



2024 VCE Accounting (NHT) external assessment report

Specific information

This report provides sample answers or an indication of what answers may have included. Unless otherwise stated, these are not intended to be exemplary or complete responses.

Question 1a.

Inventory Card

ITEM: Soundbar 507					Cost assignment method: First In, First Out					
SUPPLIER: DMC Audio Supplies										
		IN			OUT			BALANCE		
Date	Document	Quantity	Cost	Total	Quantity	Cost	Total	Quantity	Cost	Total
April 1								38	190	7 220
19	Invoice 4214	20	200	4 000				38	190	
								20	200	11 220
22	Invoice 11657				30	190	5 700	8	190	
								20	200	5 520
24	Credit note D63				2	200	400	8	190	
								18	200	5 120
30	Memo 177				3	70	210	3	120	
								5	190	
								18	200	4 910

One mark was awarded for each entry.

Question 1b.

The accrual basis assumption requires the business to write down the three damaged soundbar speakers on 30 April rather than when they were sold, in order to recognise the expense when the net realisable value of the soundbar speakers is less than the cost of the speakers. At this point, the student needed to recognise the expense that was incurred in order to calculate an accurate net profit. The expected loss of economic benefit has already been incurred on 30 April, even though the goods have not yet been sold.

- One mark was awarded for accrual basis or period assumption.
- One mark was awarded for recognising the net realisable value of the inventory is less than the cost.
- One mark was awarded for recognising the expense when it is incurred to calculate an accurate net profit.

Question 1c.

General Journal

Date 2024	Details	Debit	Credit
30 April	Accounts Payable	3 960	
	Discount revenue		198
	Bank		3 762

One mark was awarded for each line of the General Journal.

Question 1d.

General Journal

Date 2024	Details	Debit	Credit
20 April	Allowance for Doubtful Debts	1 200	
	GST Clearing	120	
	Accounts Receivable		1 320

- One mark was awarded for Allowance for Doubtful Debts and GST Clearing.
- One mark was awarded for Accounts Receivable.

Question 1e.

	\$	
Balance in Allowance for Doubtful Debts account at 1 April	1 450 Cr	
Less amount written off on 20 April	<u>1 200</u>	
Balance remaining	250 Cr	
3% allowance required (\$58 000-1 000)*.03	1 710	
Less balance remaining last period	<u>250</u>	
Bad Debts to be reported	1 460	
	Bad Debts Expense for April	\$1 460

- One mark was awarded for Balance remaining of \$250.
- One mark was awarded for 3% allowance of \$1710, less \$250.

Question 1f.

Allowance for Doubtful Debts					
Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount
4 Apr	Accounts Receivable	1200	1 Apr	Balance	1450
31 Apr	Balance	1710	31 Apr	Bad debts	1460
		2910			2910
			1 May	Balance	1710

- One mark was awarded for Accounts Receivable.
- One mark was awarded for Bad Debts.
- One mark was awarded for Opening Balance.
- One mark was awarded for Closing Balance.

Question 2a.

Marks	Criteria
5-6	Detailed discussion of both options, including financial and ethical considerations Accurate use of accounting terminology Discussion of the implications of the choice of their decision
3-4	Demonstrates an understanding of the financial and ethical considerations Reference to both positive and negative implications of the decision made by the owner General use of accounting terminology Some limited discussion of the costing and other considerations
1-2	Basic, if any, reference to ethical and/or financial considerations Identification of at least one ethical or one financial issue A very basic comment about one benefit of an option
0	Displays no knowledge of accounts receivable but has attempted the question

Accessing the database of a competitor's customers would provide the business with an opportunity to market to valuable customers who pay their accounts receivable on time. While this would provide opportunity for the business to grow and to improve its accounts receivable turnover, it would be unethical to access the database without the knowledge and permission of the competitor's business owner.

The accountant should operate with integrity and should value the confidentiality of all parties involved. The owner should consider the risks that come with dealing with an accountant such as this, as it also puts their information at risk.

The owner should consider more ethical approaches to improving their accounts receivable turnover, such as applying more rigorous credit checking before offering credit to customers; ensuring that invoices are dispatched promptly each month or even given to the customer at time of sale; ensuring slow payers are followed up quickly with reminder notes/emails/phone calls, and not extending further credit until payment is received; and reviewing credit terms.

Question 2b.

Cash collected from account customers in April

Month	Sales \$	Percentage collected in April \$	Discount \$	Amount collected in April \$
February (actual)	55 000	30%	0	16 500
March (actual)	49 500	60%	0	29 700
April (budgeted)	33 000	10%	99	3 201
			Total	49 401

- One mark was awarded for February.
- One mark was awarded for March.
- One mark was awarded for April.
- One mark was awarded for the total.

Question 2c.

Financial Statements – 30 April	Item/s in the statement	Amount \$
Budgeted Cash Flow Statement	Cash Collected from Accounts Receivable	49 401
Budgeted Income Statement	Sales Discount expense	30 000 99
Budgeted Balance Sheet	Accounts Receivable	44 550

One mark was awarded for each account.

Question 3a.

General Journal

Date 2024	Details	Debit	Credit
Mar 31	Inventory Write-down	875	
	Inventory		875

- One mark was awarded for Inventory Write-down.
- One mark was awarded for Inventory.
- One mark was awarded for \$875.

Question 3b.

Cash Flow Statement: No Effect
Income Statement: Increase Inventory Write-down (\$875) and Decrease Adjusted Gross Profit and Net Profit (\$875)
Balance Sheet: Decrease Current Assets Inventory by \$875. Decrease Owner's Equity by \$875

- One mark was awarded for No Effect on Cash Flow Statement.
- One mark was awarded for Increase Inventory Write-down (\$875) and Decrease Adjusted Gross Profit and Net Profit (\$875) in the Income Statement.
- One mark was awarded for Decrease Current Assets Inventory by \$875.
- One mark was awarded for Decrease Owner's Equity by \$875.

Question 3c.

Working Space:	
$310 + (800/20) + 25 + 10$ $310 + 40 + 25 + 10$	
Cost price of one Elex 50	\$ 385

One mark was awarded for any two amounts and two marks were awarded for any four amounts.

Question 3d.

Product costs can be easily assigned to items of inventory, whereas period costs cannot be logically allocated to individual items of inventory. Both are costs involved in getting inventory into condition and location ready for sale.

Product cost example: Option 1 – higher quality tyres, import duties, conversion kit, rebranding

Period cost example: delivery cost, conversion

- One mark was awarded for distinction.
- One mark was awarded for product cost example.
- One mark was awarded for period cost example.

Question 3e.

Marks	Criteria
4	Detailed demonstration of an understanding of the reasons that the business would choose one of the options Recommendation of one of the options with reference to both options Justification of the reasons for recommendation
3	Demonstrates an understanding of the reasons that the business would choose one of the options Recommendation of one of the options with reference to both options Basic justification of the reasons for recommendation
2	Recommendation of one of the options Reference to a reason for justification of the recommendation
1	Recommendation of one of the options

Both options include positives and negatives; a recommendation needs to be made based on the information provided.

The Electro 45 is superior to the EB40 model, with a comparable battery life. As sales returns have been an issue for the business, having a superior quality bicycle will have a positive impact on the reputation of the business. The battery life is a concern, however, as it has been an issue with the EB40 and the owner should be concerned that this may impact sales as this has been an issue that they are concerned about. It is supplied by one of their current suppliers. The additional cost to provide better quality tyres and battery needs to be taken into consideration as customers may be willing to pay more for these, although they could result in the bicycle being too expensive for their consideration.

The Elex 50 could have supply issues as it is purchased from an overseas supplier.

The bicycles required an electronic conversion kit for the battery, which adds an additional cost, although the branding would provide the opportunity for the business to sell bicycles using its own brand. While this has benefits, it will require additional advertising costs.

Question 4a.

Capital

Date 2023	Cross-reference	Amount	Date 2023	Cross-reference	Amount
31 Dec	Drawings	80 000	1 Jan	Balance	345 000
	Balance	421 000	18 Jun	Bank	50 000
			31 Dec	Profit and Loss Summary	106 000
		501 000			501 000

- One mark was awarded for Drawings.
- One mark was awarded for Bank.
- One mark was awarded for Profit and Loss Summary.
- One mark was awarded for balances.

Question 4b.

Cash Flow Statement (Extract) for the year ended 31 December 2023

Cash Flows from Financing Activities	
Capital	50 000
Loan Received	43 000
Drawings	(80 000)
Loan Repayments	(16 000)
Net Cash Flow from Financing Activities	(3 000)

- One mark was awarded for Capital.
- One mark was awarded for Loan Received.
- One mark was awarded for Drawings.
- One mark was awarded for Loan Repayments.
- One mark was awarded for Net Cash Flow from Financing Activities.

Question 5a.

Marks	Criteria
4-5	A detailed understanding of the data provided, which has been explained well and the possible factors are clearly explained Use of non-financial information to support response Accurate use of accounting terminology
2-3	A basic description of the changes in some of the information provided with some reasons provided Reference to non-financial information General use of accounting terminology
0-1	A basic comment about one of the indicators

Naylon Flooring has generated increasing sales over the period, although net profit has not increased at the same rate as the sales. As sales have increased, as well as a slight increase in gross profit margin, other expenses have increased over the years as indicated by a decreasing net profit margin. The business has expanded its range of products, which may be part of the reason that there has been an increase in sales, as well as the increase in advertising, although the increased depreciation expense due to the purchase of new fittings and displays may have resulted in an increase in other expenses that decreased net profit. While the business is expanding, this process could take time to generate profit as the staff may require training and the additional wages required may not result in a proportional increase in profit until the business is able to reap the benefits of the changes that have been made.

The loan used to finance the changes in the business will also have a negative impact on the net profit of the business.

Question 5b.

The Return on Assets measures the amount of profit earned compared to the total value of the assets of the business, while the Return on Owner's Investment measures the return made by the owner on the capital that they have invested in the business. As a business will have liabilities and assets to fund its assets, the capital of the business will be lower than the total assets and therefore the Return on Owner's Investment will be calculated using a lower base than the Return on Assets.

Two marks were awarded for an explanation.

Question 5c.

The Return on Assets measures how profitably funds are employed in the business. The Return on Assets allows the users of the financial information to determine how well the business has been able to use its assets to generate profit and to make decisions regarding when the assets need to be replaced.

Two marks were awarded for an explanation

Question 6a.

Accounts Receivable

Date 2023	Cross-reference	Amount	Date 2023	Cross-reference	Amount
1 Jan	Balance	12 400	30 June	Sales Returns / GST Clearing	28 600
30 June	Credit Sales	520 000		Bank	539 700
	GST Clearing	52 000		Balance	16 100
		584 400			584 400

- One mark was awarded for opening balance and closing balance.
- One mark was awarded for GST Clearing.
- One mark was awarded for Sales Return / GST Clearing.
- One mark was awarded for Bank.

Question 6b.

CookWare4U

Income Statement for the six months ended 31 December 2023

	\$	\$
Revenue		
Credit Sales	520 000	
Less Sales Returns	26 000	494 000
Less Cost of Sales	247 000	
Gross Profit		247 000
Add Inventory gain	1 500	
Adjusted Gross Profit		248 500
Less Expenses		
Interest Expense	1 500	
Advertising Expense	7 400	
Depreciation of Motor Vehicles	4 340	
Wages Expense	156 200	169 440
Net Profit		79 060

- One mark was awarded for Credit Sales.
- One mark was awarded for Sales Returns.
- One mark was awarded for Cost of Sales.
- One mark was awarded for Inventory gain / Adjusted Gross Profit.
- One mark was awarded for Interest Expense.
- One mark was awarded for Advertising Expense.
- One mark was awarded for Depreciation of Motor Vehicles.
- One mark was awarded for Wages Expense /Net Profit.

Question 6c.

CookWare4U Balance Sheet (extract) as at 31 December 2023

	\$
Current Liabilities	
Accrued Interest Expense	1 500
Accrued Wages Expense	2 000
GST Clearing	5 250
Loan	12 000

- One mark was awarded for Accrued Interest Expense.
- One mark was awarded for Accrued Wages Expense.
- One mark was awarded for GST Clearing
- One mark was awarded for loan.

Question 7a.

- One mark was awarded for assets decrease (inventory).
- One mark was awarded for liabilities increase (accrued wages).
- One mark was awarded for decrease in owner's equity and not drawings.

Question 7b.

Wages Expense

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount
22 April	Bank	30 000	30 April	Profit & Loss Summary	38 000
30 April	Accrued Wages	8 000			
		38 000			38 000

Inventory

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount
1 April	Balance	65 000	12 April	Cost of Sales	32 800
16 April	Accounts Payable	55 000	23 April	Cost of Sales	25 800
			30 April	Inventory Loss	2 300
			30 April	Balance	59 100
		120 000			120 000
1 May	Balance	59 100			

- One mark was awarded for Accrued Wages.
- One mark was awarded for Profit and Loss Summary.
- One mark was awarded for Inventory Loss.

- One mark was awarded for balancing.

Question 8a.

General Journal

Date 2024	Details	Debit	Credit
30/4	Disposal of Computers	85 000	
	Computers		85 000
30/4	Accumulated Depreciation of Computers	75 000	
	Disposal of Computers		75 000
30/4	Computers	15 000	
	Disposal of Computers		15 000
30/4	Disposal of Computers	5 000	
	Profit on Sale of Computers		5 000
30/4	Computers	90 000	
	GST Clearing	10 500	
	Bank		100 500

- One mark was awarded for each of the first four entries.
- One mark was awarded for Computers / GST Clearing.
- One mark was awarded for Bank.

Question 8b.

The computer's revenue earning pattern is the main consideration when determining the depreciation method that will be used. Computers generate more revenue earlier in their life as they are likely to break down and be used less as they age.

More economic benefit is likely to be consumed in the early years so this better matches the allocation of the depreciable cost under the reducing balance method.

Two marks were awarded for a justification of the reducing balance method for depreciation of computers.

Question 8c.

A profit on disposal occurs due to an underestimation of residual value or useful life resulting in over depreciation of the computers during their useful life. When proceeds exceed carrying value a profit is earned.

Two marks were awarded for an explanation of why a profit on disposal of a non-current asset may occur.

Question 8d.

When a decision is made to change the depreciation method used for the computers, the owner should consider that a change in depreciation method will impact on the user of the accounting reports. This will impact comparability as it will affect the ability of users to identify and understand similarities in, and differences among, the carrying value of the computers and depreciation expense.

- One mark was awarded for comparability.
- Two marks were awarded for the explanation.