External assessment 2024

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.

QUESTION 1

Reversing entries are performed to

(A) close revenue and expense accounts.

(B) create temporary asset and liability accounts.

(C) cancel relevant balance day adjustment entries.

(D) match revenues and expenses to the correct period.

QUESTION 2

Gross profit and net profit ratios are above industry benchmarks for Company A, and credit sales have increased by 20% on the previous year. However, the net cash flows from operating activities have decreased. This is because

(A) cost of goods sold has increased.

(B) payment of dividends has increased.

(C) inflows have increased proportionally more than outflows.

(D) customers buying on credit are not paying their accounts on time.

QUESTION 3

On 31 March 2024, a stationery business purchased the following inventory items on credit.

Item	Price (including GST)	Quantity
Red and blue pens	$1.10 per box	3 000
Printing paper	$2.20 per pack	5 000

Identify the correct recording of this information in the account extracts in the general ledger.

(A)

Date	Particulars	DR $	CR $	Bal $
Inventories				
31/3/24	Accounts payable and GST	14 300		14 300 DR
Accounts payable				
31/3/24	Inventories		13 000	13 000 CR
GST clearing				
31/3/24	Inventories		1 300	1 300 CR

(B)

Date	Particulars	DR $	CR $	Bal $
Inventories				
31/3/24	Accounts payable		13 000	13 000 CR
Accounts payable				
31/3/24	Inventories and GST	14 300		14 300 DR
GST clearing				
31/3/24	Inventories	1 300		1 300 DR

(C)

Date	Particulars	DR $	CR $	Bal $
Inventories				
31/3/24	Accounts payable and GST		14 300	14 300 CR
Accounts payable				
31/3/24	Inventories	13 000		13 000 DR
GST clearing				
31/3/24	Inventories	1 300		1 300 DR

(D)

Date	Particulars	DR $	CR $	Bal $
Inventories				
31/3/24	Accounts payable	13 000		13 000 DR
Accounts payable				
31/3/24	Inventories and GST		14 300	14 300 CR
GST clearing				
31/3/24	Accounts payable	1 300		1 300 DR

QUESTION 4

A customer has an outstanding debt of $56 000 that is three months overdue at 30 June. Interest at the rate of 4% p.a. is charged on overdue accounts. How would this be recorded in the general journal?

(A)

Interest revenue	DR	560	
Accounts receivable	CR		560

(B)

Accounts receivable	DR	560	
Interest revenue	CR		560

(C)

Accounts receivable	DR	2 240	
Interest revenue	CR		2 240

(D)

Interest revenue	DR	2 240	
Accounts receivable	CR		2 240

QUESTION 5

Business B is a GST-registered business. The owner decided to use funds from the business to pay the $1 100 electricity bill for her private home. How would this transaction be recorded in the general journal?

(A)

Drawings	DR	1 100	
Cash at bank	CR		1 100

(B)

Cash at bank	DR	1 100	
Drawings	CR		1 100

(C)

Drawings	DR	1 100	
GST credits received	CR		100
Cash at bank	CR		1 000

(D)

Electricity	DR	1 100	
GST credits received	CR		100
Cash at bank	CR		1 000

QUESTION 6

An analysis of Company C's financial reports shows a decrease in the shareholder equity ratio over the past two years. This could indicate that the company

(A) has a falling net profit.

(B) has a high level of debt.

(C) needs to issue more shares.

(D) has reduced its final dividend.

QUESTION 7

The following financial data has been provided for Ltd.

Extract of accounts	**$**
Cash sales	220 000
Credit sales	270 000
Cost of goods sold	170 000
Repairs and maintenance	5 000
Sales salaries	125 000
Rent expense	6 000
Depreciation on delivery vehicles	8 000
Rates	1 200
Depreciation on building	6 000
Office expenses	2 000
Amortisation of goodwill	4 000
Interest paid	23 000
Net profit before tax	139 800
Income tax	41 940
Net profit after tax	97 860

Ltd's EBITDA margin ratio, rounded to two decimal places, is

(A) 45.46%

(B) 43.82%

(C) 36.90%

(D) 36.08%

QUESTION 8

The following financial data has been provided for Company D as at 30 June 2024.

Financial data	**$**
Cash flows from operating activities	810 000
Cash flows from financing activities	45 000
Loan from bank (due 30/6/2030)	250 000
Dividends paid	25 000
Mortgage on land and buildings (due 30/6/2026)	400 000
Taxation payable	61 000
Trade creditors	48 000

Company D's long-term debt coverage ratio, rounded to two decimal places, is

(A) 0.98

(B) 1.03

(C) 1.21

(D) 1.96

QUESTION 9

After completing their final reports for the 2024 financial year, a business has calculated the data shown.

Data	**2023**	**2024**
Current ratio	3.5:1	3:1
Turnover of accounts receivable	90 days	70 days
Turnover of inventories	5 times	3.5 times
Cash at bank	($567 556)	($478 321)

The ratios show that in 2024, accounts receivable are

(A) paying their accounts more slowly and inventory is moving quickly.

(B) paying their accounts more quickly and inventory is moving slowly.

(C) paying their accounts more slowly and inventory turnover has improved.

(D) paying their accounts more quickly and inventory turnover has improved.

QUESTION 10

In 2023 and 2024, Company E had a rate of turnover of accounts receivable of 35 days and 32 days respectively. The industry benchmark for 2024 was 12.2 times a year. Company E's rate of turnover of accounts receivable has

(A) improved and is underperforming the industry benchmark.

(B) worsened and is underperforming the industry benchmark.

(C) worsened and is outperforming the industry benchmark.

(D) improved and is outperforming the industry benchmark.