S5 Business, Accounting and Financial Management Practice Paper: Financial Accounting and Double-entry Bookkeeping, Financial Statements and Analysis, Cost Accounting and CVP Analysis, Budgeting and Cash Flow, Marketing Mix, Financial Management and Risk

S5 | Business, Accounting and Financial Management | Time: 75 minutes | Total: 100 marks | 24 questions

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Part 1 Financial Accounting and Double-entry Bookkeeping

Study the data, show all working and give the answer.

1. A trader has year-end assets of cash $12,400, accounts receivable $28,600, inventory $41,200 and equipment $96,000; liabilities are accounts payable $33,800 and a bank loan $40,000. Find the closing capital and state the accounting equation. [4]

2. Equipment costing $180,000 has an estimated residual value of $20,000 and a useful life of 8 years. Using the straight-line method, find the annual depreciation and the net book value after 3 years. [4]

3. Closing accounts receivable is $250,000 and the allowance for doubtful debts is set at 3% of receivables; the opening allowance was $6,000. Find the closing allowance, the doubtful debts expense for the year and the net receivables. [5]

4. The trial balance shows debit totals of $486,300 and credit totals of $484,800. (a) Find the difference and state the balance on the suspense account. (b) It is later found that a customer repayment of $750 was debited to accounts receivable instead of credited. Give the correcting entry. [5]

Part 2 Financial Statements and Analysis

Show your workings; percentages to one decimal place.

5. Sales are $960,000, opening inventory $88,000, purchases $620,000 and closing inventory $102,000. Find the cost of goods sold, gross profit and gross profit margin. [4]

6. Using the gross profit of $354,000 above, expenses for the year are rent $96,000, salaries $168,000 and sundry expenses $24,000. Find the net profit and net profit margin. [4]

7. Current assets total $432,000, including inventory of $102,000; current liabilities are $240,000. Find the current ratio and the quick ratio and comment briefly on liquidity. [5]

8. Credit sales are $720,000, opening receivables $250,000 and closing receivables $230,000. Find the receivables turnover and the average collection period (365 days, nearest day). [5]

Part 3 Cost Accounting and CVP Analysis

State the formula and show all steps.

9. A product sells for $96 with a unit variable cost of $60. Find the unit contribution margin and the contribution margin ratio. [4]

10. Fixed costs are $432,000 and the unit contribution margin is $36. Find the break-even point in units and in sales revenue. [4]

11. Expected sales are 16,000 units. Find the margin of safety in units and as a percentage, and the expected profit. [4]

12. The target profit is $216,000. (a) How many units must be sold at the current price? (b) If the price is cut by $6 while costs stay unchanged, how many units are needed? Explain the result. [5]

Part 4 Budgeting and Cash Flow

Prepare the figures in dollars for the month.

13. Opening cash is $68,000, cash receipts $420,000 and cash payments $452,000 for the month. Find the closing cash balance. [4]

14. Sales this month are $480,000 and last month $400,000; 70% is collected in the month of sale and the rest the following month. Find this month cash receipts from sales. [4]

15. Closing cash is $36,000 and the company requires a minimum balance of $50,000, borrowing in units of $1,000. Find the amount borrowed and the cash balance after borrowing. [4]

16. A budgeted expense of $320,000 actually cost $338,000. Find the variance, whether it is favourable or adverse, the variance percentage and one possible cause. [4]

Part 5 Marketing Mix

State the pricing or promotional method used.

17. A product has a unit cost of $240 and is priced by cost-plus pricing with a mark-up of 35%. Find the selling price and the profit per unit. [4]

18. A product is listed at $400 with a 15% trade discount; the unit cost is $240. Find the price actually paid, the gross profit per unit and the gross profit margin. [4]

19. The price is $96 with a unit variable cost of $60. A promotion costing $180,000 is planned; how many additional units are needed to cover the promotion cost? [4]

20. The firm sold 24,000 units in a market of 160,000 units. Find its market share; if the market grows 10% next year and the share is maintained, find the firm sales volume. [4]

Part 6 Financial Management and Risk

State the formula and give a conclusion.

21. A project costs $600,000 and generates constant annual net cash inflows of $150,000. Find the payback period. [3]

22. On the same investment of $600,000 the annual operating profit is $96,000. Find the return on investment. [4]

23. The company borrows $400,000 at 6.5% per year, repaying principal and interest after one year. Find the interest and total repayment, and explain the effect of a rate rise. [4]

24. An export order of US$80,000 is signed at US$1 = HK$7.80 with no hedge. At settlement the rate falls to US$1 = HK$7.65. Find the exchange loss in dollars and as a percentage, and suggest one hedging method. [4]
