

External assessment 2021

Multiple choice question book

Accounting

General instruction

- Work in this book will not be marked.

Section 1

QUESTION 1

On 1 June 2021, a small business paid \$13 200 (GST inclusive) for 3 months rent (in advance) for their warehouse storage facility.

On 30 June 2021, the balance of the Prepaid rent account will be

- (A) \$8 800
- (B) \$8 000
- (C) \$4 400
- (D) \$4 000

QUESTION 2

A times interest earned ratio is used

- (A) to measure a business's fixed debt obligations on lease payments.
- (B) by lenders to ascertain whether a business can afford additional debt.
- (C) to count net earnings against total outstanding shares over a fixed period of time.
- (D) to measure financial leverage indicating the degree to which a firm's operations are funded by equity.

QUESTION 3

EBITDA (\$m) for XYZ Company Ltd					
	2017	2018	2019	2020	2021
NSW	415.3	298.2	499.5	374.7	511.9
QLD	420.7	566.7	320.6	479.8	507.3
WA	354.6	323.4	399.5	465.4	499.2

Which statement is correct?

- (A) Western Australia had a 43% growth in EBITDA from 2018 to 2020.
- (B) XYZ Company Ltd had the most unstable EBITDA trend in 2018.
- (C) New South Wales had a 28% EBITDA result from 2017 to 2018.
- (D) Queensland had a total EBITDA of \$578.8 m from 2017 to 2021.

QUESTION 4

The shareholder equity ratio is used by external stakeholders to determine

- (A) the extent to which a company's profit is affected by shareholder contributions.
- (B) the total amount owed to shareholders on liquidation.
- (C) how much of a company's assets shareholders own.
- (D) the return on dividends provided to shareholders.

QUESTION 5

Petra is having her home painted. She gives the painters three 10-litre cans of paint from the hardware store she owns. Each can was originally purchased for \$165.

This would be recorded by the hardware store as

(A)

Drawings	Dr	\$495	
GST credits received	Cr		\$45
Inventories	Cr		\$450

(B)

Operating expenses	Dr	\$495	
GST credits received	Cr		\$45
Drawings	Cr		\$450

(C)

Drawings	Dr	\$495	
GST credits received	Cr		\$45
Operating expenses	Cr		\$450

(D)

Inventories	Dr	\$495	
GST credits received	Cr		\$45
Drawings	Cr		\$450

QUESTION 6

To review its performance, a sole trader clothing retail business in Queensland should compare its

- (A) net profit ratio with clothing retailers listed on the ASX.
- (B) gross profit ratio with clothing retailers with a similar turnover.
- (C) cost of goods sold with clothing retailers considered to have world's best practice.
- (D) commission revenue with sales revenue for all other Queensland clothing retailers.

QUESTION 7

The following company data has been collected.

Trial Balance as at 30 June 2021 (extract)		
	Debit \$	Credit \$
Accounts receivable control	45 000	
Provision for doubtful debts		5 000
Bad and doubtful debts	8 000	

The balance of the provision for doubtful debts is to be set as 20% of accounts receivable.

The entry to record the provision for doubtful debts is

- (A)

Bad and doubtful debts	Dr	\$3 000	
Provision for doubtful debts	Cr		\$3 000
- (B)

Bad and doubtful debts	Dr	\$4 000	
Provision for doubtful debts	Cr		\$4 000
- (C)

Bad and doubtful debts	Dr	\$9 000	
Provision for doubtful debts	Cr		\$9 000
- (D)

Bad and doubtful debts	Dr	\$12 000	
Provision for doubtful debts	Cr		\$12 000

QUESTION 8

In January 2021, a public company acquired a business using cash basis accounting, which

- (A) changed when the company reported its end of financial year results.
- (B) complicated the comparison of its financial statements over time.
- (C) had no effect on horizontal ratio analysis.
- (D) affected the industry benchmarks.

QUESTION 9

A business has provided the following information from its Statement of Profit or Loss, Statement of Financial Position and Statement of Cash Flows.

	2021 \$	2020 \$
Drawings	60 000	60 000
Capital	390 000	465 000
Mortgage	105 000	30 000
Non-current assets	550 000	390 000
Net cash provided by (used in) investing activities	(150 000)	(60 000)

In 2021, the Statement of Financial Position will show non-current assets of \$550 000 and the Statement of Cash Flows will show outflows for the purchase of the non-current assets of

- (A) \$90 000
- (B) \$150 000
- (C) \$160 000
- (D) \$240 000

QUESTION 10

The following company data has been collected.

Account Balances as at 30 June (extract)		
Account	2021 \$	2020 \$
Net sales	420 064	765 347
Sales returns	23 934	15 867
Net purchases	315 000	268 000
Purchases returns	15 728	13 246
Inventories	271 932	347 890
Cash at bank	168 423	249 628
Accounts receivable	732 649	627 385
Inventory adjustment (shortage)	4 798	700

The Rate of turnover of inventories for this business is

- (A) 1.21
- (B) 1.24
- (C) 1.26
- (D) 1.27



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