**HUMANITIES AND SOCIAL SCIENCES**

**FINANCIAL MANAGEMENT**

SEMESTER 2 REVISION

1. Compare and contrast sole traders, partnerships and companies.

|  |  |  |  |
| --- | --- | --- | --- |
| **Structure** | **Definition** | **Advantages** | **Disadvantages** |
| Sole Trader |  |  |  |
| Partnership |  |  |  |
| Company  |  |  |  |

2. Decide what form of business ownership is most appropriate for the following:

|  |  |  |
| --- | --- | --- |
| **Scenario** | **Most Appropriate Ownership Structure** | **Reason** |
| A family run fruit and veg shop.  |  |  |
| A national hotel chain that would require $200 million dollars to establish |  |  |
| A suburban café  |  |  |
| A law practice  |  |  |

3. Define entrepreneurship.

4. What are the four basic consumer rights?

5. What does the term caveat emptor mean? How is this relevant to consumers?

6. List the organisations that provide assistance to consumers.

7. What elements must be present for there to be a legally binding contract?

8. Classify the following as strengths, weaknesses, opportunities or threats of a business.

|  |  |
| --- | --- |
| **Statement** | **Element** |
| Strong cash flow  |  |
| Availability of new technology that reduces cost of production  |  |
| Personal customer service  |  |
| Lack of managerial talent  |  |
| Operating inefficiencies |  |
| Strong brand recognition |  |
| Economic downturn  |  |
| High staff turnover  |  |
| Environmental regulations |  |
| Growing population |  |

9. Explain the difference between a proportional, progressive and regressive tax.

|  |  |  |
| --- | --- | --- |
| **Tax Classification** | **Definition**  | **Example**  |
| Proportional  |  |  |
| Progressive  |  |  |
| Regressive  |  |  |

10. Define the different tax types.

|  |  |
| --- | --- |
| **Tax Type**  | **Definition**  |
| Income  |  |
| Goods and Services  |  |
| Company  |  |
| Fringe Benefits  |  |
| Capital Gains  |  |

11. Which of the following amounts listed below would be included as assessable income?

|  |  |
| --- | --- |
| **Income** | **Assessable? Yes/No**  |
| Proceeds from the sale of stock  |  |
| Cash prize on a game show  |  |
| Proceeds from a garage sale  |  |
| Profit made by a business  |  |
| Commission a salesperson receives  |  |

12. Which of the following expenses listed below would you consider is an allowable deduction?

|  |  |
| --- | --- |
| **Expenses** | **Allowable? Yes/No**  |
| Donation of $1 to an approved charity  |  |
| Dry cleaning of compulsory work uniform  |  |
| Cost of protective overalls for a mechanic  |  |
| Cost of taking a taxi to work because there is a bus strike  |  |
| Amount paid to a tax agent for preparation of tax return  |  |

13. Fred is a 40-year-old who is single and employed as solicitor. During the 2015/16 financial year the following occurred:

* He earned a salary of $90,000
* Received rent of $10,000 from his investment property
* Made a net capital gain of $10,000
* Received dividend of $7,000
* Received $10,000 of income from a family trust he is a beneficiary of
* Attended a law seminar costing $800
* Repaired the fence at his investment property costing $6,000
* Pay AS You Go Withholding of $21,000

Using the table provided complete Fred’s tax return.

|  |  |  |
| --- | --- | --- |
|  |  | **$** |
|  | **Gross Income** |  |
|  |  |  |
| Less:  | Exempt Income  |  |
|  |  |  |
| = | **Assessable Income**  |  |
|  |  |  |
| Less:  | Allowable Deductions  |  |
|  |  |  |
| = | **Taxable Income**  |  |
|  |  |  |
| X  | Tax Rate  |  |
|  |  |  |
| =  | **Gross Tax Payable**  |  |
| Less:  | **PAYG Withholding**  |  |
| = | **NET TAX PAYABLE / (REFUNDABLE)** |  |



**Financial Management**

**Semester 2**

**Mindmap**