

MARKER CODE



Student Personal Identification Number

South Pacific Form Seven Certificate

ACCOUNTING

2015

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 (Achievement Standards)	Skill Level			Weight /Time
	Band 1 <i>Basic</i>	Band 2 <i>Proficient</i>	Band 3 <i>Advanced</i>	
AccA: Describe the conceptual basis of Accounting.	5 questions	1 question	1 question	13% 25 min
AccB: Process financial information for partnerships and companies.	8 questions	2 questions	1 question	19% 30 min
AccC: Process financial information for a manufacturing job-costing system.	8 questions	2 questions	1 question	19% 35 min
AccD: Prepare accounting reports.	12 questions			16% 30 min
AccE: Analyse, interpret and report on a company's financial statements.	8 questions	3 questions	1 question	21% 40 min
AccF: Explain and prepare information for management decision making.	5 questions	1 question	1 question	12% 20 min
TOTAL	46 questions	9 questions	5 questions	100% 180 min

Check that this booklet contains pages 2-22 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	Describe the role of the International Accounting Standards Board. <hr/> <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Basic</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR			
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A1b	Describe an objective of General Purpose Financial Reports as set out in the Accounting Framework. <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Basic</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR			
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A1c	Explain the purpose of International Financial Reporting Standards (IFRS). <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Proficient</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Moderate</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Proficient	Level	Excellent		Moderate		Weak		NR	
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QUESTION TWO

Assessor's use only

<p>A2a</p>	<p>Tents and Awnings Ltd hires out all kinds of tents for functions. In January 2014, the company received a hire fee of \$5, 000 for a function in August 2014. The company's average annual turnover is \$75,000 and hires 3 workers. The financial year ends in June 2014.</p> <p>Which element of the accounting equation will the \$5,000 received as hire fee be recorded in?</p> <p>_____</p> <p>_____</p>	<table border="1"> <tr> <th>Basic</th> <th>Level</th> </tr> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Basic	Level	Excellent		Weak		NR							
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<p>A2b</p>	<p>Describe a disadvantage of this form of business ownership.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<table border="1"> <tr> <th>Basic</th> <th>Level</th> </tr> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Basic	Level	Excellent		Weak		NR							
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<p>A2c</p>	<p>Describe whether this entity is exempted from the preparation of annual financial reports.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<table border="1"> <tr> <th>Basic</th> <th>Level</th> </tr> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Basic	Level	Excellent		Weak		NR							
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<p>A2d</p>	<p>By applying the revenue recognition criteria, explain whether the \$5,000 meets the criteria.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<table border="1"> <tr> <th>Advanced</th> <th>Level</th> </tr> <tr> <td>Exceed</td> <td></td> </tr> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Moderate</td> <td></td> </tr> <tr> <td>Low</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Advanced	Level	Exceed		Excellent		Moderate		Low		Weak		NR	
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SECTION B: PROCESSING FINANCIAL INFORMATION

QUESTION ONE: PARTNERSHIPS

David Stanley and Clement King are partners in the accountancy firm called '*David & Clement Consultancy*'.

The General Journal entries below were prepared on balance dated 31 December 2014. Assume that partners share profits/losses equally.

Date	Particulars	Dr	Cr
Dec 31	Profit and Loss	97 000	
	Profit & Loss Appropriation		97 000
	<i>(to transfer the net profit)</i>		
	Profit & Loss Appropriation	45 000	
	Current Account- David		30 000
	-Clement		15 000
	<i>(for salaries paid to partners)</i>		
	Profit & Loss Appropriation	18 000	
	Current Account- David		10 000
	-Clement		8 000
	<i>(for interest on capital charged by partners)</i>		
	Profit & Loss Appropriation	12 000	
	Current Account- David		9 000
	-Clement		3 000
	<i>(for interest on Current account charged by partners)</i>		
	Current Account- David	200	
	-Clement	400	
	Profit & Loss Appropriation		600
	<i>(for interest on drawings charged to partners)</i>		

B1a	It is important that David and Clement have a Partnership Agreement. Describe the purpose of the Partnership Agreement. _____ _____ _____	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th style="width:50%;">Basic</th> <th style="width:50%;">Level</th> </tr> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Basic	Level	Excellent		Weak		NR																																																			
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B1b	Calculate the residual profit/loss after taking into consideration the above journal entries. Residual Profit: \$ _____	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th style="width:50%;">Basic</th> <th style="width:50%;">Level</th> </tr> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Basic	Level	Excellent		Weak		NR																																																			
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B1c	Partners' drawings for the year were: David- \$2 000 and Clement \$4 000. Prepare the General Journal Entry to close the partners' drawings account. <p style="text-align: center;">General Journal</p> <table border="1" style="width:100%; border-collapse: collapse; margin: 10px auto;"> <thead> <tr> <th style="width:15%;">Date</th> <th style="width:55%;">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> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td>(to close off partners drawings account)</td> <td> </td> <td> </td> </tr> </tbody> </table>	Date	Particulars	Dr	Cr																		(to close off partners drawings account)			<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th style="width:50%;">Advanced</th> <th style="width:50%;">Level</th> </tr> <tr> <td>Exceed</td> <td></td> </tr> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Moderate</td> <td></td> </tr> <tr> <td>Low</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Advanced	Level	Exceed		Excellent		Moderate		Low		Weak		NR																					
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B1d	Prepare David's Current Account to calculate his closing balance as at 31 December, 2014. <p style="text-align: center;">General Ledger Current Account – David</p> <table border="1" style="width:100%; border-collapse: collapse; margin: 10px auto;"> <thead> <tr> <th style="width:15%;">Date</th> <th style="width:35%;">Particulars</th> <th style="width:10%;">Dr</th> <th style="width:10%;">Cr</th> <th style="width:10%;">Balance</th> <th style="width:10%;">Dr/Cr</th> </tr> </thead> <tbody> <tr> <td>31 Dec</td> <td>Balance b/f</td> <td></td> <td></td> <td>\$20000</td> <td>Cr</td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Date	Particulars	Dr	Cr	Balance	Dr/Cr	31 Dec	Balance b/f			\$20000	Cr																																					<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th style="width:50%;">Proficient</th> <th style="width:50%;">Level</th> </tr> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Moderate</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Proficient	Level	Excellent		Moderate		Weak		NR	
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QUESTION TWO: COMPANIES

Pacific Green Furniture Ltd is a distributor and exporter of household and office furniture based in Santo Island.

On 1 September 2014 the directors of the company approved to raise further capital in aid of implementing its expansion.

(1) On 1 October 2014, *Pacific Green Furniture Ltd* issued 90,000 shares at a par value of \$2 per share payable in full on application.

(2) On 15 October 2014, applications were received for 110,000 shares. On 25 October, the directors decided to issue the shares on a first -come-first- serve basis to the 90,000 applicants and refund the excess.

(3) At its AGM, the directors declared a dividend of 3% on the value of the issue made in October. The dividend was paid in December.

Assessor's use only

B2a

Identify the document used by *Pacific Green Furniture Ltd* for the issue of shares.

Basic	Level
Excellent	
Weak	
NR	

B2b

Prepare General Journal entry to record the issue of shares.

Pacific Green Furniture Ltd
General Journal

Date	Particulars	Dr	Cr

Basic	Level
Excellent	
Weak	
NR	

B2c

Prepare General Journal entry to record the cash received from the issue of shares.

Pacific Green Furniture Ltd
General Journal

Date	Particulars	Dr	Cr

Proficient	Level
Excellent	
Moderate	
Weak	
NR	

B2d	<p>Prepare General Journal entry to record the cash refunded to unsuccessful applicants.</p> <p style="text-align: center;">Pacific Green Furniture Ltd General Journal</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 style="width: 50%;">Basic</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr><td>Excellent</td><td> </td></tr> <tr><td>Weak</td><td> </td></tr> <tr><td>NR</td><td> </td></tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
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B2e	<p>Prepare General Journal entry to record the trust money transferred to the general Cash at bank.</p> <p style="text-align: center;">Pacific Green Furniture Ltd General Journal</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 style="width: 50%;">Basic</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr><td>Excellent</td><td> </td></tr> <tr><td>Weak</td><td> </td></tr> <tr><td>NR</td><td> </td></tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
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B2f	<p>Prepare General Journal entry to record the provision for the dividend.</p> <p style="text-align: center;">Pacific Green Furniture Ltd General Journal</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 style="width: 50%;">Basic</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr><td>Excellent</td><td> </td></tr> <tr><td>Weak</td><td> </td></tr> <tr><td>NR</td><td> </td></tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
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B2g	<p>Prepare General Journal entry to record the payment of the dividend.</p> <p style="text-align: center;">Pacific Green Furniture Ltd General Journal</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 style="width: 50%;">Basic</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr><td>Excellent</td><td> </td></tr> <tr><td>Weak</td><td> </td></tr> <tr><td>NR</td><td> </td></tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
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**SECTION C: PROCESS FINANCIAL INFORMATION for a
MANUFACTURING
CONCERN/JOB COST SUB-SYSTEMS**

QUESTION ONE

Coconut Oil Productions Ltd is a large oil production firm based in Apia. *Coconut Oil Productions Ltd* uses a job order costing system. The associated transactions for the month of December 2014 are shown below.

- 1) Raw materials purchased from Taveuni Coconut Plantations, \$42 000
- 2) Raw materials issued to production, \$32 000 direct and \$12 000 indirect
- 3) Factory payroll included \$98 000 of direct labour, and \$46 000 of indirect labour.
- 4) Other overhead costs incurred were:

Rates	\$12 800	Supplies	\$20 500
Insurance	38 000	Gas	36 800
- 5) Depreciation of manufacturing equipment, \$27 000
- 6) Factory overhead is applied at 80% of direct labour cost.
- 7) Jobs completed and transferred to finished goods cost \$170 000.
- 8) Jobs with a cost of \$100 000 were sold for \$375 000 cash
- 9) Beginning inventories were:

Raw Materials	\$13 500
Work in Process	12 000
Finished Goods	59 000

Assessor's use only

C1a Use the information given above and prepare the journal entry to record the acquisition of raw materials.

**Coconut Oil Productions Ltd
General Journal**

Date	Particulars	Dr	Cr
	(for the acquisition of raw materials)		

Basic	Level
Excellent	
Weak	
NR	

C1b	<p>Prepare the journal entry to record the direct and indirect labour.</p> <p style="text-align: center;">Coconut Oil Productions Ltd General Journal</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <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> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td>(for the direct and indirect labour cost)</td><td> </td><td> </td></tr> </tbody> </table>	Date	Particulars	Dr	Cr																						(for the direct and indirect labour cost)			<table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 60%;">Proficient</th> <th style="width: 40%;">Level</th> </tr> </thead> <tbody> <tr><td>Excellent</td><td> </td></tr> <tr><td>Moderate</td><td> </td></tr> <tr><td>Weak</td><td> </td></tr> <tr><td>NR</td><td> </td></tr> </tbody> </table>	Proficient	Level	Excellent		Moderate		Weak		NR																					
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C1c	<p>Prepare the journal entry to record the Factory Overhead incurred.</p> <p style="text-align: center;">Coconut Oil Productions Ltd General Journal</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <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> <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> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td>(for the factory overhead incurred)</td><td> </td><td> </td></tr> </tbody> </table>	Date	Particulars	Dr	Cr																																										(for the factory overhead incurred)			<table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 60%;">Proficient</th> <th style="width: 40%;">Level</th> </tr> </thead> <tbody> <tr><td>Excellent</td><td> </td></tr> <tr><td>Moderate</td><td> </td></tr> <tr><td>Weak</td><td> </td></tr> <tr><td>NR</td><td> </td></tr> </tbody> </table>	Proficient	Level	Excellent		Moderate		Weak		NR	
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C1e	<p>Prepare the journal entry to record the finished goods transferred from Work in Process.</p> <p style="text-align: center;">Coconut Oil Productions Ltd General Journal</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <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>(for the transfer of finished goods)</td> <td> </td> <td> </td> </tr> </tbody> </table>	Date	Particulars	Dr	Cr										(for the transfer of finished goods)			<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Advanced</th> <th style="width: 40%;">Level</th> </tr> </thead> <tbody> <tr> <td>Exceed</td> <td> </td> </tr> <tr> <td>Excellent</td> <td> </td> </tr> <tr> <td>Moderate</td> <td> </td> </tr> <tr> <td>Low</td> <td> </td> </tr> <tr> <td>Weak</td> <td> </td> </tr> <tr> <td>NR</td> <td> </td> </tr> </tbody> </table>	Advanced	Level	Exceed		Excellent		Moderate		Low		Weak		NR	
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C1f	<p>Prepare the journal entry to record the cost of goods sold.</p> <p style="text-align: center;">Coconut Oil Productions Ltd General Journal</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <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>(for the cost of goods sold)</td> <td> </td> <td> </td> </tr> </tbody> </table>	Date	Particulars	Dr	Cr										(for the cost of goods sold)			<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Basic</th> <th style="width: 40%;">Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td> </td> </tr> <tr> <td>Weak</td> <td> </td> </tr> <tr> <td>NR</td> <td> </td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR							
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C1g	<p>Prepare the journal entry to record the sale.</p> <p style="text-align: center;">Coconut Oil Productions Ltd General Journal</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <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>(for the sale made)</td> <td> </td> <td> </td> </tr> </tbody> </table>	Date	Particulars	Dr	Cr										(for the sale made)			<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Basic</th> <th style="width: 40%;">Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td> </td> </tr> <tr> <td>Weak</td> <td> </td> </tr> <tr> <td>NR</td> <td> </td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR							
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QUESTION TWO

Assessor's use only

<p>C2a</p>	<p>Internal control measures are very important in job cost system. With reference to separation of duties, authorisation and verification, describe a situation where each of these measures would apply.</p> <p>Separation of duties</p> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th>Basic</th> <th>Level</th> </tr> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Basic	Level	Excellent		Weak		NR	
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Basic	Level									
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<p>C2d</p>	<p>Describe the appropriate internal control for the purchasing of materials in a construction company.</p> <hr/> <hr/> <hr/>	<table border="1"> <tr> <th>Basic</th> <th>Level</th> </tr> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Basic	Level	Excellent		Weak		NR	
Basic	Level									
Excellent										
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On 30 June 2014, the following trial balance extract is obtained from their financial records.

Atu & Tupou Architecture Associates
Trial Balance (extract) as at 30 June 2014

Accounts Receivable	\$25 000	Accounts payable	\$10 000
Wages	45 000	Provision for Doubtful Debts	200
Goodwill	10 000	Loan	20 000
Building	300 000	Fees	220 000
Vehicles	90 000		
Interest on loan	500		
Insurance premium	5 000		
Bad debts	2 000		

Additional information:

- i. On 28 June 2014, the business bought a new vehicle costing \$55 000 which is yet to be recorded.
- ii. On balance day, wages for week amounted to \$4 500 is still outstanding.
- iii. The provision for doubtful debt is to be 1% of Accounts Receivable.
- iv. Fees earned for services provided of \$1 200 is yet to be received.
- v. The insurance premium for the year amounts to \$2,500.
- vi. Interest on loan payable is at 7% per annum.
- vii. Depreciation is charged on the Motor Vehicles 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.			

Basic	Level
Excellent	
Weak	
NR	
Basic	Level
Excellent	
Weak	
NR	
Basic	Level
Excellent	
Weak	
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Basic	Level
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Assessor's use only

	vi.				Basic	Level
					Excellent	
					Weak	
					NR	
	vii.				Basic	Level
					Excellent	
					Weak	
					NR	

SECTION E: ANALYSIS AND INTERPRETATION OF FINANCIAL INFORMATION

QUESTION ONE

The following financial information relates to *Online Computer Services Ltd* which specialises in computer retailing and maintenance.

Online Computer Services Ltd
Statement of Financial Position
As at 31 December 2014

	\$	\$	\$
Equity			<u>\$325 000</u>
These funds are represented by:			
Assets			
Accounts Receivable		50 000	
Inventory		20 000	
Land		210 000	
Buildings	250 000		
Less Accumulated Depreciation	70 000	180 000	
Office Equipment	70 000		
Less Accumulated Depreciation	15 000	55 000	
Furniture		30 000	
			545 000
Less Liabilities			
Bank(Overdraft limit \$30 000)		30 000	
Accounts payable		15 000	
Taxation payable		15 000	
Dividend payable		20 000	
Mortgage on Land and Building		140 000	
			220 000
			<u>\$325 000</u>

Other information

Sales(credit)	\$100 000
Gross Profit	\$140 000
Operating expenses	\$22 000
Inventory 1 January 2014	\$10 000
Accounts receivable 1 January 2014	\$4 000

Comparative Ratios from last year's Annual Report:

	2010	2011	2012	2013
Current Ratio	2:1	1.7:1	1.4:1	1.3:1
Liquid Ratio	1.4:1	1.1:1	1:1	.95:1
Inventory Turnover (Industry average: 4 times)	5	4.5	3.8	3
Accounts receivable collection period (days)	30	35	43	45
Equity Ratio	0.60:1	0.55:1	0.65:1	0.65:1

Assessor's use only

E1a	<p>Calculate the following Profitability and Financial stability ratios for 2014 and show the appropriate formula for each. (Round off answers to two decimal places only).</p> <table border="1" data-bbox="164 320 1281 689"> <thead> <tr> <th></th> <th>Formula and working</th> <th>Answer</th> </tr> </thead> <tbody> <tr> <td>Gross Profit Percentage</td> <td></td> <td></td> </tr> <tr> <td>Equity ratio</td> <td></td> <td></td> </tr> </tbody> </table>		Formula and working	Answer	Gross Profit Percentage			Equity ratio			<table border="1" data-bbox="1310 344 1522 622"> <thead> <tr> <th>Proficient</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Moderate</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Proficient	Level	Excellent		Moderate		Weak		NR	
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Weak																					
NR																					
E1b	<p>Calculate the following Liquidity ratios for 2014 and show the appropriate formula for each. (Round off answers to two decimal places only).</p> <table border="1" data-bbox="164 869 1281 1317"> <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>Liquid Ratio</td> <td></td> <td></td> </tr> </tbody> </table>		Formula and working	Answer	Current ratio			Liquid Ratio			<table border="1" data-bbox="1310 947 1522 1225"> <thead> <tr> <th>Proficient</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Moderate</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Proficient	Level	Excellent		Moderate		Weak		NR	
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E1c	<p>Calculate the following Management Effectiveness ratios for 2014 and show the appropriate formula for each. (Round off answers to one decimal place only).</p> <table border="1" data-bbox="164 1503 1267 1951"> <thead> <tr> <th></th> <th>Formula and working</th> <th>Answer</th> </tr> </thead> <tbody> <tr> <td>Accounts Receivable collection period</td> <td></td> <td></td> </tr> <tr> <td>Inventory Turnover</td> <td></td> <td></td> </tr> </tbody> </table>		Formula and working	Answer	Accounts Receivable collection period			Inventory Turnover			<table border="1" data-bbox="1310 1570 1522 1848"> <thead> <tr> <th>Proficient</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Moderate</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Proficient	Level	Excellent		Moderate		Weak		NR	
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E1d	Using the information provided with your calculation above, describe the trend shown in the equity ratio. _____ _____ _____	<table border="1"> <thead> <tr> <th>Basic</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
Basic	Level									
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NR										
E1e	Using the information provided with your calculation above, describe the liquidity status of the company. _____ _____ _____	<table border="1"> <thead> <tr> <th>Basic</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
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E1f	Using the information provided with your calculation above, describe the management effectiveness of the company. _____ _____ _____	<table border="1"> <thead> <tr> <th>Basic</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
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E1g	Using the information provided with your calculation above, describe the Gross Profit percentage. _____ _____ _____	<table border="1"> <thead> <tr> <th>Basic</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
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E1h	Describe the trend shown on the Accounts Receivable collection period. _____ _____ _____	<table border="1"> <thead> <tr> <th>Basic</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
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E1i	Identify a measure that <i>Online Computer Services Ltd</i> can implement to improve its accounts receivable collection. _____ _____	<table border="1"> <thead> <tr> <th>Basic</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
Basic	Level									
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E1j	Identify a measure that <i>Online Computer Services Ltd</i> can put in place to improve its debt paying abilities. _____ _____ _____	<table border="1"> <thead> <tr> <th>Basic</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
Basic	Level									
Excellent										
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NR										

QUESTION TWO

Given below is *Adams & Andrews Ltd's* Statement of Cash Flows for the year ended 31 December 2014. Study the statement and answer the questions that follow.

Adams & Andrews Ltd		
Statement of Cash Flows		
for the year ended 31 December 2014		
Cash Flows from Operating Activities	Inflow	Outflow
Cash collected from customers	90,000	
Interest & dividends received	4,000	
Cash paid for merchandise		(65,000)
Cash paid to employees		(15,000)
Other operating disbursements		(15,000)
Interest paid		(1,000)
Income taxes paid		(2,000)
	94,000	(98,000)
Net cash flows from Operating Activities		(i)
Cash Flows from Investing Activities		
Proceeds from sale of equipment	9,000	
Cash outlay to acquire equipment		(67,000)
Proceeds from sale of securities	5,000	
Cash outlay to buy securities		(7,000)
	14,000	(74,000)
Net cash flows from Investing Activities		(ii)
Cash Flows from Financing Activities		
Dividends paid		(5,000)
Sold treasury stock	20,000	
Purchased treasury stock		(3,000)
Payments on long term debt		(20,000)
Payments on capital leases		(35,000)
Common stock issued	150,000	
Proceeds from issuing nonconvertible bonds	300,000	
	470,000	(63,000)
Net cash flows from Financing Activities		(iii)
Net Changes in Cash Flow		(iv)
Beginning Cash Balance 1 January 2014		45,000
Ending Cash Balance 31 December 2014		(v)

<p>E2a</p>	<p>Describe the operating activities of <i>Adams & Andrews Ltd.</i></p> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th>Basic</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Basic	Level	Excellent		weak		NR							
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<p>E2b</p>	<p>Analyse the cash flow statement of <i>Adams & Andrews Ltd</i> by calculating (i) to (v) and explain to the management the cash position of the company for the period ending 31 December 2014.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1"> <thead> <tr> <th>Advanced</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>Exceed</td> <td></td> </tr> <tr> <td>Excellent</td> <td></td> </tr> <tr> <td>Moderate</td> <td></td> </tr> <tr> <td>Low</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Advanced	Level	Exceed		Excellent		Moderate		Low		Weak		NR	
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SECTION F: DECISION MAKING AND BUDGETS

QUESTION ONE

Riro Furniture Ltd manufactures furniture which is sold to specialist furniture retailers. Recently, *Riro Furniture Ltd* had an offer from a large retail store to purchase 200 office desks in the next financial year. Before the management of *Riro Furniture Ltd* could accept the offer, they want to see whether this would be a viable decision for the business.

Past records show that *Riro Furniture Ltd* has average sales of 1,700 office desks annually.

Assessor's use only

F1a	Describe the term 'Strategic decision'. <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Basic</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td style="text-align: center;"> </td> </tr> <tr> <td>Weak</td> <td style="text-align: center;"> </td> </tr> <tr> <td>NR</td> <td style="text-align: center;"> </td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
Basic	Level									
Excellent										
Weak										
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F1b	The accountant would want to know if the production of the special order would be profitable. Identify the financial information needed to help the accountant make the decision. <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Basic</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td style="text-align: center;"> </td> </tr> <tr> <td>Weak</td> <td style="text-align: center;"> </td> </tr> <tr> <td>NR</td> <td style="text-align: center;"> </td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
Basic	Level									
Excellent										
Weak										
NR										
F1c	If the offer to purchase the 200 office desks is not a viable decision for <i>Riro Furniture Ltd</i> , identify an alternative course of action that <i>Riro Furniture Ltd</i> could implement. <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Basic</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td style="text-align: center;"> </td> </tr> <tr> <td>Weak</td> <td style="text-align: center;"> </td> </tr> <tr> <td>NR</td> <td style="text-align: center;"> </td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
Basic	Level									
Excellent										
Weak										
NR										
F1d	Identify ONE item of non-financial information that would be needed in making the given decision. <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Basic</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td style="text-align: center;"> </td> </tr> <tr> <td>Weak</td> <td style="text-align: center;"> </td> </tr> <tr> <td>NR</td> <td style="text-align: center;"> </td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
Basic	Level									
Excellent										
Weak										
NR										
F1e	Would the decision to manufacture the 200 office desks be considered a strategic or a routine decision? <hr/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Basic</th> <th style="width: 50%;">Level</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td style="text-align: center;"> </td> </tr> <tr> <td>Weak</td> <td style="text-align: center;"> </td> </tr> <tr> <td>NR</td> <td style="text-align: center;"> </td> </tr> </tbody> </table>	Basic	Level	Excellent		Weak		NR	
Basic	Level									
Excellent										
Weak										
NR										

QUESTION TWO

Riro Furniture Ltd supplies the accountant the following information for the manufacture of 1700 office desks. The current selling price per office desk is \$250 with a variable cost of \$130. The fixed cost for making these 200 desks is \$100 000.

Riro Furniture Ltd management has prepared a cash budget **before** including the contract for 200 office desks.

Receipts	\$	\$
Cash from sales (1700 desks)		\$425 000
Payments		
Variable costs	221 000	
Fixed cost(excluding depreciation)	100 000	
Dividend	42 500	
Total payments		363 500
Surplus/deficit		61 500
Bank Balance 1 January 2014		23 000
Bank Balance 31 December 2014		\$84 500

You are required to:

Complete a cash budget for the **200 desks ONLY**.

- Sales price \$260 per office desk. The cash for 200 desks will be received during the year.
- Variable cost \$130 per desk. All variable costs will be paid during the year.
- Additional cash fixed costs are expected to be 20% of the budgeted figure.
- A dividend is expected to be paid to shareholders during the year. Company policy is to pay 10% of sales revenue.

F2a Prepare a cash budget for the 200 desks for the year ended 31 December 2014.

**Cash Budget for *Riro Furniture Ltd* for 200 desks
for the year ended 31 December 2014**

	\$	\$
Receipts		
Total Receipts		
Payments		
Total Payments		
Surplus / (Deficit) for extra 200 desks		
Budgeted Bank Balance 31 December 2014		84 500
Bank Balance 31 December 2014		

Advanced	Level
Exceed	
Excellent	
Moderate	
Low	
Weak	
NR	

F2b Explain why the preparation of a cash budget is important to *Riro Furniture Ltd* in deciding whether or not to accept the order for 200 office desks.

Proficient	Level
Excellent	
Moderate	
Weak	
NR	