

# 2022 VCE Accounting external assessment report

## General comments

The 2022 VCE Accounting examination included 11 questions consisting of multiple parts.

Most students were able to complete the examination within the two hours allocated. However, some students did not attempt every question. It is important that students manage their time effectively so they can optimise their chance of success on all questions.

The exam included a range of topics, and it seems that some students did not prepare adequately for this, as they were unable to complete all questions.

It is important that students ensure they read each question thoroughly and highlight the key parts of the question before constructing a written response. Many students appeared to have misread questions throughout the examination, resulting in inaccurate responses that did not directly address the question being asked.

Effective utilisation of reading time is a skill that should be practised by students on a regular basis. It is vital that students use this time to clearly identify what each question is asking them to do, so they then are able to directly address the specific question being asked. Misreading of questions clearly resulted in students not achieving marks as a result of providing responses that failed to address the specific question being asked.

Question 11 required students to interpret a graph to outline one strategy that could have been used to increase sales volume based on past information. The question required students to outline what may have happened rather than how to implement changes. It appeared that students misread the question, with many missing a constraint and thereby providing an incorrect response.

When asked to describe the effect that a credit note for a sales return would have on an income statement, responses lacked detail and did not identify the impact of both the decrease in net sales and the decrease in cost of sales. Impact on accounting report questions appear regularly on examinations and students should be able to describe the effect on each component of the report.

Some students were unable to correctly identify the source documents provided in the exam, with only 4% of students being able to correctly identify three source documents used in an accounts payable general ledger account in Question 1. A cheque butt was incorrectly identified as a cheque, and a purchase invoice as an invoice. This basic skill should be revised regularly.

Overall, the general journal question was completed to a very high standard, indicating that students had been practising these types of questions. Many students were able to identify that the advertising required an adjustment to the inventory loss. Question 6 has been amended from December to June in the online version of the examination.

General ledger accounts were tested in Questions 4 and 10, with many students experiencing similar issues in their responses to both questions. Transactions were often recorded on the incorrect side of the account or were posted using incorrect cross-references. The cross-references often lacked attention to detail with errors regarding accumulated depreciation and not including 'van' in the cross-reference. This indicates students have the required knowledge but seem to be taking shortcuts when completing work in class that have been carried into the examination.

Modelling questions now appear frequently in Accounting examinations. These types of questions have developed in complexity since their introduction with the current study design. Students are generally achieving high scores in this area of the study.

The examination included a question with a 'discuss' command term (Question 3), which required a discussion of ethical and financial issues relating to a business that had been oversupplied inventory. Rote-learned responses as preparation for these types of questions are generally not useful, as the focus of these questions cannot be predicted year to year. Discussion questions require students to respond specifically to the source material provided to demonstrate their understanding of the material, and students should be prepared for a range of ethical scenarios. When constructing their responses to discussion questions, students should avoid simply repeating the information provided.

## Specific information

Note: 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.

The statistics in this report may be subject to rounding resulting in a total more or less than 100 per cent.

### Question 1a.

Mark	0	1	2	3	4	5	Average
%	2	3	5	6	19	65	4.4

#### Inventory Card

Item: Large Tables		Cost method: FIFO								
Supplier: Barten Imports										
		In			Out			Balance		
Date	Document	Quantity	Cost	Total	Quantity	Cost	Total	Quantity	Cost	Total
Jan 1	Balance							5	1 200	6 000
	Inv 123	10	1 300	13 000				5	1 200	
								10	1 300	19 000
Jan 3	Rec 945				5	1 200				
					2	1 300	8 600	8	1 300	10 400
Jan 5	Inv C86				3	1 300	3 900	5	1 300	6 500
Jan 7	Cr Note 453	1	1 300	1 300				6	1 300	7 800

This question required students to record transactions in an inventory card.

Students were awarded one mark for each correct transaction.

While this question was handled well by the majority of students, some students did not include the opening balance or did not apply the First In First Out cost assignment method correctly.

## Question 1b.

Mark	0	1	Average
%	43	57	0.6

January 3	\$8 600	
January 5	\$3 900	
Less		
January 7	\$1 300	
	Cost of Sales week ending 7 January 2022	\$11 200

One mark was awarded for students determining the cost of sales of \$11 200.

Students were required to identify the cost of sales in the 'out' column and to subtract the cost of the inventory from the sales return in the 'in' column.

Teachers should ensure that students are aware of the requirement to subtract cost of sales from sales returns when calculating cost of sales.

## Question 1c.

Mark	0	1	2	Average
%	31	42	27	1.0

The question required students to describe the effect that the transaction verified by the credit note would have on an income statement.

The credit note relates to a sales return. The return resulted in a decrease in net sales of \$1 600 and a \$1 300 decrease in cost of sales, which resulted in a decrease of \$300 of gross profit.

Two marks were awarded for this question: one mark for describing the effect on net sales and the cost of sales of a \$1 600 decrease; and one mark for describing the decrease in gross profit and net profit of \$300.

## Question 2a.

Mark	0	1	2	3	Average
%	31	48	17	4	1.0

Students were provided with an accounts payable general ledger account and were required to identify source documents relating to specific transactions.

Responses indicated that source documents are an area requiring more emphasis during study, with only 21% of students achieving a score above 1 out of 3 for the question. It is recommended that teachers devote more class time to developing student understanding of appropriate source documents.

One mark was awarded for identifying the appropriate source document for each of the transactions.

The transaction on the 12th of June was a credit purchase of inventory, which is verified by a purchase invoice. Students need to distinguish between a sales invoice and purchase invoice; simply responding 'invoice' was not sufficient.

The transaction on the 16th of June was a cash payment to accounts payable, which is verified by a cheque butt or an EFT receipt. Incorrect responses included students referring to cheques and receipts.

The transaction on the 22nd of June was a purchase return, which is verified by a credit note.

## Question 2b.

Mark	0	1	2	3	4	Average
%	11	22	28	20	18	2.2

Students were provided with both financial and non-financial information for a business that had increased its selling price by 5% and its advertising budget by 20%, and borrowed \$250 000 to finance a renovation.

The financial information indicated that the business has increased sales by 10% while maintaining a consistent gross profit and a 20% decline in net profit.

There were multiple ways that students could respond to this question to attain full marks, with excellent responses providing two reasons that net profit was 20% lower with a detailed explanation.

Higher-scoring responses referred to reasons such as:

- an increase in the cost of inventory, which is identified by an increase in sales, not increasing gross profit; this was indicated by the 10% increase in selling price and 5% increase in sales
- poor expense control due to increased inventory increasing sales but not increasing net profit, potentially due to the advertising campaign not being as successful as planned
- increased interest expense due to the increased borrowings.

Responses that did not score well referred to an increase in loan repayments rather than interest expense.

Marks	Descriptors
3–4	Two reasons explained well and linked to the information provided
1–2	One or two reasons explained; limited links to the information provided
0	Demonstrates no understanding of the reasons for the lower net profit

## Question 3a.

Mark	0	1	2	3	4	Average
%	20	5	8	9	58	2.8

Students were provided with two transactions through which Droon Designs had purchased inventory. They were required to explain the treatment of delivery cost.

One mark each was awarded for:

- identifying that the delivery costs incurred on the transaction in May 2022 were a product cost
- explaining that they were a cost incurred to get the lounge suites into location ready for sale and could be logically allocated to each individual lounge suite
- identifying that the delivery costs incurred on the transaction in June 2022 were a period cost
- explaining that they were a cost incurred to get the inventory into location ready for sale and could not be logically allocated to each individual type of inventory.

Students needed to ensure that a clear distinction between product and period costs was made.

Low-scoring responses were not able to identify the ability to allocate the cost on a logical basis as the factor determining whether they are a product or period cost.

## Question 3b.

Mark	0	1	2	3	4	5	Average
%	9	12	22	27	20	10	2.7

Financial and ethical discussion questions like this one allow students an opportunity to demonstrate knowledge of a wide range of topics within the study.

Information provided identified that an additional 30 chairs were provided by the supplier, who was unaware of the excess delivery. It was also noted that the supplier would be unlikely to take legal action even if they did become aware of the excess delivery.

Students who scored highly considered ethical issues such as the dilemma of informing the supplier of the excess inventory or taking the advice of their family to record them as an unexpected gain. The additional chairs could also be donated to a charitable institution. These students also considered the impact of the decision on the relationship with the supplier as well as the impact on future supply from the supplier, which allowed them to make a connection to both ethical and financial considerations. From a financial perspective they were able to benefit from the additional chairs, which would have zero cost and therefore would allow them to increase their gross profit margin; however, the business may not be able to sell the chairs, which would lead to increased expenses such as storage costs while holding the additional unplanned inventory. Students also referred to the inventory loss incurred by the supplier and the implications of that loss.

Responses that did not score well simply repeated the information provided in the question or focused on the cost of returning the chairs. The information provided in the question referred to the supplier as being unlikely to take legal action with the cost of having to pay to return the chairs being too expensive.

Repeating the question as part of the response often results in an answer lacking the complexity required for a high mark. Discussion questions are intended to allow students to use their understanding of the key knowledge to construct a comprehensive discussion around the specific issues raised.

Marks	Criteria
4–5	<p>Detailed understanding of financial and ethical implications of decisions made by a business owner</p> <p>Comprehensive discussion of the positive and negative implications of decisions made by the business owner</p> <p>Accurate use of correct accounting terminology and discussion of the implications of the impact on the performance of the business</p>
2–3	<p>Demonstrated an understanding of financial and ethical implications of decisions made by the business owner</p> <p>Referred to both positive and negative implications of decisions made by the business owner</p> <p>General use of correct accounting terminology and reference to the implications of the impact on the performance of the business</p>
1	<p>Basic, if any, reference to ethical or financial considerations</p> <p>Identifies at least one ethical issue; or</p> <p>Identifies at last one financial issue</p>
0	<p>Displays no knowledge of ethical and financial issues</p>

## Question 4a.

Mark	0	1	2	3	4	5	Average
%	23	10	11	12	13	30	2.7

### Capital

Date 2022	Cross-reference	Amount	Date 2022	Cross-reference	Amount
Jun 30	Drawings	68 000	Jul 1	Balance	320 000
			Jun 30	Bank	40 000
				Vehicle	30 000
	Balance	500 000		Profit and Loss Summary	178 000
		568 000			568 000

<b>Budgeted Cash Drawings</b>	\$68 000
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This question provided students with an actual and a budgeted balance sheet and income statement extracts. Students were required to reconstruct a capital account.

One mark was awarded for each transaction and one for balances.

Common errors made by students included:

- recording transactions on the incorrect side of the ledger
- using incorrect cross-references
- missing drawings
- referring to Profit and Loss Summary as Net Profit.

Reconstruction has been tested regularly on VCE Accounting examinations and students are advised to practise commonly reconstructed accounts.

## Question 4b.

Mark	0	1	2	3	4	Average
%	33	14	18	23	12	1.7

### Wallis Shoes

#### Cash Flow Statement (extract) for the year ended 30 June 2022

Cash Flows from Financing Activities	
Capital	40 000
Loan	60 000
Drawings	(68 000)
Loan	(15 000)
Net Cash Flows from Financing Activities	17 000

One mark each was awarded for:

- capital and loan
- drawings
- loan repayment
- titles.

While the capital and loan received were provided in the question, the drawings figure was consequential to the previous question.

The loan repayment was calculated as follows:

Balance as at 30 June 2022	\$40 000	
Loan received during year	\$60 000	\$100 000
Balance as at 30 June 2023		\$ 85 000
Loan repayment		\$ 15 000

Common errors made by students included:

- being unable to determine the loan reconstruction repayment
- including the vehicle as a cash flow
- not including the correct titles
- not including drawings.

## Question 4c.

Mark	0	1	Average
%	80	20	0.2

Students were given an opening balance of \$14 300 and a budgeted closing balance of a \$6 700 bank overdraft.

This would result in a decrease in the bank balance of \$21 000.

Common errors made by students included:

- not recognising the business had a bank overdraft of \$6 700
- not indicating that the \$21 000 movement was a decrease.

Students must ensure that they follow all of the instructions provided in the question.

## Question 5a.

Mark	0	1	2	3	Average
%	14	27	33	27	1.7

The question required students to explain the purpose of the allowance for a doubtful debts account by referring to an accounting assumption.

They could have justified their response by referring to the accrual basis, period or going concern assumptions.

Students who chose the accrual basis or period assumptions were required to refer to the allowance for a doubtful debts account being prepared to recognise the bad debts expense in the period in which the sale is recognised. The allowance ensures that the business recognises the amount that is unlikely to be collected and that the bad debts are determined for the period to allow them to be matched against credit sales in order to calculate net profit.

Students who chose going concern were required to refer to the allowance being prepared to recognise that not all credit sales from the current period will be collected in future periods. The business will continue indefinitely into the future.

Students were awarded one mark for identifying an accounting assumption and two marks for providing an explanation that linked the assumption to the allowance for doubtful debts.

## Question 5b.

Mark	0	1	2	3	Average
%	29	13	9	49	1.8

### General Journal

Date 2022	Details	Debit \$	Credit \$
30 June	Allowance for doubtful debts	3 600	
	GST Clearing	360	
	Accounts Receivable		3 960

One mark was awarded for each line in the general journal.

Students who did not achieve full marks made errors including:

- reversing the entire entry
- incorrectly calculating GST clearing
- recording allowance for doubtful debts as bad debts expense.

While there was improvement, there was a significant number of students who found this question challenging. This is an area of the study that should be given considerable attention when preparing for examinations.

## Question 5c.

Mark	0	1	2	Average
%	34	33	33	1.0

### Adjustment for current period (excluding balance of Allowance for Doubtful Debts)

Estimated allowance for doubtful debts percentage \* (Credit Sales less Sales Returns)

$$= 3\% * (\$405\,000 - \$5\,000)$$

$$= 3\% * \$400\,000$$

$$= \$12\,000$$

**Adjustment for Bad Debt Write-off**

Allowance for Doubtful Debts less Allowance written off

= \$3 000 – \$3 600

= (\$600)

**Adjustment for current period including Allowance for Doubtful Debts**

= \$12 000 + \$600

One mark was awarded for the \$12 000 and one mark for the \$600.

Students who achieved zero marks for writing off the bad debt were also generally unable to correctly record the allowance for doubtful debts.

The most common error that students made in this question was not allowing for the \$600 adjustment that was required to reset the allowance for the doubtful debts account.

## Question 6a.

Mark	0	1	2	3	Average
%	26	13	27	34	1.7

Students were required to identify a qualitative characteristic and explain how it was breached by the delay in reporting by the business.

The information provided in the question indicated that the accountant was waiting on information pertaining to the physical count of inventory and the drawings taken by the owner. The question included a constraint that did not allow them to refer to relevance.

Timeliness was the qualitative characteristic required as it requires that reports be available to decision-makers. Timeliness recognises that the older the information, the less useful it is. In this case the information has not been provided in a timely manner, which will delay the preparation of reports and will impact the decisions made by the users of the information.

One mark was awarded for recognising the correct qualitative characteristic.

Two marks were awarded for accurately explaining how the definition of timeliness was applied to the information provided in the question.

Common errors included:

- identifying accounting assumptions
- referring to faithful representation and understandability
- not referring to the information provided in the question.

## Question 6b.

Mark	0	1	2	3	4	5	6	Average
%	10	5	6	9	14	22	35	4.2

### General Journal

Date 2022	Details	Debit \$	Credit \$
Aug 10	Advertising	2 100	
	Inventory		2 100
	Inventory Loss	1 400	
	Inventory		1 400
	Drawings	6 000	
	Wages		6 000

Correspondence (an email) was provided including information required for students to respond to the question.

One mark was awarded for each line in the general journal.

Common errors included:

- recording advertising as drawings
- not adjusting the inventory loss for the inventory that was used for advertising, which resulted in students recognising an inventory loss of \$3 500
- reversing the wages entry.

Overall, this question was completed at a very high standard indicating that students had practised general journal questions. Many students were able to identify that the advertising required an adjustment to the inventory loss.

## Question 7a.

Mark	0	1	2	3	4	5	6	7	Average
%	25	7	7	7	9	10	15	20	3.6

### General Journal

Date 2022	Details	Debit \$	Credit \$
Jun 30	Sales	584 000	
	Discount Revenue	1 500	
	Interest Revenue	2 500	
	Sales Returns		8 000
	Profit and Loss Summary		580 000
Jun 30	Profit and Loss Summary	460 000	
	Advertising		14 000
	Bad debts		7 500
	Cost of Sales		320 000
	Depreciation – equipment		6 500
	Wages		112 000
Jun 30	Profit and Loss Summary	120 000	
	Capital		120 000
Jun 30	Capital	23 000	
	Drawings		23 000

There was a wide range of responses to this question. Closing and transferring should be a priority for examination preparation.

One mark each was awarded for each of:

- Sales Return and Profit and Loss summary (Revenue)
- Sales, Discount Revenue and Interest Revenue
- Profit and Loss summary (Expenses)
- All expenses
- Profit and Loss summary
- Capital
- Capital and Drawings.

Common errors included:

- closing sales returns in expense entry
- reversing entries
- missing accounts such as bad debts
- not including the asset that was depreciated (equipment)
- using incorrect amounts (transcribing incorrectly from information provided)
- not including drawings entry
- reversing drawings entry.

## Question 7b.

Mark	0	1	2	3	Average
%	19	27	32	22	1.6

Accounting assumption questions commonly appear within VCE Accounting examinations; in 2022 there were two accounting assumption questions.

The period assumption was the only acceptable response for this question.

The period assumption requires reports to be prepared for a particular period of time. Net profit is then determined by recognising revenues earned during the period and deducting expenses incurred during the period. At the end of the period, revenue and expense accounts need to be 'cleared' and their balances reset to zero in readiness for the next period. The profit and loss summary account is used to facilitate these closing entries and also provides a ledger record of profit for each period.

One mark was awarded for period assumption.

Two marks were awarded for an explanation.

Common errors included using the accrual basis assumption and not providing an adequate explanation.

## Question 8a.

Mark	0	1	2	3	4	Average
%	36	18	17	18	12	1.5

Students were provided with return on assets, return on owner's investment and debt ratio for Kitch Equip as well as the industry average.

Kitch Equip's return on investment is significantly higher than the industry average due to their use of borrowed funds. Kitch Equip's assets have been largely financed by liabilities and therefore they have a relatively small capital contribution.

Kitch Equip uses each dollar of assets at the same efficiency as the industry average. If the debt ratio was zero there would be non-borrowed funds, so all profits would flow to the owner and return on investment would equal return on assets.

Kitch Equip is using external funds to increase the return to the owner.

While students referred to the return on assets, this was not essential to attain full marks as it did not result in a significant increase in the return on owners' investment compared to the industry average.

There was a range of responses to this question; many students provided a rote-learned response that a higher return on investment would be due to higher capital contributions.

This question provided students with an opportunity to show that they understand the relationship between accounting indicators. Students who lacked this understanding were not able to achieve full marks. Financial indicators should be studied throughout the year rather than leaving them until the end of the course.

Marks	Criteria
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Marks	Criteria
4	Explains the relationship between the proportion of borrowed funds versus capital Refers to relevant financial indicators and information provided Accurately uses accounting terminology and explains the impact on the performance of the business
3	Explains the use of borrowed funds but with limited reference to capital Refers to most relevant financial indicators and information provided Generally uses correct accounting terminology and refers to the explanation of the impact on the performance of the business
2	Refers to some relevant financial indicators and information provided Shows limited use of correct accounting terminology and reference to the explanation of the impact on the performance of the business
1	Gives only a basic description of information provided
0	Displays no knowledge of financial indicators

## Question 8b.

Mark	0	1	2	Average
%	24	37	39	1.2

A high debt ratio implies a high level of debt, which requires regular repayments to be made. This will impact on the liquidity and the stability of a business.

If a business has cash flow problems this can lead to bankruptcy and can also impact the firm's ability to borrow any further funds, as lenders and credit providers will be cautious about dealing with the business.

Students were awarded two marks for describing a risk associated with a high debt ratio.

There were a variety of responses to this question. Students who achieved one mark usually identified a risk but did not describe why the risk was associated with a high debt ratio.

Other students referred to the risk of having to pay increased interest expense. While this is a concern, this would be expected and not considered a risk.

## Question 8c.

Mark	0	1	2	3	Average
%	42	18	20	19	1.2

The question provided students with a scenario in which a business received a deposit that was recorded as a sale despite the inventory not being delivered until the next month. Rather than being required to record the adjusting entry, they were required to explain why the entry was necessary. This appeared to create issues for students as many were unable to explain the purpose of the transaction, with common errors including students referring to it from the customer's perspective or not recognising that the sale had been recorded despite the inventory not being delivered.

Under accrual accounting, only revenue earned in a period is recognised as a sale in the income statement.

As the inventory has not been delivered by the end of September, Kitch Equip still has a present obligation to deliver it before they have earned the revenue.

The adjustment would reduce the sales account by \$30 000 and recognise a liability, unearned sales revenue to be reported in the balance sheet.

When the inventory is delivered the sale will be recorded.

One mark each was awarded for:

- recognising that the deposit was unearned sales revenue that had not yet been earned
- recognising that the business has an obligation to provide the inventory to the customer
- the deposit not being recognised until the goods are delivered to the customer.

## Question 9a.

Mark	0	1	2	3	4	5	Average
%	25	14	10	13	19	20	2.5

### Disposal of Van

Date 2022	Cross-reference	Amount	Date 2022	Cross-reference	Amount
July 1	Van	45 000	July 1	Accumulated Depn of Van	37 200
				Bank	5 000
				Loss on Disposal of Van	2 800
		45 000			45 000

One mark each was awarded for:

- Van
- Accumulated Depreciation of Van
- Bank
- Loss on Disposal of Van
- Totals.

Students were required to complete the disposal of the van general ledger account. Disposal of non-current asset accounts has been examined in previous years and students are advised to be prepared to respond to these types of questions.

Common errors included:

- posting entries on the incorrect side of the general ledger account
- not using full cross-reference titles such as Loss on Disposal rather than Loss on Disposal of Van
- not completing the account by including totals as required by the question.

Attention to detail is important when completing a general ledger account. Students are advised to pay attention to detail throughout the year as this practice will assist in examinations.

## Question 9b.

Mark	0	1	2	3	4	5	Average
%	11	6	15	16	25	27	3.2

Modelling questions have developed in complexity since their introduction with the current study design. Students were presented with financial and non-financial information relating to E-Sortz, a business that offers free delivery on the sale of computer gaming products.

Students were required to complete a table to show the estimated delivery cost of each of the three options provided.

Marks were awarded as follows.

Option 1	
Van expenses	$2 * 1800 = 3600$ (1 mark)
Wages	6000 (1 mark)
Total delivery cost per month	
<input type="text" value="\$9 600"/>	
Option 2	
National postal service	$500 * \$20 = 10\ 000$ (1 mark)
Total delivery cost per month	
<input type="text" value="\$10 000"/>	
Option 3	
Van expenses (including wages)	4 800 (1 mark)
Deliv'r Today	$250 * \$18 = \$4\ 500$ (1 mark)
Total delivery cost per month	
<input type="text" value="\$9 300"/>	

There were a range of responses, with many students failing to accurately identify the information required.

Students must be prepared for questions to appear in a variety of formats. They should practise identification of key information provided within a question in order to prepare for modelling questions.

The three options listed in the question provided all the information required to complete the task. Despite this, however, many students were prone to basic errors such as not multiplying the \$1 800 each month by two in the first option, and missing the \$4 500 of Deliv'r Today expenses in Option 3.

## Question 9c.

Mark	0	1	2	3	4	5	Average
%	11	10	27	26	17	9	2.6

Students were required to use the information provided within the question to make a recommendation to E-Sortz and justify this recommendation.

Question 9c. allowed scope for students to choose any of the options in their response. The skill being assessed was to justify their recommendation.

Each option had both positives and negatives and students provided excellent responses for each of the options. Some focused on cost while others focused on capacity and control of delivery by the business.

For example, a response that recommended Option 3 could focus on cost and flexibility. This option has the lowest cost and the flexibility of having two modes of delivery, as they have one van of their own and can use Deliv'r Today for the estimated 250 deliveries expected per month over their own van's deliveries plus any surge capacity required. In slow months it will be beneficial not to have a locked-in contract as opposed to the national parcel service, where the contract may require a minimum number each month.

One disadvantage with a no lock-in contract is that delivery charges could be increased at any time. However, it is a very competitive industry and they already offer a 10% price advantage over the postal service.

Having one small van of their own means they can do out-of-hours special deliveries, plus it protects them if there is industrial action affecting Deliv'r Today.

Students who preferred Option 2 generally considered that national coverage for the postal service could be a factor. The price is locked in for two years, which gives some certainty with regard to budgeting although the contract may specify a minimum quantity per month.

Students who preferred Option 1 generally argued that having complete control over their deliveries was worth the additional cost compared to Option 3 as they could ensure that preferred customers received their inventory on time.

While Option 3 returned most of the highest-scoring responses, it was possible to construct a full-mark response for any of the three options.

Marks	Criteria
4–5	Justification of recommendation that discusses the merits of one option and the relative weaknesses of the other two options Justification is supported by the financial data provided Accurate use of accounting terminology
2–3	Justification of recommendation that explains the merits of one option with limited or no reference to the other two options Limited reference to the financial data provided General use of accounting terminology
1	A recommendation with no justification
0	No recommendation given

## Question 10a.

Mark	0	1	2	3	4	Average
%	18	27	14	16	26	2.1

### Accounts Receivable

Date 2022	Cross-reference	Amount	Date 2022	Cross Reference	Amount
Apr 1	Balance	21 200	Apr 30	Bank	80 400
30	Sales/GST Clearing	88 000		Sales Returns/GST Clearing	4 400
				Balance	24 400
		109 200			109 200

Credit Sales	\$80 000
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One mark each was awarded for:

- the opening balance
- Sales/GST Clearing
- Bank and Sales Returns / GST Clearing
- Credit Sales.

The question required students to use the information provided to prepare the accounts receivable general ledger account to determine credit sales.

Common errors included:

- incorrect cross-reference titles
- referring to sales return as sales
- not removing GST when recording Credit Sales.

## Question 10b.

Mark	0	1	2	3	4	5	6	7	Average
%	23	8	8	8	9	11	16	19	3.6

### Crackles

#### Income Statement for the month ended 30 April 2022

	\$	\$
<b>Revenue</b>		
Cash Sales	30 000	
Credit Sales	80 000	
Less Sales Returns	4 000	106 000
Less Cost of Sales		53 000
Gross Profit		53 000
Less Inventory Write-down		200
Adjusted Gross Profit		52 800
Less Other Expenses		
Advertising	3 750	
Wages	15 000	18 750
Net profit		34 050

One mark each was awarded for:

- sales
- sales returns
- cost of sales
- inventory write-down
- advertising
- wages
- formatting.

Students should expect to have to prepare accounting reports in an examination. Income statements have been regularly examined as they provide an opportunity for students to show that they are able to identify the difference between revenue and cash receipts and expenses and cash payments.

Attention to detail is important when preparing an income statement and students should ensure that they use the correct account names.

Common errors included:

- labelling the inventory write-down as an inventory loss
- including GST collected as revenue
- not taking into account sales returns when calculating cost of sales
- incorrectly formatting report such as reporting other expenses before gross profit.

## Question 11

Mark	0	1	2	3	4	Average
%	27	15	30	8	19	1.8

Students were required to outline one strategy that could have been used to increase sales volume for each of the financial indicators provided.

Two marks were awarded for outlining a strategy for each indicator.

The inventory turnover has increased in speed. This may have been due to the business reducing the selling price of inventory, which would then attract customers thereby increasing sales.

The accounts receivable turnover has slowed. This could have been due to the business offering more generous credit terms to encourage customers to purchase inventory or to offer credit to a wider range of customers without implementing credit checks. Therefore a reduction in credit checks could result in slower-paying accounts receivable.

This question was handled poorly by many students. Many appeared not to have read the question properly and referred to plans for the future of the business by recommending that the business improve their debt-collection procedures to collect accounts receivable faster. Other incorrect responses included students referring to the business purchasing inventory on a just-in-time basis, which resulted in a faster inventory turnover. While it is correct that this may have resulted in a faster inventory turnover it would not increase sales, which was the constraint in the question.