



Student Name: _____

2023 ACCOUNTING UNIT 3 Outcome 2

Preparing and interpreting accounting reports

QUESTION BOOK

<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
3	3	60

- Students are permitted to bring into the assessment task: pens, pencils, highlighters, erasers, sharpeners, rulers and one scientific calculator.
- Students are NOT permitted to use blank sheets of paper and/or white out liquid/tape.

Materials supplied

- Question book of 4 pages.
- Answer book of 7 pages.

Instructions

- Answer all questions in the Answer book.
- All written responses must be in English.

At the end of the task

- Write your name on both booklets, remain seated until papers are collected.

Question 2 (21 marks)

Napoleon owns and operates 'The Paint Spot' specialising in paint specifically for vehicles.

He has provided the following information related to the firm's cash inflows and outflows for the quarter ending 30 September 2021. The Bank Balance on 1 July 2023 was \$6 700 CR and the GST Clearing Account had a balance of \$700 DR.

- Cash Sales for the quarter – July \$26 000, August \$22 000, September \$20 000
- Credit Sales for the quarter were \$16 000 plus GST, Accounts Receivable Balance at 1 July \$8 000 and the balance at end was \$9 000. Discount expense of \$1 200 was incurred during the period.
- Received a loan from NAB Bank \$10 000 and Napoleon contributed \$5 000 cash and a Computer with a fair value of \$2 500.
- Purchases of inventory were a total of \$72 000, 20% of purchases were cash. Payments to Accounts Payable were \$34 000.
- Purchased office furniture for \$1 000 cash.
- The following payments were made during the quarter:
 - Wages \$10 000 per month
 - Prepaid Rent expense \$24 000 per year was paid on 1 July 2023.
 - Quarterly Loan repayment – Westpac Bank \$4 200 including \$1200 interest
 - Advertising \$700 per quarter
- Napoleon withdrew \$250 cash per month and inventory valued at \$400
- The GST balance from the previous period was cleared.

Additional information:

- ***GST is not included in the figures above***
- a. **Calculate** the GST Paid for the quarter ending 30 September 2023. 2 marks
 - b. **Prepare** the Cash Flow Statement for the month ending 30 September 2023. 11 marks
 - c. **Discuss** the impact of taking out a loan on the **profitability** and **liquidity** of the business. 4 marks

Napoleon has been provided with the following information:

Indicator	2021	2022	2023 (Budgeted)
Cash Flow Cover	8 times	7 times	5 times

- d. **Explain** what the above trend reveals about the firm's liquidity. 2 marks
- e. **Provide** two possible reasons for the trend. 2 marks