

External assessment

Multiple choice question book

Accounting

General instruction

- Work in this book will not be marked.



Queensland
Government



Queensland Curriculum
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Section 1

QUESTION 1

James's Business	
List of accounts	\$
Accumulated depreciation — delivery van	6 800
Capital contributions	0
Cost of goods sold	25 000
Depreciation	3 400
Drawings	4 500
GST payable	10 000
Interest received	1 000
Sales	100 000
Sales returns	10 000
Wages	20 000

Following the completion of all closing entries, the owner's equity would increase by

- (A) \$31 300.
- (B) \$38 100.
- (C) \$39 200.
- (D) \$42 600.

QUESTION 2

Which of the following processes will happen when closing entries are prepared?

- (A) Drawings will be closed to the Profit or Loss Summary Account.
- (B) Asset accounts will be closed to the Profit or Loss Summary Account.
- (C) The Profit or Loss Summary Account will be closed to the Cash Account.
- (D) All relevant expense accounts will be closed to the Profit or Loss Summary Account.

QUESTION 3

Statement of Cash Flows (extract)				
Cash flows from financing activities	Previous year		Current year	
	\$	\$	\$	\$
<i>Inflows</i>				
Proceeds from loans and borrowings	25 000		75 000	
Capital contributions	5 000	30 000	0	75 000
<i>Outflows</i>				
Payment of drawings	(2 750)		(10 000)	
Repayment of loans and borrowings	(10 000)	(12 750)	(25 000)	(35 000)
Net cash provided by financing activities		17 250		40 000

Based on the data, the financial stability of the business has

- (A) weakened, as there was an increase in debt finance.
- (B) remained consistent, as the business has increased its payments to suppliers.
- (C) strengthened, as the net cash provided from financing activities has increased.
- (D) improved, as the owner did not contribute any further capital in the current year.

QUESTION 4

Industry benchmarks are useful for

- (A) analysing the effectiveness of a marketing campaign.
- (B) explaining variations in financial data across industries.
- (C) identifying areas of financial performance that can be improved.
- (D) evaluating the appropriateness of pricing strategies in the local market.

QUESTION 5

BAR Ltd, TGF Ltd and AQP Ltd operate within the same industry.

	BAR Ltd	TGF Ltd	AQP Ltd
Market price per share	\$4.83	\$28.54	\$83.29
Operating profit (after tax)	\$6 900 m	\$6 732 m	\$9 375 m
Earnings per share	\$0.80	\$1.19	\$10.56
Price to earnings ratio	6.04	23.98	7.89

An investor seeking growth would choose shares in

- (A) AQP Ltd, because its higher market price per share indicates future growth.
- (B) TGF Ltd, because its high price to earnings ratio indicates high growth potential.
- (C) BAR Ltd, because its low price to earnings ratio indicates it is a lower risk investment.
- (D) BAR Ltd, because its market price per share provides the best indicator for upward movement.

QUESTION 6

A motor vehicle was purchased on 1 July 2018 for \$50 000 and sold on 31 October 2020 for \$18 000. The depreciation method used is straight line. The useful life is five years, and there is no residual value. As at 30 June 2020, the accumulated depreciation for the motor vehicle was recorded as \$20 000.

Based on this data, and rounding to the nearest whole number, the general journal entry to record the disposal would be

(A)	Loss on disposal of motor vehicle	Dr	\$28 667	
	Disposal of motor vehicle	Cr		\$28 667
(B)	Loss on disposal of motor vehicle	Dr	\$12 000	
	Disposal of motor vehicle	Cr		\$12 000
(C)	Loss on disposal of motor vehicle	Dr	\$8 667	
	Disposal of motor vehicle	Cr		\$8 667
(D)	Loss on disposal of motor vehicle	Dr	\$2 000	
	Disposal of motor vehicle	Cr		\$2 000

QUESTION 7

General Journal (extract)			
Date	Particulars	Debit \$	Credit \$
30 June	Inventory adjustment	2 500	
	Inventories		2 500
	(Adjustment on item 55)		

This inventory adjustment was made because

- (A) a stocktake revealed that the physical count was less than the stock register.
- (B) inventory was damaged on arrival and an adjustment note was issued.
- (C) a purchase order of inventory was received but not recorded.
- (D) a sales return was processed but not recorded.

QUESTION 8

Companies A and B operate within the same industry.

	Comparative Statement of Profit or Loss for the year ending 30 June 2020 (extract)			
	Company A		Company B	
Sales	95 000		95 000	
Sales returns	(10 000)		(2 500)	
Cost of goods sold	59 500	70%	64 750	70%
Gross profit ratio		30%		30%

By comparing the results of the two businesses, management of Company A can conclude that

- (A) Company A's selling prices are competitive.
- (B) both companies have the same gross profit result.
- (C) the quality of Company A's inventory should be reviewed.
- (D) Company A's purchasing policy is better than Company B's purchasing policy.

QUESTION 9

The following company data has been collected.

	Previous year	Current year
Rate of turnover of inventories	6.65 times	9.17 times
Rate of turnover of accounts receivable	6.44 times	8.69 times

This data shows that

- (A) short-term financial stability has decreased.
- (B) the earning capacity of the company has improved.
- (C) improvements to the company's credit policies are required.
- (D) strategies for improving sales and collection of outstanding debts were effective.

QUESTION 10

A public company's turnover of accounts receivable is 45 days. The industry average is 30 days. The company most likely has

- (A) a lenient credit policy.
- (B) high demand for stock.
- (C) strict credit sales protocols.
- (D) poor internal controls over creditors.

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