

External assessment

Stimulus book

Accounting

General instruction

- Work in this book will not be marked.

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Case study 1 (Stimulus 1)

Stimulus 1

Xanda owns a store in which she sells children's clothing and accessories. She also sells Suzanne's hand-made teddy bears. Proceeds from the sale of the bears go to Suzanne. For each bear sold, Xanda receives a commission of \$10 from Suzanne.

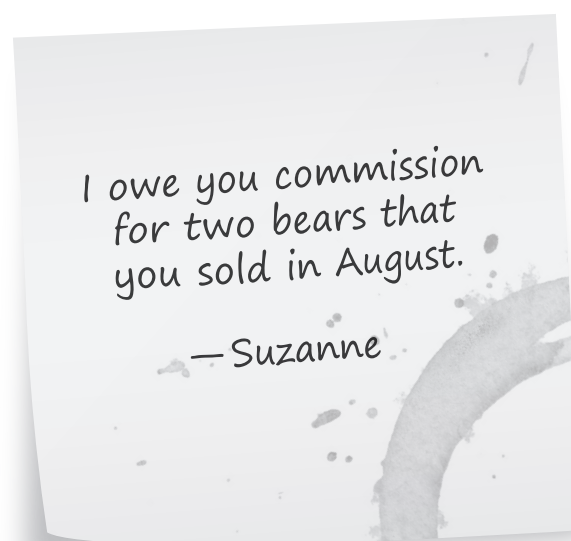
Xanda's friend, Thomas, has been helping her by completing her accounting process at the end of each month. He was not able to complete the accounts in September.

On Tuesday 1 September, Xanda found the following:

Accrued revenue						
Date	Particulars	Ref	Debit \$	Credit \$	Balance \$	
Aug 31	Commission revenue		20		20	Dr
Prepaid expenses						
Aug 31	Rent expense		500		500	Dr
	Insurance		800		1 300	Dr

Xanda paid rent for the business's premises on 1 July for three months and also paid the insurance company on 1 August for six months. As these invoices were paid, Xanda was confused as to why these amounts had been recorded in the above accounts.

The following note was also found:



I owe you commission
for two bears that
you sold in August.
— Suzanne

Case study 2 (Stimulus 2–3): Sole trader

Stimulus 2

Sam and Minh have owned and operated their packaging business, Business 1, for five years. Two years ago, they employed Jared, their only employee, on a part-time basis to do some of their deliveries. Sam and Minh have signed a contract to supply their packages to a company for an agreed annual fee of \$108 000, commencing on 1 July 2020. To service this contract and maintain their other clients, Jared will commence full-time employment on 1 July at an annual cost of \$60 000. Sam and Minh plan to purchase a second delivery vehicle on 30 September 2020.

A new delivery vehicle will cost \$65 000 and will be depreciated at 12.5% using the straight-line method. All amounts quoted are exclusive of GST. Cost of goods sold is calculated at 40% of sales. Sales returns are typically 5% of sales. It is expected that all other revenues and expenses not directly affected by these decisions will remain the same.

Stimulus 3

Business 1		
Trial Balance as at 30 June 2020		
	Debit	Credit
	\$	\$
Accounts payable		1 368
Accounts receivable	52 800	
Accumulated depreciation — delivery vehicle		21 875
Bad debts	1 320	
Capital		205 427
Cash at bank		4 265
Cash sales		82 000
Cost of goods sold	103 200	
Credit sales		176 000
Delivery vehicle	35 000	
Delivery vehicle expense	10 055	
Depreciation — delivery vehicle	4 375	
Dividends		720
Drawings	60 000	
Electricity	1 100	
Insurance expense	7 200	
Interest expense	2 750	
Inventories	25 800	
Inventory adjustment	1 500	
Investment — shares	17 000	
Mortgage on warehouse		55 000
Prepaid insurance	1 350	
Prepaid interest	4 125	
Provision for doubtful debts		2 640
Rates expense	5 600	
Sales returns	12 900	
Telephone expense	1 220	
Wages and salaries	24 000	
Warehouse	175 000	
Website maintenance	3 000	
	\$549 295	\$549 295

Case study 3 (Stimulus 4–6)

		2020				2019				Material	
		\$'000	Diff \$'000	\$'000	% Total	\$'000	% Total	2019 % Assets	% Diff/TA	Benchmark	
Current assets											
Cash and cash equivalents	465.37	-6.46	471.83	21.97	22.87	-0.31					
Receivables	102.97	9.10	93.87	4.86	4.55	0.43					
Inventories	15.43	-0.44	15.87	0.73	0.77	-0.02					
Derivative financial instruments ¹	0.80	-72.53	73.33	0.04	3.56	-3.42					
Other financial assets	8.40	4.37	4.03	0.40	0.20	0.21					
Assets classified as held for sale	1.43	1.43	0.00	0.07	0.00	0.07					
Prepayments	1.43	0.53	0.90	0.07	0.04	0.03					
Total current assets	595.83	-64.00	659.83	28.12	31.99	-3.02					
Non-current assets											
Maintenance prepayments	54.13	-9.74	63.87	2.56	3.10	-0.46					
Derivative financial instruments ¹	2.20	-19.13	21.33	0.10	1.03	-0.90					
Other financial assets	97.50	2.76	94.74	4.60	4.59	0.13					
Investment accounted for using the equity method	1.53	-1.20	2.73	0.07	0.13	-0.06					
Bank bonds	99.97	99.97	0.00	4.72	0.00	4.72					
Deferred tax assets	84.76	84.76	0.00	4.00	0.00	4.00					
Property, plant and equipment	972.20	-38.13	1010.33	45.89	48.98	-1.80					
Intangible assets	205.74	0.07	205.67	9.71	9.97	0.00					
Other	4.74	0.44	4.30	0.22	0.21	0.02					
Total non-current assets	1522.77	119.80	1402.97	71.88	68.01	5.65					
Total assets	2118.60	55.80	2062.80	100.00	100.00	2.63					
Current liabilities											
Payables	226.63	-42.53	269.16	10.70	13.05	-2.01					
Interest-bearing liabilities	93.63	-4.74	98.37	4.42	4.77	-0.22					
Derivative financial instruments ¹	19.04	16.84	2.20	0.90	0.11	0.79					
Provisions	78.07	-11.60	89.67	3.68	4.35	-0.55					
Unearned revenue	358.07	-22.63	380.70	16.90	18.46	-1.07					
Other	7.33	6.13	1.20	0.35	0.06	0.29					
Total current liabilities	782.77	-58.53	841.30	36.95	40.78	-2.76					

Stimulus 4 (continued)

**Bus Company
Statement of Financial Position (continued)
as at 30 June 2020**

	2020 \$'000	Diff \$'000	2019 \$'000	2020 % Total	2019 % Assets	Material % Diff/ TA	Benchmark
Non-current liabilities							
Payables	2.10	0.23	1.87	0.10	0.09	0.01	
Interest-bearing liabilities	717.47	-40.20	757.67	33.87	36.73	-1.90	
Derivative financial instruments ¹	2.13	2.06	0.07	0.10	0.00	0.10	
Provisions	87.83	-4.70	92.53	4.15	4.49	-0.22	
Other	1.70	-2.66	4.36	0.08	0.21	-0.13	
Total non-current liabilities	811.23	-45.27	856.50	38.29	41.52	-2.14	
Total liabilities	1 594.00	-103.80	1 697.80	75.24	82.31	-4.90	60.20%
Net assets	524.60	159.60	365.00	24.76	17.69	7.53	
Equity							
Share capital	747.90	1.60	746.30	35.30	36.18	0.08	
Reserves	19.60	-69.83	89.43	0.93	4.34	-3.30	
Retained earnings	-244.93	227.00	-471.93	-11.56	-22.88	10.71	
Equity attributable to the owners of the Company	522.57	158.77	363.80	24.67	17.64	7.49	
Non-controlling interests	2.03	0.83	1.20	0.10	0.06	0.04	
Total equity	524.60	159.60	365.00	24.76	17.69	7.53	39.80%
							35.00%

Other Industry Ratios — Benchmark	2020		2019	
	2020	Industry	2019	Industry
Gearing Ratio	3.04	1.51	4.65	1.86
Current Asset Ratio	0.76	2.20	0.78	2.45
Acid test	0.74	1.05	0.76	1.10

¹ derivatives are a specific form of financial asset or liability

Stimulus 5

Bus Company Statement of Cash Flows for the year ended 30 June 2020

	2020 \$'000	Diff \$'000	2019 \$'000
Cash flows from operating activities			
Cash receipts from customers	1 885.70	-147.53	2 033.23
Cash payments to suppliers and employees	-1 710.40	78.26	-1 788.66
Cash generated from operating activities	175.30	-69.27	244.57
Finance income received	5.67	-0.73	6.40
Finance costs paid	-89.67	-28.84	-60.83
Net cash from operating activities	91.30	-98.84	190.14
Cash flows from investing activities			
Acquisition of property, plant and equipment	-145.57	36.60	-182.17
Proceeds on disposal of property, plant and equipment	62.67	60.10	2.57
Acquisition of intangible assets	-12.40	2.40	-14.80
Payments for other deposits	-116.10	-95.26	-20.84
Proceeds from other deposits	0.40	-25.27	25.67
Dividends	0.50	0.50	0.00
Net cash used in investing activities (including operating lease refinancing)	-210.50	-20.93	-189.57
Cash flows from financing activities			
Proceeds from borrowings	185.67	66.70	118.97
Repayments of borrowings	-366.30	-263.93	-102.37
Payments of transaction costs related to borrowings	-4.37	-2.37	-2.00
Net proceeds from share issue	310.46	310.46	0.00
Net payment for share buy-back	0.00	1.77	-1.77
Equity distributions paid to non-controlling interests	-12.73	2.97	-15.70
Net cash (used in)/from financing activities	112.73	115.60	-2.87
Net increase/(decrease) in cash and cash equivalents	-6.47		-2.30
Cash and cash equivalents at 1 July	471.83		474.13
Cash and cash equivalents at 30 June	465.37		471.83

Stimulus 6

Earnings per share	2020	2019
Basic earnings per share	-2.8	-8.1
Diluted earnings per share	-2.8	-8.1

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