



Student Name: _____

ACCOUNTING

Units 3&4

2023 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>
9	9	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 12 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.

Question 7 (12 marks)

Rob's Menswear has provided the following information to enable the preparation of budgets for the quarter ended 31 March 2024:

	Actual	Budget
	31 Dec 2023	31 Mar 2024
Fixtures & Fittings	28 000	28 000
Prepaid Rent Expense	2 000	8 800
Accumulated Depreciation - Fixtures & Fittings	10 080	?
Accrued Wages	2 100	2 800
Loan-JNK Bank	10 000	20 000

Additional Information:

- Total Sales \$80 000 (70% on credit)
- Markup on sales is 60%
- Sales returns are expected to be 3% of credit sales
- Buying expenses \$2 000 plus GST
- Discount Expense is expected to be 2% of credit sales
- Receipts from Accounts Receivable is expected to be \$32 200
- Inventory Write Down during the quarter is anticipated to be \$1 000
- Fixtures and fittings are depreciated using the Reducing Balance method at 20% per annum.
- Rent is paid on a six-monthly basis, \$13 200 plus GST was paid on 1 February 2023.
- Monthly Loan repayments \$550 including \$50 interest.
- The owner is expecting to contribute \$5 000 cash withdraw \$500 cash per month and \$300 inventory for the quarter.
- Wages paid \$9 800
- Discount revenue \$450

a. **Prepare** a Budgeted Income Statement for the quarter ending 31 March 2024.

8 marks

b. **Prepare** the Financing Activities section of the Budgeted Cash Flow Statement for the quarter ending 31 March 2024.

4 marks

Question 9 (11 marks)

The following information was provided by the owner of 'Just Electrics':

Indicator	2022	2023
Working Capital Ratio	2.8 :1	3.9:1
Quick Asset Ratio	1.6:1	0.9:1
Inventory Turnover	20 days	30 days
Sales	\$88 000	\$99 000

Additional information:

- 80 % of sales are on a cash basis.
- a. **Explain** how it is possible for the Working Capital Ratio to increase yet the Quick Asset Ratio to decrease. 2 marks
 - b. **Discuss** the liquidity of the business, provide possible reasons for the trends. 6 marks
 - c. **Identify** one positive and one negative impact on profitability of the trend in the Inventory Turnover. 2 marks
 - d. **Identify** another benchmark that could be used to assess the firm's liquidity. 1 mark