

External assessment 2022

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Multiple choice question book

# Accounting

## General instruction

- Work in this book will not be marked.

## Section 1

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### QUESTION 1

The following company data has been collected.

	\$
Bad debt expense	4 000
Cost of goods sold	85 000
Depreciation on delivery van	8 000
Electricity	12 000
Interest expense	5 000
Inventory adjustment (for lower NRV)	4 500
Rent expense	20 000
Sales	280 000
Sales returns	10 000
Telephone expense — sales staff	2 500
Wages — sales staff	75 000

The gross profit figure is

- (A) \$180 500.
- (B) \$185 000.
- (C) \$189 500.
- (D) \$195 000.

### QUESTION 2

Vertical analysis is useful in

- (A) assessing the adequacy of the return to owners on their investment.
- (B) highlighting exposure to potential increases in interest rates.
- (C) determining how effectively assets are used to earn income.
- (D) predicting future direction based on past performance.

### QUESTION 3

The following information has been provided by Business A as at 31 March 2022.

Sales	146 000
Cost of goods sold	102 000
Gross profit	31 000

The missing \$13 000 can be attributed to the

- (A) GST payable account.
- (B) cartage on sales account.
- (C) commission revenue account.
- (D) sales returns and allowances account.

### QUESTION 4

Return on owner's equity		
	2022	2021
Business B	9.5%	8.5%

The Return on owner's equity for Business B indicates that

- (A) the owner's investment into the business is yielding increased returns.
- (B) the business is undercapitalised and the owner should invest further funds.
- (C) the owner has been effective in maximising net profit and managing equity.
- (D) the business is overcapitalised and the owner should investigate other investments.

**QUESTION 5**

This General Ledger has been provided.

General Ledger (extract)				
Date	Particulars	DR \$	CR \$	Balance \$
<b>Inventories Account</b>				
Jun 01	Balance			12 500
05	Cash at bank	2 400		14 900
	Cost of goods sold		4 600	10 300
07	Cash at bank	1 200		11 500
12	Cost of goods sold		2 200	9 300
19	Cash at bank	3 200		12 500
22	Cost of goods sold		3 800	8 700

These transactions were not entered in the General Ledger (GST not included).

June 30 Purchased goods from supplier: \$3 500  
 Return of goods sold on June 22: \$1 200 (cost price was \$400)  
 Stocktake sale confirmed inventory short by \$250.

Calculate the closing balance for Inventories at the end of June using the data provided.

- (A) \$10 750
- (B) \$11 250
- (C) \$12 050
- (D) \$12 350

**QUESTION 6**

The Rate of turnover of accounts receivable for a business is 45 days. The industry average is 28 days. This means the business

- (A) should make more sales on credit terms.
- (B) pays its accounts 45 days after purchase.
- (C) is outperforming the industry average by 17 days.
- (D) could improve its collection rate of credit accounts.

**QUESTION 7**

The Debt ratio of a business indicates the

- (A) extent of the business's borrowing and risk implications.
- (B) debt that needs to be repaid in the next financial period.
- (C) percentage of debt to be covered by the owner/s.
- (D) investment made by the owner/s of the business.

**QUESTION 8**

Calculate the Price-earnings ratio using the data in the table (round to one decimal place).

Gross profit	220 000
Other revenue	2 000
Depreciation	8 000
Advertising	5 000
Administration expenses	22 000
Loss on sale of motor vehicle	10 000
Number of ordinary shares	40 000
Price per share	72

- (A) 13.1
- (B) 14.8
- (C) 16.3
- (D) 16.5

**QUESTION 9**

<b>Statement of Cash Flows (extract)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Cash flows from operating activities			
Receipts from customers	4 601 235	4 448 735	4 520 184
Payments to suppliers	-1 752 378	-1 716 713	-1 744 982
Payments to employees	-1 811 978	-1 540 181	-1 463 172
Interest and other costs of finance	-18 458	-7 565	-14 162
Income taxes paid	-98 000	-80 306	-79 448
Net cash flows from operating activities	920 421	1 103 970	1 218 420
Cash flow ratio	0.20	0.25	0.27

A trend analysis of the extract of Statement of Cash Flows indicates

- (A) a failure to tighten credit policies.
- (B) a reduction in the amount owing to lenders.
- (C) an increase in the number of staff employed and/or wage rates.
- (D) an improvement in the business's ability to meet long-term debts.

**QUESTION 10**

<b>Business C</b>	
<b>Statement of Financial Position (extract)</b>	
<b>As at 30 June 2021</b>	
<b>Current Assets</b>	
Bank	7 500
Accrued commission	1 000
<b>Current Liabilities</b>	
Accrued wages	2 500

The reversal of the relevant accounts will have the following impact on Business C in the 2022 financial year.

- (A) The bank account will decrease by \$2 500.
- (B) Net profit of the business will increase by \$1 500.
- (C) Total revenues of the business will increase by \$1 000.
- (D) Operating cash outflows for the business will increase by \$1 500.



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