



St Ursula's College

K I N G S G R O V E

BUSINESS STUDIES-YEAR 12, 2015

ASSESSMENT TASK 3: FINANCIAL MANAGEMENT

Name: _____

Teacher:

Date:

Time Allowed: 45 minutes

Weighting: 20%

Total Marks: ____ / 35

INSTRUCTIONS

- Write using blue or black pen.
- Board approved calculators may be used.

TEST STRUCTURE

Section I

15 marks

- Attempt Questions 1-15
- Allow about 20 minutes for these questions

Section II

20 marks

- Allow about 25 minutes for these questions

Total Marks: ____ / 35



Section I – Multiple Choice

15 marks

Use the answer sheet provided

Allow 20 minutes for this Section

1. Which of the following is a major function of the Australian Securities Exchange (ASX)?
 - (A) A primary market and secondary market for share sales
 - (B) Supervision of trading of domestic derivatives
 - (C) The regulation of unit trusts or mutual funds
 - (D) Administration of the *Corporations Act*

2. Which of the following best matches sources of finance to business purpose?
 - (A) Selling accounts receivables to replace furniture and fittings
 - (B) Applying for a government grant to pay creditors
 - (C) Using retained earnings to expand into new markets
 - (D) Increasing the bank overdraft to buy a delivery van

3. Which ratio indicates the level of a firm's gearing?
 - (A) Current ratio
 - (B) Debt to equity ratio
 - (C) Accounts receivable ratio
 - (D) Net profit ratio

4. A business sells its accounts receivable to improve cash flow. Which of the following best describes this strategy?
 - (A) Factoring
 - (B) Equity financing
 - (C) Sale and lease back
 - (D) Accounts receivable turnover

5. A company decides to borrow long-term funds from the public without diluting ownership of current shareholders. Which funding method would best achieve this?
 - (A) Share Placement
 - (B) Share Purchase Plan
 - (C) Commercial bills
 - (D) Debentures

Use the following information to answer Question 6 and 7

	\$
Overdraft	14,000
Payables	25,000
Cash	25,000
Inventory	10,000
Accounts receivable	12,000
Building	180,000
Non-Current Liabilities	170,000

6. What is the current ratio? (current assets/current liabilities)
- (A) 1:9:1
 (B) 9.3:1
 (C) 0.7:1
 (D) 1.2:1
7. What is the value of Owner's Equity? (A=L + OE)
- (A) \$228,000
 (B) \$22,000
 (C) \$205,000
 (D) \$18,000
8. Arena Entertainment P/L requires additional funding to expand its operations interstate. To maximise the financial returns to the existing owners which of the following would best help achieve this?
- (A) Finding more investors in the company
 (B) Taking out a long term loan
 (C) Extending the overdraft
 (D) Finding a venture capitalist
9. Which of the following is a type of short-term external debt finance?
- (A) Leasing
 (B) Debentures
 (C) Commercial bills
 (D) Term loans

Use the following to answer Questions 10 and 11

	June	July	August	September
Opening Balance	10,000	8,000		
Cash In	5,000	2,000	1,000	12,000
Cash Out	7,000	4,000	9,000	3,000
Closing Balance	8,000	6,000		

10. What is the closing balance for September?

- (A) 8,000
- (B) 7,000
- (C) 5,000
- (D) 12,000

11. Which of the following would improve cash flow in the month of August?

- (A) Use an overdraft
- (B) Factor debts
- (C) Pay debtors at the beginning of the month
- (D) Use of commercial bills

12. Which of the following describes the difference between liquidity and solvency?

- (A) Liquidity relates to assets and solvency relates to debts
- (B) Liquidity is a short term measure and solvency is a long term measure
- (C) Liquidity relates to long term debt and solvency to short term debt
- (D) Liquidity relates to current and non current assets and solvency relates to debt and equity

13. Which of the following best describes efficiency in the financial management of a business?

- (A) Increasing the sales of a business
- (B) Increasing sales and increasing expenses
- (C) Reducing expenses to increase profit
- (D) Ensuring there are enough liquid assets in the business

Use the following to answer Questions 14 and 15

Panther Car Parts have issued the following efficiency data for 2013 and 2014

	2013	2014
Sales	200,000	206,000
Expenses	10,000	16,000
Accounts receivable	20,000	5,400

14. What is the expense ratio for 2014? (total expenses/sales)
- (A) 3.65%
- (B) 7.8%
- (C) 9.6%
- (D) 5.0%
15. Which of the following statements about the efficiency of Panther Car Parts is correct
(accounts receivable turnover ratio: sales/accounts receivable)
(expense ratio: total expenses/sales)
- (A) The expense ratio has improved while the accounts receivable turnover ratio has deteriorated.
- (B) The accounts receivable turnover has improved and the expense ratio has also improved
- (C) The expense ratio has deteriorated while accounts receivable turnover ratio has improved
- (D) The accounts receivable turnover ratio has deteriorated and the expense ratio has deteriorated

Section II

20 marks

Attempt Questions 16-18

Allow 25 minutes for this Section

Question 16 (5 marks)

- (a) Outline the strategic role of financial management. 1 mark

- (b) What is the role of the Australian Securities and Investment Commission (ASIC)? 2 marks

- (c) Explain ONE internal and ONE external source of finance. 2 marks

Question 17 (5 marks)

A financial statement for Lily's Accessories

ASSETS		LIABILITIES	
Current assets		Current liabilities	
Cash	10,000	Accounts payable	17,000
Accounts receivable	5,000	Credit cards	5,000
Stock	15,000	Non current liabilities	
Non current assets		Mortgage	190,000
Vehicle	30,000	Term loan	50,000
Plant	200,000	Owner's equity	X
Equipment	50,000		

- (a) Calculate the current ratio for Lily's Accessories. $\frac{\text{Current assets}}{\text{Current liabilities}}$ 1 mark

- (b) Calculate owner's equity for Lily's Accessories. (A= L+ OE) 1 mark

- (c) Explain THREE strategies that could be used to manage its cash flow. 3 marks

Question 18 (5 marks)

Income Statement		
InfoTech Pty Limited		
For year ending June 30 2014		
Sales		400,000
Gross Profit		330,000
Expenses		
Wages	118,000	
Electricity	35,000	
Advertising	60,000	
Administration	50,000	
Insurance	20,000	
Other utilities	10,000	
Total Expenses	_____	?
Net Profit		?

- (a) Calculate total expenses and net profit.

2 marks

- (b) Calculate and comment on the Net Profit ratio for InfoTech Pty Limited. (net profit/sales)
-
- Show all working.

3 marks

Year 12 Business Studies Answers

Multiple Choice	
Question 1	A
Question 2	C
Question 3	B
Question 4	A
Question 5	D
Question 6	D
Question 7	D
Question 8	B
Question 9	C
Question 10	B
Question 11	A
Question 12	B
Question 13	C
Question 14	B
Question 15	C

Question 16

a)

Clearly outlines the strategic role of financial management	1
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Suggested answer

Planning and monitoring of a business's financial resources to enable the business to achieve its financial objectives.

b)

Clearly states two main roles of the Australian Securities Investment Commission	2
Shows little understanding and states one vague role of the Australian Securities Investment Commission	1

Suggested answer

- Administers the corporations act 2001 and protects consumers in the areas of investment, life and general insurance, superannuation and banking in Australia.
- Reduce fraud, unfair practices in financial markets and financial products
- Ensures that companies adhere to the law, collects information about companies and makes it available to public "annual reports"
- Investigates businesses that breach law and determine an appropriate remedy

c)

A thorough explanation of ONE correct internal and ONE correct external source of finance	2
Lists ONE internal and ONE external source of finance with little to no explanation	1

Suggested answer

Can be found on page 261-266

Internal: **OE**: is the funds contributed by owners to establish and build the business

Retained Profit: all profits are not used, but kept in the business as a cheap and accessible source of finance for future activities, approximately 50% of profits on average are retained to be reinvested.

External – short term borrowing:

Overdraft: the bank allows a business or individual to overdraw their account up to an agreed limit and for a specific time frame to help overcome a temporary cash shortfall

Commercial bills: financial institutions give out loans of larger amounts over \$100000 which is to be paid between 30-180 days

Factoring: selling of accounts receivable for a discounted price to a finance or factoring company

External – Long term borrowing:

Mortgage: is a loan secured by the property of the business

Debentures: issued by a company for a fixed rate of interest and for a fixed period of time

Unsecured note: loan from investors for a specified time which are not secured against any assets

Leasing: payment of money for the use of equipment that is owned by another party

Question 17

a)

$$30000 / 22000 = 1.36:1$$

b)

$$310000 = 262000 + OE$$

$$310000 - 262000 = OE$$

$$OE = 48000$$

c)

A clear explanation of THREE correct strategies that could be used to manage cash flow	3
A brief explanation of three or less strategies that could be used to manage cash flow	2
Lists less than two strategies that could be used to manage cash flow, with little to no explanation	1

Suggested answer

Distribution of payments, discount for early payments and factoring with an explanation of each

Question 18

- a) Add up all expenses on infotech Pty Ltd income statement = \$293000
 Net profit = Gross profit – Expenses = \$330000-293000= NP = \$37000

b) .

Correct calculation of the net profit ratio with a clear analysis of the data determined in relation to the businesses financial situation. Working out must be shown	3
A calculation of the net profit ratio with an attempt to analysis the data in relation to the businesses financial situation.	2
Attempts to calculate the net profit ratio with little to no analysis of the data	1

Suggested Answer

$37000/400000 \times 100 = 9.25\%$ reasonable Net Profit, business could implement strategies to improve this percentage however they are not running at a loss which is sound.

c)

Clearly recommends and explains in detail TWO correct profitability strategies that Info Tech Pty Ltd could use to improve profitability.	5
Clearly recommends and explains TWO correct profitability strategies that Info Tech Pty Ltd could use to improve profitability.	4
Recommends TWO correct profitability strategies that Info Tech Pty Ltd could use to improve profitability.	3
Lists TWO correct profitability strategies that Info Tech Pty Ltd could use to improve profitability.	2
Lists less than ONE profitability strategy that Info Tech Pty Ltd may use to improve profitability.	1

Suggested Answer

Cost controls – fixed and variable, cost centres, expense minimisation

Revenue controls – marketing objectives

With an explanation of how each one can improve the business.



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Student Number

**HIGHER SCHOOL CERTIFICATE
TRIAL EXAMINATION
2015**

Business Studies

Weighting 30%

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black or blue pen
- Draw diagrams using pencil
- Board-approved calculators may be used
- Use the multiple-choice answer sheet provided
- Write your Student Number at the top of this page, page 9 and on the Multiple-Choice answer sheet

Total marks – 100

Section I 20 marks Pages 2-7

Multiple choice – 20 marks

- Attempt Questions 1-20
- Allow about 35 minutes for this part

Section II 40 marks Pages 8-12

- Attempt Questions 21-24
- Allow about 1 hour and 15 minutes for this part
- Answer in this booklet using blue or black pen

Section III 20 marks Page 17

- Attempt Question 25
- Allow about 35 minutes for this section
- Answer in a separate writing booklet using blue or black pen

Section IV 20 marks Page 18

- Attempt either Question 26 or 27
- Allow about 35 minutes for this section
- Answer in a separate writing booklet using blue or black pen