrying amount)    | 20,000           | 18,000           |
| Vehicles (carrying amount)     | 10,000           | 8,000            |
| Premises (carrying amount)     | <u>50,000</u>    | <u>50,000</u>    |
|                                | <u>\$80,000</u>  | <u>\$76,000</u>  |
| <b>TOTAL ASSETS</b>            | <u>\$160,000</u> | <u>\$180,000</u> |
| <b>CURRENT LIABILITIES</b>     |                  |                  |
| Accounts payable               | 50,000           | 25,000           |
| Taxation payable               | <u>10,000</u>    | <u>12,000</u>    |
|                                | 60,000           | 37,000           |
| <b>NON-CURRENT LIABILITIES</b> |                  |                  |
| Mortgage on premises           | 30,000           | 30,000           |
| <b>EQUITY</b>                  |                  |                  |
| Share capital                  | 50,000           | 50,000           |
| Retained earnings              | <u>20,000</u>    | <u>63,000</u>    |
|                                | <u>\$160,000</u> | <u>\$180,000</u> |

On the 10 July 2014 the directors of Eucalyptus Pty Ltd made an application to the bank for an overdraft of \$50,000 to enable them to expand their business. In the application they presented their statement of financial position as at 30 June 2014. For their type of business the bank will not consider an overdraft application unless the applicant has a minimum current ratio of 2.5:1 and a minimum quick asset ratio of 1.3:1.

On 14 July 2015 Eucalyptus Pty Ltd again made an application to the bank for an overdraft, supporting their application with their statement of financial position as at 30 June 2015.

| <p>E1a</p>        | <p>Calculate the following ratios for 2014 and show the appropriate formula for each. (Round off answers to two decimal places only).</p> <table border="1" data-bbox="199 280 1289 651"> <thead> <tr> <th></th> <th>Formula and working</th> <th>Answer</th> </tr> </thead> <tbody> <tr> <td>Current ratio</td> <td></td> <td></td> </tr> <tr> <td>Quick Asset ratio</td> <td></td> <td></td> </tr> </tbody> </table>  |  | Formula and working | Answer | Current ratio |  |       | Quick Asset ratio |      |  | <table border="1" data-bbox="1321 360 1508 607"> <thead> <tr> <th colspan="2">Skill Level 2</th> </tr> </thead> <tbody> <tr> <td>Proficient</td> <td></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>  | Skill Level 2 |  | Proficient |  | Basic |  | Weak |  | NR |  |
|-------------------|---|--|---------------------|--------|---------------|--|-------|-------------------|------|--|---|---------------|--|------------|--|-------|--|------|--|----|--|
|                   | Formula and working   | Answer   |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Current ratio     |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Quick Asset ratio |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Skill Level 2     |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Proficient        |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Basic             |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Weak              |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| NR                |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| <p>E1b</p>        | <p>Calculate the following ratios for 2015 and show the appropriate formula for each. (Round off answers to two decimal places only).</p> <table border="1" data-bbox="199 846 1302 1256"> <thead> <tr> <th></th> <th>Formula and working</th> <th>Answer</th> </tr> </thead> <tbody> <tr> <td>Current ratio</td> <td></td> <td></td> </tr> <tr> <td>Quick Asset ratio</td> <td></td> <td></td> </tr> </tbody> </table> |  | Formula and working | Answer | Current ratio |  |       | Quick Asset ratio |      |  | <table border="1" data-bbox="1321 945 1508 1191"> <thead> <tr> <th colspan="2">Skill Level 2</th> </tr> </thead> <tbody> <tr> <td>Proficient</td> <td></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 2 |  | Proficient |  | Basic |  | Weak |  | NR |  |
|                   | Formula and working   | Answer   |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Current ratio     |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Quick Asset ratio |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Skill Level 2     |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Proficient        |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Basic             |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Weak              |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| NR                |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| <p>E1c</p>        | <p>From the calculations shown for the two years, provide an explanation whether Eucalyptus meet the banks' criteria for a bank overdraft.</p> <hr/> <hr/> <hr/> <hr/> <hr/>  | <table border="1" data-bbox="1321 1359 1508 1606"> <thead> <tr> <th colspan="2">Skill Level 2</th> </tr> </thead> <tbody> <tr> <td>Proficient</td> <td></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 2       |        | Proficient    |  | Basic |                   | Weak |  | NR  |               |  |            |  |       |  |      |  |    |  |
| Skill Level 2     |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Proficient        |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Basic             |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Weak              |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| NR                |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| <p>E1d</p>        | <p>Given the increase in accounts receivable from 2014 to 2015, describe a control measure that the management of Eucalyptus could consider to decrease the balance.</p> <hr/> <hr/> <hr/>  | <table border="1" data-bbox="1321 1787 1508 1982"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>  | Skill Level 1       |        | Basic         |  | Weak  |                   | NR   |  |   |               |  |            |  |       |  |      |  |    |  |
| Skill Level 1     |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Basic             |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| Weak              |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |
| NR                |   |  |                     |        |               |  |       |                   |      |  |   |               |  |            |  |       |  |      |  |    |  |

| E1e           | <p>Eucalyptus has increased its inventory amount in 2015. Identify a risk with high inventory.</p> <hr/> <hr/> <hr/>                   | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
|---------------|--|---|---------------|--|-------|--|------|--|----|--|
| Skill Level 1 |  |   |               |  |       |  |      |  |    |  |
| Basic         |  |   |               |  |       |  |      |  |    |  |
| Weak          |  |   |               |  |       |  |      |  |    |  |
| NR            |  |   |               |  |       |  |      |  |    |  |
| E1f           | <p>Closing inventory is excluded from the Quick Asset Ratio calculation. Describe the reason for this exclusion.</p> <hr/> <hr/> <hr/> | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |  |   |               |  |       |  |      |  |    |  |
| Basic         |  |   |               |  |       |  |      |  |    |  |
| Weak          |  |   |               |  |       |  |      |  |    |  |
| NR            |  |   |               |  |       |  |      |  |    |  |
| E1g           | <p>Describe the significance of the Debt to Equity ratio.</p> <hr/> <hr/> <hr/>  | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |  |   |               |  |       |  |      |  |    |  |
| Basic         |  |   |               |  |       |  |      |  |    |  |
| Weak          |  |   |               |  |       |  |      |  |    |  |
| NR            |  |   |               |  |       |  |      |  |    |  |
| E1h           | <p>Identify a measure that Eucalyptus could do to reduce the Debt to Equity ratio.</p> <hr/> <hr/> <hr/>                               | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |  |   |               |  |       |  |      |  |    |  |
| Basic         |  |   |               |  |       |  |      |  |    |  |
| Weak          |  |   |               |  |       |  |      |  |    |  |
| NR            |  |   |               |  |       |  |      |  |    |  |
| E1i           | <p>Identify an item that would lead to an increased Retained Earnings in 2015.</p> <hr/> <hr/> <hr/>                                   | <table border="1"> <thead> <tr> <th colspan="2">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |  |   |               |  |       |  |      |  |    |  |
| Basic         |  |   |               |  |       |  |      |  |    |  |
| Weak          |  |   |               |  |       |  |      |  |    |  |
| NR            |  |   |               |  |       |  |      |  |    |  |

## QUESTION TWO

Given below are two balance sheets for Paradise Co plus information concerning profit.

### Balance sheets at 30<sup>th</sup> June

|                                    | 2015<br>\$ | 2014<br>\$ |
|------------------------------------|------------|------------|
| Cash                               | 72,000     | 76,000     |
| Accounts receivable                | 45,000     | 25,000     |
| Prepaid operating expenses         | 7,000      | 12,000     |
| Equipment at cost                  | 135,000    | 105,000    |
| Accumulated depreciation equipment | (45,000)   | (25,000)   |
| Trade creditors for supplies       | (20,000)   | (14,000)   |
| Equity                             | (194,000)  | (179,000)  |

Profit was \$100,000 for 2015, sales \$370,000, interest paid \$15,000, salaries \$19,000, depreciation of equipment \$50,000 and operating expenses \$186,000.

*Assessor's use only*

| E2a                                 | <p>Cash receipts from customers</p> <table border="1" style="width: 100%;"> <tbody> <tr> <td>Sales</td> <td style="text-align: right;">\$370 000</td> </tr> <tr> <td>Debtors at the beginning</td> <td style="text-align: right;"><u>25 000</u></td> </tr> <tr> <td></td> <td style="text-align: right;">395 000</td> </tr> <tr> <td>Debtors at the end</td> <td style="text-align: right;"><u>45 000</u></td> </tr> <tr> <td><b>Cash receipts from customers</b></td> <td style="text-align: right;"><b><u>\$350 000</u></b></td> </tr> </tbody> </table> <p>From the cash received from customers, describe the main revenue generating activity for a supermarket.</p> <p>_____</p> <p>_____</p> <p>_____</p> | Sales   | \$370 000     | Debtors at the beginning | <u>25 000</u> |  | 395 000 | Debtors at the end | <u>45 000</u> | <b>Cash receipts from customers</b> | <b><u>\$350 000</u></b> | <table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td style="width: 50%;">Basic</td> <td style="width: 50%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
|-------------------------------------|--|---|---------------|--------------------------|---------------|--|---------|--------------------|---------------|-------------------------------------|-------------------------|---|---------------|--|-------|--|------|--|----|--|
| Sales                               | \$370 000  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
| Debtors at the beginning            | <u>25 000</u>  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
|                                     | 395 000  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
| Debtors at the end                  | <u>45 000</u>  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
| <b>Cash receipts from customers</b> | <b><u>\$350 000</u></b>  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
| Skill Level 1                       |  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
| Basic                               |  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
| Weak                                |  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
| NR                                  |  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
| E2b                                 | <p>Apart from Operating activities, identify the other two activities in a cash flow statement.</p> <p>_____</p> <p>_____</p> <p>_____</p>   | <table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td style="width: 50%;">Basic</td> <td style="width: 50%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 1 |                          | Basic         |  | Weak    |                    | NR            |                                     |                         |   |               |  |       |  |      |  |    |  |
| Skill Level 1                       |  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
| Basic                               |  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
| Weak                                |  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |
| NR                                  |  |   |               |                          |               |  |         |                    |               |                                     |                         |   |               |  |       |  |      |  |    |  |



E2c

**Paradise Co  
Cash Flow Statement for the year ended 30 June 2015.**

| <b>Cash flow from operations</b> | <b>\$</b> | <b>\$</b> |
|----------------------------------|-----------|-----------|
| Inflows                          |           |           |
| Receipts from customers          |           |           |
| Outflows                         |           |           |
| Operating expenses               | 191 000   |           |
| Salaries                         |           |           |
| Interest                         |           |           |
| <b>Cash flow from operations</b> |           |           |

By completing the statement of Cash flow for operating activities, explain to the management the importance of maintaining a positive cash flow for operating activities.

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| <b>Skill Level 3</b> |  |
|----------------------|--|
| Advanced             |  |
| Proficient           |  |
| Basic                |  |
| Weak                 |  |
| NR                   |  |

**SECTION F: DECISION MAKING AND BUDGETS**

**QUESTION ONE**

Jarryd Jones is the production manager for Cheetah Motors Ltd and is responsible for preparing the production budget for the Cheetah cars that the company manufactures. During the previous year, new robots were installed in the production line that significantly increased the fixed overheads but reduced the amount of labour involved in production and the amount of materials wasted due to improved efficiency. In preparing the production budget for the next year, Jarryd decided to ‘cut himself a bit of slack’ by setting himself a low target as he knows that management would not recognize as this would not be compared with previous periods. Jarryd would receive a bonus if positive production variances exceed 10%. Jarryd did not reduce the labour and material cost in the budget by the amount that the new robots should save. Jarryd believed that he was in for a guaranteed bonus at the end of the year.

*Assessor’s use only*

| F1a           | Describe the stakeholders affected by Jarryd’s budget.<br><br>_____<br><br>_____<br><br>_____   | <table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
|---------------|---|---|---------------|--|-------|--|------|--|----|--|
| Skill Level 1 |   |   |               |  |       |  |      |  |    |  |
| Basic         |   |   |               |  |       |  |      |  |    |  |
| Weak          |   |   |               |  |       |  |      |  |    |  |
| NR            |   |   |               |  |       |  |      |  |    |  |
| F1b           | Describe an ethical issue involved.<br><br>_____<br><br>_____<br><br>_____  | <table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |   |   |               |  |       |  |      |  |    |  |
| Basic         |   |   |               |  |       |  |      |  |    |  |
| Weak          |   |   |               |  |       |  |      |  |    |  |
| NR            |   |   |               |  |       |  |      |  |    |  |
| F1c           | How would you prevent this situation from happening?<br><br>_____<br><br>_____<br><br>_____   | <table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |   |   |               |  |       |  |      |  |    |  |
| Basic         |   |   |               |  |       |  |      |  |    |  |
| Weak          |   |   |               |  |       |  |      |  |    |  |
| NR            |   |   |               |  |       |  |      |  |    |  |
| F1d           | Identify ONE item of non-financial information that would be needed by the management to detect such situations from happening.<br><br>_____<br><br>_____ | <table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |   |   |               |  |       |  |      |  |    |  |
| Basic         |   |   |               |  |       |  |      |  |    |  |
| Weak          |   |   |               |  |       |  |      |  |    |  |
| NR            |   |   |               |  |       |  |      |  |    |  |
| F1e           | Describe a routine decision that the production manager makes.<br><br>_____<br><br>_____<br><br>_____   | <table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table> | Skill Level 1 |  | Basic |  | Weak |  | NR |  |
| Skill Level 1 |   |   |               |  |       |  |      |  |    |  |
| Basic         |   |   |               |  |       |  |      |  |    |  |
| Weak          |   |   |               |  |       |  |      |  |    |  |
| NR            |   |   |               |  |       |  |      |  |    |  |

## QUESTION TWO

The following data has been estimated for Island Picture Framers who commenced business on 1 September 2015.

- Estimated total sales:
 

|           |          |
|-----------|----------|
| September | \$55,000 |
| October   | \$50,000 |

 Cash sales are estimated to be 20% of total sales.
- Debtors are expected to pay:
  - 50% in the month of sale
  - 48% in the month after the sale with the balance owing never collected.
- Estimated purchases:
 

|           |          |
|-----------|----------|
| September | \$30,000 |
| October   | \$36,000 |
- All purchases are to be on credit and are to be paid for in the month following the purchase.
- Estimated operating expenses are:
  - Cartage outwards: 15% of total sales, paid in cash.
  - Office salaries: September \$9,000, October \$11,600, paid in cash.
  - Depreciation of equipment: 25% per annum on \$250,000. (The equipment was purchased on credit.)
- Other information:
  - The owner contributed \$85,000 cash to the business on September 1, 2015.
  - The owner intends withdrawing \$3,000 per month for private use.
  - The accountant of Island Picture Framers estimates the firm will need a minimum cash balance of \$15,000 in order to maintain liquidity.

*Assessor's use only*

| F2a                            | Prepare a schedule of receipts from debtors for the two months ended 31 October 2015   |                     |                    |                     |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |
|--------------------------------|--|---------------------|--------------------|---------------------|--------------------|------------------|--|----|----|----|----|-----------|--------|--|--|--|---------|--------|--|--|--|--------------------------------|--|--|--|--|--|---------------|--|----------|--|------------|--|-------|--|------|--|----|--|
|                                | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Month</th> <th style="width: 15%;">Total sales</th> <th style="width: 15%;">Credit Sales<br/>80%</th> <th style="width: 15%;">September Receipts</th> <th style="width: 15%;">October Receipts</th> </tr> <tr> <td></td> <td style="text-align: center;">\$</td> <td style="text-align: center;">\$</td> <td style="text-align: center;">\$</td> <td style="text-align: center;">\$</td> </tr> </thead> <tbody> <tr> <td>September</td> <td style="text-align: right;">55,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>October</td> <td style="text-align: right;">50,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Total from credit sales</b></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> | Month               | Total sales        | Credit Sales<br>80% | September Receipts | October Receipts |  | \$ | \$ | \$ | \$ | September | 55,000 |  |  |  | October | 50,000 |  |  |  | <b>Total from credit sales</b> |  |  |  |  | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #e0e0e0;">Skill Level 3</th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Advanced</td> <td style="width: 20%;"></td> </tr> <tr> <td>Proficient</td> <td></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table> | Skill Level 3 |  | Advanced |  | Proficient |  | Basic |  | Weak |  | NR |  |
| Month                          | Total sales  | Credit Sales<br>80% | September Receipts | October Receipts    |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |
|                                | \$   | \$                  | \$                 | \$                  |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |
| September                      | 55,000   |                     |                    |                     |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |
| October                        | 50,000   |                     |                    |                     |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |
| <b>Total from credit sales</b> |  |                     |                    |                     |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |
| Skill Level 3                  |  |                     |                    |                     |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |
| Advanced                       |  |                     |                    |                     |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |
| Proficient                     |  |                     |                    |                     |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |
| Basic                          |  |                     |                    |                     |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |
| Weak                           |  |                     |                    |                     |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |
| NR                             |  |                     |                    |                     |                    |                  |  |    |    |    |    |           |        |  |  |  |         |        |  |  |  |                                |  |  |  |  |  |               |  |          |  |            |  |       |  |      |  |    |  |

F2b

Prepare a cash budget for the month ending 31 October 2015 showing the expected cash balance at the end of the month.

**Cash Budget for the month ending 31 October 2015**

|                                     | October   |
|-------------------------------------|-----------|
| <b>Expected Receipts</b>            | <b>\$</b> |
| Cash from credit sales              |           |
| Cash sales                          |           |
| Total expected receipts             |           |
| <b>Less: Expected Payments</b>      |           |
| Purchases                           |           |
| Drawings                            |           |
| Cartage outwards (15% sales)        |           |
| Office salaries                     |           |
| Total expected payments             |           |
| Excess receipts over payments       |           |
| Opening cash balance                | 97,750    |
| <b>Expected ending cash balance</b> |           |

| Skill Level 2 |  |
|---------------|--|
| Proficient    |  |
| Basic         |  |
| Weak          |  |
| NR            |  |