



Student Name: _____

ACCOUNTING UNITS 3&4 2021 Trial Examination

Reading time: 15 minutes

Writing time: 2 hours

QUESTION BOOK

Structure of book

<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
7	7	100

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

Materials supplied

- Question book of 8 pages
- Answer book of 15 pages

Instructions

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

At the end of the examination

- You may keep this question book.

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

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SAMPLE

Instructions

Answer **all** questions in the answer book provided.

Question 1 – Bob’s Nuts and Grains (11 marks)

Bob owns and operates a small trading business called Bob’s Nuts and Grains selling a variety of nuts and grain by the kilogram (kilo). Most sales are on a cash basis; however, he also offers credit to local businesses. Sales are 80% cash and 20% credit. His accounting system is based on a double-entry accounting recording and reporting and maintains a perpetual inventory system and uses the FIFO cost assignment method. He applies a mark-up of 150% on all inventory purchased.

Balance of almonds at 1 January 2021 – 80 kilos at \$5.00 plus GST per kilo

January purchases	
Jan 5	350 kilos at \$4.00 plus GST per kilo
Jan 13	150 kilos at \$5.00 plus GST per kilo
Jan 22	200 kilos at \$4.00 plus GST per kilo
Jan 29	100 kilos at \$5.00 plus GST per kilo

Additional Information:

- Quantity as per inventory card 220 kilos
- Quantity as per inventory physical count 200 kilos
- Cash sales for January (not including almonds) \$38 525
- Credit sales for January (no almonds were sold on credit) ?

- a. **Prepare** the Income Statement up to and including Adjusted Gross Profit for January 2021 4 marks
- b. **Calculate** the balance of almonds on hand at 30 January 2021 and **explain** how this item will be classified in the Balance Sheet. 3 marks
- c. A friend of Bob’s has told him that he should use the Identified Cost assignment method as it provides a more accurate net profit. **Discuss**, this comment in relation to Bob’s business. 4 marks

Question 2 – Robert’s Electronics (6 marks)

Robert owns and operates Robert’s Electronics for the last four years and is very happy with the liquidity of his-business as the working capital ratio is above 1:1. He offers credit terms if 2/7, n/30 to his customers and his supplier’s credit terms are n30.

The accountant has provided the owner with the following information.

Indicator	2020	2021
Working Capital Ratio	2,65:1	3,15:1
Quick Asset Ratio	1:1	0,80:1
Accounts Receivable Turnover	38 days	40 days
Accounts Payable Turnover	25 days	22 days

Using the above information **discuss** the liquidity of the business and **suggest** two strategies that should be implemented on order to improve the firm’s cash position.

TURN OVER