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Sample assessment 2020

Multiple choice question book

Accounting



Queensland
Government



**Queensland Curriculum
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Section 1

Instructions

- Answer all questions in the question and response book.
 - This book will not be marked.
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QUESTIONS 1–5

Questions 1–5 refer to Case study 1 (Stimulus 1–7 in the stimulus book).

QUESTION 1

The disclosure of the 2019 and 2020 account balances for ‘Discontinued operations’ enables

- (A) a vertical analysis revealing that \$828.50 m was spent to acquire the subsidiary business/es.
- (B) a cost-benefit analysis revealing that the loss of \$828.50 m in 2020 was included in the ‘Total expenses’ account of –\$33 101 m.
- (C) evidence revealing that the loss of \$828.50 m from South East Grocer Ltd helped to return an overall profit after tax for the 2020 reporting period.
- (D) a horizontal analysis revealing an increase in loss after tax for South East Grocer Ltd of \$778 m, indicating the company sold off or ceased specific operations within that company.

QUESTION 2

Which ratio analysis tool could be used to inform management of whether a change to the accounts payable policy would have been feasible in the 2020 reporting period?

- (A) The debt ratio could be used to measure the company’s liquidity.
- (B) The current ratio could be used to measure the company’s liquidity.
- (C) The earnings per share ratio could be used to measure the company’s performance.
- (D) The earnings before interests and taxes margin ratio could be used to measure the company’s profitability.

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QUESTION 3

Which of the following reveals an inter-relationship between South East Grocer Ltd's financial statements?

- (A) The equity dividends paid amount of –\$1 264 m for 2020 in the Statement of Cash Flow explains the reduced profit figure for the same reporting period.
- (B) The inventory balance of –\$22 859 m in the Statement of Profit or Loss takes into consideration the \$3 005.50 m of inventories in the Statement of Financial Position.
- (C) The cash and cash equivalents in the Statement of Cash Flow at end of year 2020 discloses \$341.50 m, which verifies the company's cash at bank account balance.
- (D) The finance costs account balance of –\$105.50 m for 2020, in the Statement of Profit or Loss, is used to reduce the retained earnings account in the Statement of Financial Position.

QUESTION 4

Which of the following factors could complicate the 2019–2020 comparison of South East Grocer Ltd's financial statements?

- (A) The items in the 2020 revenue account balance were not itemised as in 2019.
- (B) The state of the economy between 2019 and 2020 is not directly reflected in the company's financial statements.
- (C) The change to account classification names between 2019 and 2020 made it difficult to understand the account entries.
- (D) The 2019 and 2020 profits disclosed in the Statement of Profit or Loss were not reflected in the Statement of Financial Position.

QUESTION 5

Salaries and wages expense is disclosed in the Statement of Profit or Loss for South East Grocer Ltd as

- (A) other expenses.
- (B) impairment expenses.
- (C) employee benefits expense.
- (D) occupancy related expenses.

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QUESTIONS 6–10

Questions 6–10 refer to Case study 2 (Stimulus 8–14 in the stimulus book).

QUESTION 6

If the website was operational from 1 July 2020, what would have been the expected sales that the website shopping cart would have attracted in the year ended 30 June 2021?

- (A) \$8 377.80
- (B) \$8 913.40
- (C) \$10 053.36
- (D) \$10 696.08

QUESTION 7

How will the additional cost of repairing the website affect the balance day adjustment for this non-current asset account in 2021?

- (A) There would be no balance day adjustment process for this account in 2021 as the item would be recorded as a normal expense item.
- (B) Since this would be recorded as a capital expenditure, the value would be added to the historical asset and, therefore, no balance day adjustment would be generated.
- (C) The upgrade of the firewall and virus protection would be treated as a prepaid expense in 2020 and one month's value of this subscription would be an expense for the 2021 reporting period.
- (D) The straight-line depreciation method would be used to determine the depreciation for the year and this would then be added to the accumulated depreciation amount to offset the historical cost value.

QUESTION 8

Based on the current accounting data for Little Fruit Shop, what was the gross profit ratio?

- (A) 35.73%
- (B) 37.88%
- (C) 40.30%
- (D) 56.12%

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QUESTION 9

The gross profit ratio is used to evaluate

- (A) the rate at which goods are sold.
- (B) the value of cash sales to sales on credit.
- (C) how quickly accounts receivable are paid.
- (D) the operational performance of a business.

QUESTION 10

Why would the 'Inventory adjustment' account be recorded as \$0.00 as at 30 June 2020?

- (A) The records have been developed based on the cash basis and not the accrual basis of accounting.
- (B) Stocktake differences over the years were subtracted from the 'Inventories' account.
- (C) There was no shrinkage or spoilage of inventory items for that reporting period.
- (D) No returns of inventory were recorded in the reporting period.

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