



2024 Accounting Question Book

Written Trial Examination

- Reading time: 15 minutes
- Writing time: 2 hours

Approved materials

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners and rulers.
- Students are **not** permitted to bring into the examination room: blank sheets of paper and/ or correction fluid/tape.

Materials supplied

- Question book of 9 pages
- Answer book of 17 pages

Instructions

- Write your **name** in the space provided on the front cover of the answer book.
- Answer all questions in the answer book.
- All written responses must be in English.

Students are **not** permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.

Contents

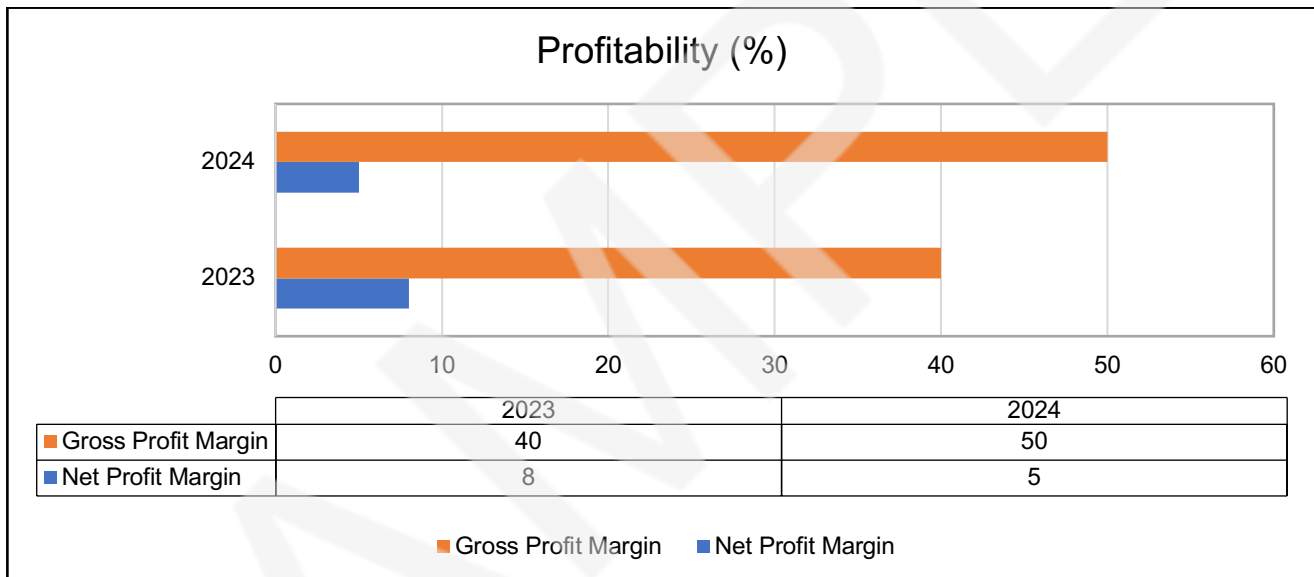
7 questions, 100 marks _____ pages 2-9



Question 3 (11 marks)

The following information relates to Nick's Nibbles, a business that buys and sells a variety of biscuits, nuts and dried fruit. During the year, the business sourced a new supplier who has offered Nick, the owner, a greatly reduced price if he purchases inventory in bulk, which Nick has agreed to do. Nick's accountant provided him with the following. Nick is very happy with the Working Capital Ratio and states 'the business has enough money to pay its debts', so he is not concerned about the other indicators.

Indicator	2023	2024
Working Capital Ratio	1.5:1	2.5:1
Quick Asset Ratio	1:1	0.60:1
Inventory Turnover	25 days	25 days



- a. Based on the information provided **discuss** the impact of Nick's decision to purchase inventory in bulk on the profitability of the business. 6 marks
- b. Nick believes the business's cash position has improved. Referring to the information provided, **explain** why this may not be the case. 4 marks
- c. **Identify** another benchmark Nick could use to assess the firm's performance. 1 mark

Question 4 (14 marks)

The owner of Max's Mags has decided to invest excess business funds into a term deposit account. The following information relates to the investment:

Investment date	Feb 1 2024
Investment Amount	\$20 000
Interest rate	9% p.a.
Investment term	2 years

The business reports on a quarterly basis on 31 March, 30 June, 30 September and 31 December. Interest on the investment will be received on 31 July and 31 January each year.

- a. **Explain** how the Term Deposit will be classified in the Balance Sheet on 31 December 2025. 3 marks
- b. **Complete** the following ledger accounts for the quarter ended 30 September 2024:
- Interest Revenue
 - Accrued Interest Revenue
 - Term Deposit 8 marks
- c. **Record** the receipt of the interest and term deposit on 31 January 2026. (Narration not required) 3 marks

2024 Accounting Answer Book

Written Trial Examination

Instructions

- A question book is provided with this answer book.
- Answer all questions in the spaces provided in this book.
- Write your **name** in the space provided above on this page.
- Refer to **Instructions** on the front cover of the question book.

Students are **not** permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.



b.

4 marks

Explanation

c.

1 mark

Benchmark

Question 4 (14 marks)

a. 3 marks

Classification
Explanation

b. 8 marks

Interest Revenue

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount

Accrued Interest Revenue

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount

Term Deposit

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount

c. 3 marks

Date 2026	Details	Debit	Credit



EXTRA

EXPERIENCED TEACHER RESOURCES & ASSESSMENTS

2024 Accounting Suggested Solutions

Written Trial Examination



c. 3 marks

Accounting assumption Accrual Basis (1)
Explanation
The purpose of the adjusting entry on 31 March is to ensure that the advertising expense. Incurred during the quarter is recognised so that it can be matched against the revenue it assisted in earning in the same period to determine an accurate net profit. (2)

Must relate to advertising.

d. 4 marks

Financial indicator Net Profit Margin (1)
Non-financial indicator Number of customers (1)
Explanation
By assessing the Net Profit Margin the owner will be able to determine if more of the net sales dollar has been retained as net profit. This will reveal if the firm's expense control has improved. If the net sales increase proportionately more than the increase in advertising this would indicate that the advertising campaign has been successful. (1)
The number of customers could also be assessed to determine if the advertising campaign has been a success, an increase in customer numbers would indicate that the advertising has been effective in attracting more customers to the business. (1)

Any financial and non-financial indicators that address the impact of the advertising campaign.

Question 3 (11 marks)

a. 6 marks

Discussion
Nick's decision to purchase inventory in bulk has both a positive and negative impact on the profitability. The Gross Profit Margin has increased from 40% to 50% indicating that more of the net sales dollar has been retained as gross profit and that a higher average mark-up has been applied on inventory. As the inventory has been purchased at a drastically reduced price, if the selling price remained constant, this would result in more profit being earned per unit sold resulting in an improvement in profitability.
However, the Net Profit Margin has declined unfavourably indicating that less of the net sales dollar is being retained as net profit and worsening expense control. This indicates that expenses have increased proportionately more than the increase in net sales.

This may be due to the bulk purchase of inventory which has resulted in increased storage costs, additionally due to the perishable nature of the inventory there may have been increased inventory write downs and losses which increase expenses.

The slower Inventory Turnover can also be attributed to the increase in average inventory levels on hand which has also contributed to the increase in inventory related expenses.

Must address GPM, NPM and ITO

Mark globally

b. 4 marks

Explanation

Nick believes the cash position of his business has improved due to the higher Working Capital Ratio which indicates that there are sufficient current assets to cover its current liabilities with a ratio of 2.5;1. However, this indicator does not necessarily mean that the business has 'enough money to pay its debts'. The nature of the current assets and the speed at which they can be converted into cash is an important factor that needs to be considered.

The Quick Asset Ratio indicates that the business does not have sufficient quick assets to cover its quick liabilities falling below 1 in 2024. This means that current assets are predominantly made up of inventory and possibly prepaid expenses. The Inventory Turnover is 10 days slower and can be attributed to the bulk purchase which has resulted in high levels of inventory on hand. As inventory is already be sold as fast as possible and prepaid expenses cannot be converted into cash the business is relying heavily of high levels of cash sales and a fast Accounts Receivable Turnover to ensure cash will be received in time to meet it short-term debts as they fall due.

Mark globally

c. 1 mark

Benchmark Industry average or Budgeted expectations **(1)**

Question 4 (14 marks)

a. 3 marks

Classification Current Asset **(1)**

Explanation

On 31 December 2025, the Term Deposit would be classified as a current asset, as it is a present economic resource controlled by the entity. As a result of past events, (the investment of cash in the term deposit account), **(1)** this would be reasonably expected to be converted into cash within 12 months when the term deposit matures. **(1)**

b. 8 marks

Interest Revenue

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount
Sept 30	P/L Summary (1)	450	July 31	Bank (1)	150
			Sept 30	Accrued interest revenue (1)	300
		450			450

3 marks

Accrued Interest Revenue

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount
July 1	Balance (1)	750	July 31	Bank (1)	750
Sept 30	Interest revenue (1)	300	Sept 30	Balance	3 00
		1 050			1 050
Oct 1	Balance	300			

3 marks

Term Deposit

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount
July 1	Balance (1)	20 000	Sept 30	Balance	20 000
		20 000			20 000
Oct 1	Balance	20 000			

1 mark for balancing both Accrued Interest Revenue and Term Deposit
Deduct 1 mark if Interest Revenue not totalled

c. 3 marks

General Journal

Date 2026	Details	Debit	Credit
Jan 31	Bank	20 900	
	Term Deposit		20 000
	Accrued Interest Revenue		750
	Interest Revenue		150

1 mark – Bank, 1 mark – Term Deposit
1 mark - Accrued Interest Revenue & Interest Revenue