# S6 BAFS Practice Paper

S6 | Business, Accounting and Financial Management | Time: 75 minutes | Total: 100 marks | 24 questions

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## Part A Financial Statement Adjustments and Depreciation

**Show all workings; amounts in dollars.**

**1. (5 marks) A machine costs $480000 with an estimated residual value of $30000 and a useful life of 5 years. Find (a) annual depreciation under the straight-line method; (b) first-year depreciation under the reducing-balance method at 40% per year.**

**2. (4 marks) Year-end receivables are $250000; bad debts of $8000 were written off during the year; the allowance policy is 2% of receivables; the opening allowance had a credit balance of $3000. Find the required closing allowance and the increase for the year.**

**3. (4 marks) Opening inventory $62000, purchases $318000, closing inventory $74000, sales $510000. Find cost of goods sold, gross profit and gross profit margin.**

**4. (5 marks) Rent paid was $132000 for the period 1 April to 31 March next year; the year end is 31 December. Electricity of $18000 for October to December is unpaid. Find this year rent expense, prepaid rent and total accrued expenses.**

## Part B Cost Accounting

**Show workings; label variances F (favourable) or A (adverse).**

**5. (4 marks) Unit variable cost is $40, annual fixed production overhead is $120000 and normal capacity is 12000 units. Output was 12000 units and sales 10000 units. Find the fixed overhead absorbed per unit, closing stock in units, and the profit difference between absorption and marginal costing.**

**6. (4 marks) Selling price $120, unit variable cost $72, fixed costs $240000. Find unit contribution, break-even sales volume, and the margin of safety in units and as a percentage when 6500 units are sold.**

**7. (4 marks) Standard: 3 kg per unit at $20 per kg. Output was 2000 units using 6300 kg costing $119700. Find the material price variance and usage variance.**

**8. (4 marks) Completed output 8000 units; closing work in progress 2000 units, 40% complete for conversion (materials added at the start). Find equivalent units for materials and for conversion.**

## Part C Financial Management and Ratio Analysis

**Give ratios to 2 decimal places; amounts in dollars.**

**9. (4 marks) An investment of $500000 yields $160000 cash inflow each year for 4 years; the discount rate is 10% (4-year annuity factor 3.1699). Find the net present value and payback period, and advise whether to accept.**

**10. (4 marks) Current assets $480000 (including inventory $210000) and current liabilities $300000. Find the current ratio and quick ratio, and comment on short-term liquidity.**

**11. (4 marks) Profit before interest and tax $360000, interest $90000; debt $900000 and equity $1500000. Find interest cover and the debt-to-total-capital ratio.**

**12. (4 marks) Profit after tax is $400000 and the dividend payout ratio is 40%. Find total dividends and retained profit; how much would retained profit fall if the payout ratio rose to 60%?**

## Part D Accounting Principles and Financial Reporting

**Name the concept; show workings for calculations.**

**13. (4 marks) A service was provided in December but the customer pays in January; the amount is still recognised as this year revenue. Name the concept applied and explain the effect on this year profit if a cash basis were used.**

**14. (4 marks) Opening inventory 100 units at $10; purchases 200 units at $12; 250 units sold. Find cost of goods sold under FIFO and under the weighted average method.**

**15. (4 marks) A company spends $480000 replacing a machine and pays $12000 for routine maintenance of it. Classify each as capital or revenue expenditure and state the effect on this year profit.**

**16. (4 marks) Classify these as operating, investing or financing cash flows: issue of shares $800000, purchase of equipment $300000, dividends paid $120000, increase in inventory $40000.**

## Part E Business Operations and Decision Making

**Support each decision with figures.**

**17. (4 marks) Compare a limited company with a sole proprietorship on (i) legal status, (ii) liability of owners, and (iii) ability to raise funds.**

**18. (4 marks) Machine hours are limited to 1800 for the year. Product X earns $30 contribution per unit and needs 3 hours; product Y earns $16 and needs 2 hours. Find contribution per machine hour and state which product should be made first.**

**19. (4 marks) Annual demand is 9000 units, ordering cost $200 per order and holding cost $4 per unit per year. Use the EOQ formula to find the order size (whole units).**

**20. (4 marks) Credit sales are $3650000 and average receivables $500000. Find receivable days; if the credit policy is tightened to 45 days, how much cash would be released?**

## Part F Integrated Analysis, Tax and Internal Control

**Quote the figures; for ethics name the risk and the proper action.**

**21. (5 marks) PBIT is $360000, sales $3600000 and capital employed $2400000. Find the operating margin, asset turnover and return on capital employed, and verify the relationship.**

**22. (4 marks) Assessable profits are $1200000. Under the two-tiered profits tax rates, a corporation pays 8.25% on the first $2000000. Find the tax payable and the effective rate.**

**23. (4 marks) A small company has one accountant who collects cash, records entries and performs bank reconciliations. State two internal control risks and one improvement.**

**24. (5 marks) Before the year end the owner asks the accountant to leave an unpaid supplier account of $300000 out of the books to improve the current ratio. Identify the accounting and ethical issues and state what the accountant should do.**

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