

External assessment 2023

Multiple choice question book

Accounting

General instruction

- Work in this book will not be marked.



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Section 1

Instruction

- Respond to these questions in the question and response book.
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Question 1

On 30 June 2023, a business conducted a stocktake that revealed a shortage of \$6 600 (including GST) between its actual inventories and the book value of inventories. Completing the required balance day adjustment would result in the business's net profit figure

- (A) increasing by \$6 000.
- (B) decreasing by \$6 000.
- (C) increasing by \$6 600.
- (D) decreasing by \$6 600.

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Question 2

A business is making good profits, but the owners have raised concerns regarding the trend in the turnover of inventory ratio.

	2021	2022	2023	Industry benchmark
Turnover of inventory ratio	4.5 times	4.3 times	4.0 times	5.15 times

The data shows that the

- (A) inventory is slow moving and could affect the business's liquidity.
- (B) business has strong sales and is making profits, so the trend is not a concern.
- (C) turnover of inventory ratio is likely to fluctuate from year to year, so is not a concern.
- (D) trend is not a concern because the turnover ratios are close to the industry benchmark.

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Question 3

Financial information for a business is provided.

Partial list of balances for the year ended 30 June 2023	
Account	\$
Loss from theft	520
Cash at bank	(8 000)
Inventories	4 322
Loan to Business Y (due to be repaid 30 September 2023)	12 000
Accrued rent revenue	4 220
Unearned revenue	600
Accounts payable	1 600
Shares in Company A	6 800
Accounts receivable (net)	2 600
GST clearing (receivable)	2 451
Cost of goods sold	1 800
Credit/debit card fees	400
Provision for doubtful debts	300
Loan from bank (due to be repaid 01 January 2025)	15 000
Gain on disposal of equipment	350

The working capital calculated from the information provided is

- (A) \$15 093
- (B) \$15 293
- (C) \$15 393
- (D) \$15 493

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Question 4

A business purchased furniture for \$16 500 (including GST) on 30 September 2020. The furniture was to be depreciated at 10% using the straight-line method over 10 years. The owner decided to sell the furniture on 30 June 2023 for \$12 500 cash.

Calculate the accumulated depreciation balance to be transferred to the disposal account.

- (A) \$3 000
- (B) \$4 125
- (C) \$4 500
- (D) \$4 538

Question 5

Taylor is considering investing some money in shares of a publicly listed company. To determine which company may be the most financially stable in the long-term, the most relevant ratio is the

- (A) current ratio.
- (B) net profit ratio.
- (C) gross profit ratio.
- (D) shareholder equity ratio.

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Question 6

Business A is a suburban hairdressing salon that receives 25% commission, paid at the end of each quarter, for sales of a shampoo. To 31 March, commission of \$560 has been recorded by Business A.

Sales A/C (extract) for quarter ended 30 June 2023		
April	May	June
\$40.00	\$45.00	\$52.00

Determine the entry for the Commission account to close off to the Profit or Loss Summary Account.

		DR	CR
		\$	\$
(A)	Commission revenue	594.25	
	Profit or Loss Summary		594.25

(B)	Profit or Loss Summary	594.25	
	Commission revenue		594.25

(C)	Commission revenue	590.00	
	Profit or Loss Summary		590.00

(D)	Profit or Loss Summary	697.00	
	Commission revenue		697.00

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Question 7

The price–earnings ratio would realistically be reduced by an increase in the

- (A) average number of ordinary shares issued.
- (B) amount of preference dividends.
- (C) operating profit after tax.
- (D) share price.

Question 8

Information on a company’s shareholdings is provided.

	2023
Shareholder’s equity (10 365 shares @ \$2.40 per share)	\$24 876.00
Reserves	\$12 160.00
Retained earnings	\$16 873.00
Market value per share	\$3.12
Dividends paid	\$20 146.00

What is the dividend yield ratio?

- (A) 0.51
- (B) 0.62
- (C) 0.77
- (D) 0.81

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Question 9

The following information is provided for a business.

Cash flows from operating activities	\$634 000
Cash inflows from investing activities	\$425 000
Cash inflows from financing activities	\$50 000

For this business, the greatest increase in the cash generating power ratio would be caused by a

- (A) \$500 000 loan from a bank.
- (B) \$485 000 increase in net profit.
- (C) \$320 000 increase in cash sales.
- (D) \$324 000 injection from the sale of a building.

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Question 10

A similarity in accounting for a sole trader and accounting for a public company is that

- (A) both structures require bank accounts that are separate from those of the owner/s.
- (B) dividends and drawings are withdrawals from the business by the owner/s.
- (C) owners under both structures are personally liable for business debts.
- (D) under both structures, finance can be raised by debt and/or equity.

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