Financial Services

General Instructions
• Reading time – 5 minutes
• Working time – 2 hours
• Write using black or blue pen
  Black pen is preferred
• Board-approved calculators may be used
• Write your Centre Number and Student Number at the top of pages 9, 11 and 15

Total marks – 80

Section I  Pages 2–5
15 marks
• Attempt Questions 1–15
• Allow about 20 minutes for this section

Section II  Pages 9–17
30 marks
• Attempt Questions 16–21
• Allow about 50 minutes for this section

Section III  Page 19
15 marks
• Attempt Question 22
• Allow about 25 minutes for this section

Section IV  Pages 20–21
20 marks
• Attempt ONE question from Questions 23–25
• Allow about 25 minutes for this section
Section I

15 marks
Attempt Questions 1–15
Allow about 20 minutes for this section

Use the multiple-choice answer sheet for Questions 1–15.

1 What is the correct account classification for wages?
   (A) Asset
   (B) Expense
   (C) Liability
   (D) Revenue

2 What action should be taken when an employee first identifies a workplace hazard?
   (A) Notify the supervisor
   (B) Contact the first aid officer
   (C) Telephone WorkCover NSW
   (D) Write a report for the WHS committee

3 Which of the following provides employees with feedback on their performance?
   (A) Company policies
   (B) Employee portfolios
   (C) Workplace appraisals
   (D) Departmental case studies

4 A group of employees meets together to plan and organise their daily work routine.
   What is this an example of?
   (A) Teamwork
   (B) Management
   (C) Strategic review
   (D) Performance assessment
5 In which of the following are the main sectors of the Australian financial industry listed?

(A) Accountants, bank tellers, financial planners, politicians
(B) Accountancy firms, banks, financial regulators, lending services
(C) Debt collectors, loan extenders, setters of monetary policy, share traders
(D) Insurance firms, issuers of credit cards, pawnbrokers, state treasury departments

6 What are three characteristics necessary for effective verbal communication?

(A) Adopting a courteous tone, listening actively, respecting personal space
(B) Speaking clearly, using appropriate body language, using suitable language
(C) Listening actively, speaking clearly, using good questioning techniques
(D) Adopting a courteous tone, speaking clearly, using appropriate body language

7 Which of the following best summarises the accounting process?

(A) Source documents → journals → ledger accounts → trial balance → financial reports
(B) Source documents → ledger accounts → journals → financial reports → trial balance
(C) Journals → source documents → ledger accounts → financial reports → trial balance
(D) Source documents → journals → trial balance → ledger accounts → financial reports

8 An item is selling at $21.09. The cost of the item was $14.25.

What is the percentage mark-up on the cost of this item?

(A) 32%
(B) 48%
(C) 60%
(D) 68%
9 Which of the following includes two essential pieces of information required when contacting emergency services to attend an accident at a workplace?

(A) Nature of injuries, location
(B) Nature of incident, name of local doctor
(C) Contact name, family emergency contact number
(D) Nearest cross-street, injured person’s years of employment

10 A company paid $770 in cash, including GST, for repairs to equipment.

Which of the following correctly shows the impact of the transaction on the accounting equation? (Assume GST is a liability.)

(A) Decrease bank $770, increase repairs $700, decrease GST $70
(B) Decrease bank $770, increase repairs $700, increase GST $70
(C) Decrease bank $700, increase repairs $700, decrease GST $70
(D) Decrease bank $700, increase repairs $700, increase GST $70

11 How are petty cash claims checked for accuracy and authenticity?

(A) The receipt is checked against the claim voucher.
(B) The invoice is checked against the delivery docket.
(C) The claim is signed on the same date as the purchase.
(D) The reimbursement cheque is signed before the payment is made.

12 Which of the following is a role of an employer group?

(A) To market a business
(B) To act as an employment agency
(C) To negotiate individual pay deals
(D) To provide ongoing support for members
13 Which of the following provides the most likely reason for a trial balance not balancing?

(A) A credit sale is recorded as credit Accounts Receivable account and debit Sales account.

(B) A journal entry debiting shop fittings is posted to the Repairs and Maintenance account.

(C) A ledger account with a debit carried down balance is listed as a debit balance in the trial balance.

(D) The purchase of office equipment for $800 is recorded as debit Motor Vehicle account $8000 and credit Bank account $8000.

14 As a result of a workplace injury, an employee’s workload in a business has been reduced and the rest of the work has been allocated to other employees.

What type of cost is this to the business?

(A) Economic

(B) Human

(C) Organisational

(D) Social

15 A business has been trading for one year and reported the following account balances as at 30 June 2014.

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$1,560,000</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$180,000</td>
</tr>
<tr>
<td>Interest Received</td>
<td>$5,000</td>
</tr>
<tr>
<td>Drawings</td>
<td>$145,000</td>
</tr>
<tr>
<td>Bank</td>
<td>$260,000</td>
</tr>
<tr>
<td>Bad Debts Recovered</td>
<td>$5,000</td>
</tr>
<tr>
<td>Capital</td>
<td>$415,000</td>
</tr>
</tbody>
</table>

What is the position of the business for the year ending 30 June 2014?

(A) Net Loss $10,000

(B) Net Loss $20,000

(C) Net Profit $105,000

(D) Net Profit $160,000
2014 HIGHER SCHOOL CERTIFICATE EXAMINATION
Financial Services

Section II

30 marks
Attempt Questions 16–21
Allow about 50 minutes for this section

Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.

Question 16 (6 marks)

(a) Outline ONE right and ONE responsibility of an employee under work, health and safety (WHS) legislation.

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(b) What are the advantages of the following types of business ownership?

(i) A sole trader

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(ii) A partnership

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Centre Number

Student Number
Question 17 (4 marks)

Describe strategies that can be used to prevent cross-cultural misunderstanding in the workplace.
Question 18 (4 marks)

(a) Why would a company ask new employees to sign a confidentiality agreement?

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(b) What effects can poor workplace ergonomics have on the employee and the employer?

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Question 19 (6 marks)

(a) Martin’s base salary is $85 000 per annum. At the end of the year, he also receives commission on the total amount of sales he has generated for the company.

Commission rates are:
5% on the first $100 000 of sales
10% on each sales dollar thereafter.

Martin’s total sales for the year are $135 000.

Individual income tax rates are shown in the table.

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Tax on this income</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – $18 200</td>
<td>Nil</td>
</tr>
<tr>
<td>$18 201 – $37 000</td>
<td>19c for each $1 over $18 200</td>
</tr>
<tr>
<td>$37 001 – $80 000</td>
<td>$3572 plus 32.5c for each $1 over $37 000</td>
</tr>
<tr>
<td>$80 001 – $180 000</td>
<td>$17 547 plus 37c for each $1 over $80 000</td>
</tr>
<tr>
<td>$180 001 and over</td>
<td>$54 547 plus 45c for each $1 over $180 000</td>
</tr>
</tbody>
</table>

Calculate the amount of income tax that Martin has to pay for the year. Show all working.

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Question 19 continues on page 13
Question 19 (continued)

(b) Complete the table for the following unrelated business transactions. Entries must include the correct GST account where applicable.

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Journal to be used</th>
<th>Account(s) to be debited</th>
<th>Account(s) to be credited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid wages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner takes goods for private use</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory bought on credit</td>
<td></td>
<td></td>
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</tbody>
</table>

End of Question 19
Question 20 (4 marks)

Using a workplace example, explain what is meant by a conflict of interest in the financial services industry.
**Question 21** (6 marks)

Use the following information to prepare a company’s:

(a) Cash account

(b) Bank reconciliation statement for month ending 30 November 2013.

On 1 November 2013 the balance of the bank account in the general ledger was $1308 debit balance.

Totals of the cash journals for the month of November were:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Debit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash receipts journal/list</td>
<td>$3684</td>
</tr>
<tr>
<td>Cash payments journal/list</td>
<td>$2998</td>
</tr>
</tbody>
</table>

As at 30 November 2013 the bank statement showed a credit balance of $2412.

A comparison of the accounting records with the bank statement revealed the following:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Credit</th>
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</thead>
<tbody>
<tr>
<td>Interest income credited in bank statement</td>
<td>$120</td>
</tr>
<tr>
<td>Bank charges</td>
<td>$18</td>
</tr>
<tr>
<td>Unpresented cheques</td>
<td>$288</td>
</tr>
<tr>
<td>#3168</td>
<td>$299</td>
</tr>
<tr>
<td>#3174</td>
<td>$156</td>
</tr>
<tr>
<td>Outstanding deposit</td>
<td>$427</td>
</tr>
</tbody>
</table>

### Cash account

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Debit</th>
<th>Date</th>
<th>Particulars</th>
<th>Credit</th>
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*Question 21 continues on page 17*
Question 21 (continued)

**Bank reconciliation statement**

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<table>
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</tbody>
</table>

**End of Question 21**
Question 22 (15 marks)

How has technology affected the employee and the customer in the financial services industry, particularly in regard to the provision of products and services?
Section IV

20 marks
Attempt ONE question from Questions 23–25
Allow about 25 minutes for this section

Answer the question in a SEPARATE writing booklet. Extra writing booklets are available.

Question 23 — Accounting (20 marks)

XYZ is a business that manufactures and sells blinds and shutters for windows. The business has had a decline in profits over the past few years. It is implementing tighter credit policies in an effort to improve its financial situation.

(a) An Accounts Receivable Ageing report categorises a company’s Accounts Receivable according to the length of time an invoice has been outstanding. Explain how this type of report could be used by XYZ to improve the profitability of the business.  4

(b) Explain how adjusting for doubtful debts would assist XYZ in its efforts to improve its financial situation.  6

(c) Complete a fully classified Income Statement for XYZ for 30 June 2014, using the following extract from the list of accounts.  10

<table>
<thead>
<tr>
<th>Account name</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>45 600</td>
</tr>
<tr>
<td>Commission</td>
<td>8 210</td>
</tr>
<tr>
<td>Doubtful Debts</td>
<td>540</td>
</tr>
<tr>
<td>COGS</td>
<td>21 840</td>
</tr>
<tr>
<td>Bank Charges</td>
<td>210</td>
</tr>
<tr>
<td>Inventory Variance Expense</td>
<td>1 700</td>
</tr>
<tr>
<td>Bad Debts Recovered</td>
<td>400</td>
</tr>
<tr>
<td>Promotions</td>
<td>5 710</td>
</tr>
<tr>
<td>Donations</td>
<td>850</td>
</tr>
<tr>
<td>Distributions Received</td>
<td>1 640</td>
</tr>
</tbody>
</table>

OR
Question 24 — Financial Services (20 marks)

(a) Describe the purpose and use of TWO types of records commonly used in the financial services industry. 4

(b) Explain what should be considered before releasing reports commonly requested in the financial services industry. 6

(c) Explain how cash and non-cash transactions can be effectively managed in the financial services industry. 10

OR

Question 25 — Financial Markets and Systems (20 marks)

(a) What are the implications of a poor credit history for an individual? 4

(b) What is the effect of debt on the Australian economy? 6

(c) Explain the effect of the Reserve Bank’s monetary policy on consumers. 10

End of paper