S5 BAFS Practice Paper 4 | Inventory valuation, depreciation, income statement, ratios, cash budget, CVP

Senior Secondary BAFS

S5 BAFS practice paper with answers: weighted average inventory, depreciation, income statement, ratios, cash budget, CVP break-even. 100 marks.

1. Weighted average inventory valuation (16 marks)

Company A made only these purchases during the year. Show all working (answers to the nearest dollar or one decimal place).

#	Question
1	(a) Opening inventory 200 units at $12 each; purchases of 300 units at $15 each and 100 units at $18 each. Find the total cost and total units available for sale.
2	(b) Using the weighted average method, find the average cost per unit.
3	(c) 450 units were sold during the year. Find the cost of sales.
4	(d) Find the closing inventory in units and in value, and check the cost allocation.

2. Straight-line and reducing balance depreciation (18 marks)

A machine costs $180,000 with an estimated residual value of $20,000 and a useful life of 4 years; the reducing balance rate is 25% a year.

#	Question
5	(a) Find the annual depreciation charge under the straight-line method.
6	(b) Find the accumulated depreciation and carrying amount after two years.
7	(c) Under the reducing balance method, find the first-year depreciation and the carrying amount at the end of year 1.
8	(d) Find the second-year depreciation and the carrying amount at the end of year 2, then compare the two methods.

3. Income statement and gross margin (18 marks)

Company B reports sales $520,000, opening inventory $60,000, purchases $300,000, closing inventory $80,000 and operating expenses $96,000.

#	Question
9	(a) Find the cost of sales.
10	(b) Find the gross profit and the gross margin (two decimal places).
11	(c) Find the net profit.
12	(d) Find the net margin and explain the gap between the two margins.

4. Current ratio, quick ratio and inventory turnover (16 marks)

Company C has current assets of $240,000 (including inventory $90,000) and current liabilities of $120,000; inventory was $70,000 at the start and $90,000 at the end of the year; cost of sales is $320,000.

#	Question
13	(a) Find the current ratio.
14	(b) Find the quick ratio.
15	(c) Find the average inventory and the inventory turnover.
16	(d) Find the inventory turnover period (365 days a year) and comment on inventory management.

5. Cash budget and borrowing (16 marks)

Company D starts with cash of $50,000. Sales are collected 60% in the month of sale and 40% in the following month. December sales are $200,000 and January sales $300,000; January purchase payments are $150,000 and expenses $60,000.

#	Question
17	(a) Find the cash receipts in January.
18	(b) Find the total cash payments in January.
19	(c) Find the closing cash balance at the end of January.
20	(d) If a minimum cash balance of $120,000 is required, how much must be borrowed at the end of January?

6. Contribution margin and break-even (16 marks)

Company E sells at $50 a unit with a variable cost of $30 a unit and fixed costs of $240,000 a year.

#	Question
21	(a) Find the unit contribution margin.
22	(b) Find the contribution margin ratio.
23	(c) Find the break-even quantity and break-even sales value.
24	(d) If the target profit is $80,000, find the required quantity and the margin of safety in units (taking that quantity as actual sales).