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# Accounting

## Question Book

VCE (NHT) Examination – Wednesday 21 May 2025

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- Reading time is **15 minutes**: 10.30 am to 10.45 am
- Writing time is **2 hours**: 10.45 am to 12.45 pm

### Approved materials

- One scientific calculator

### Materials supplied

- Question Book of 12 pages
- Answer Book of 16 pages

### Instructions

- Answer all questions in the Answer Book.

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

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Contents	pages
7 questions (100 marks)	2–10

## Instructions

- Answer **all** questions in the Answer Book provided.
- Write your responses in English.

### Question 1 (13 marks)

CardXtra sells trading cards. It uses the First In, First Out (FIFO) inventory cost assignment method and reports monthly.

The inventory card for Basketball Booster Packs is shown below. Basketball Booster Packs are sold for \$8.00 each (plus GST).

### Inventory Card

Item: Basketball Booster Packs		Cost assignment method: FIFO								
Supplier: Card2U										
Date 2025	Document	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
Jan. 1	Balance							140	5.00	700
4	EFT 6560	200	5.20	1 040				140	5.00	
								200	5.20	1 740
6	EFT 267				140	5.00				
					20	5.20	804	180	5.20	936
9	Inv. 332	300	5.00	1 500				180	5.20	
								300	5.00	2 436
12	Inv. 556				90	5.20	468	90	5.20	
								300	5.00	1 968
15	Memo 44				25	5.20	130	65	5.20	
								300	5.00	1 838

- a.** Record the following information for January in the Inventory Card.
- |            |   |         |
|------------|---|---------|
| 19 January | Sale of 165 Basketball Booster Packs (Inv. 670).                                    |         |
| 21 January | Purchase of 200 Basketball Booster Packs for \$5.50 each (plus GST) (Inv. 455).     |         |
| 25 January | Sale of 83 Basketball Booster Packs (EFT 367).                                      |         |
| 31 January | A physical inventory count revealed 333 Basketball Booster Packs on hand (Memo 48). | 4 marks |
- b.** Calculate the following amounts for Basketball Booster Packs for January.
- Sales
  - Cost of Sales
- 4 marks
- c.** State the effect that the entry required on 31 January will have on the Balance Sheet. 2 marks

**The following information is also provided.**

Below is an extract from the Income Statement Variance Report.

**CardXtra**  
**Income Statement Variance Report (extract) for the month ended 31 January 2025**

Item	Budget	Actual	Variance	Favourable/ Unfavourable
Cost of Sales	85 000	78 000		

- d.** Complete the Variance Report. 1 mark
- e.** Provide two possible reasons for the variance. 2 marks

**Question 2** (19 marks)

Sportz5000 sells sporting equipment. Sales are made on both a cash and credit basis, with credit terms of 2/10, n/30. The business reports monthly.

**Sportz5000****Balance Sheet (extract) as at 31 January 2025**

	\$	
Accounts Receivable	26 000	
Less Allowance for Doubtful Debts	<u>(1 560)</u>	
	24 440	

**The following information is provided for February 2025.**

- A local baseball club is unable to pay its account. On 17 February, Sportz5000 wrote off the outstanding debt of \$3 300 (including GST) (Memo 443).
- Credit Sales for February were \$48 400 (including GST) and Sales Returns were \$2 750 (including GST).
- Receipts from Accounts Receivable were \$17 000 and Discount Expense was \$350.
- It was decided to raise the Allowance for Doubtful Debts to 5% of net credit sales.

- a. Calculate the Bad Debts expense to be reported in the Income Statement for February. 3 marks
- b. Complete the following ledger accounts for February. 8 marks
- Accounts Receivable
  - Allowance for Doubtful Debts

The Accounts Receivable Turnover for the past three months is shown in the table below.

	December 2024	January 2025	February 2025
Accounts Receivable Turnover	49.3 days	53.4 days	59.7 days

- c. Explain how the trend in the Accounts Receivable Turnover will affect the liquidity and profitability of the business. 4 marks
- d. Explain two strategies to improve Accounts Receivable Turnover. 4 marks

**Question 3** (6 marks)

WortaFlow sells eco-friendly drink bottles. All bottles have the WortaFlow logo. WortaFlow is now a market leader and is highly popular with younger people. However, with increasing costs and competitive pressures, WortaFlow is considering switching suppliers to reduce costs and increase profits.

The bottles sell for \$35 (plus GST) and this is unlikely to change. Sales are currently 4 000 units per month and have been budgeted to grow by 20% in the next year.

Surveys have shown that customers prefer a high-quality bottle, are sensitive to price fluctuations and prefer the bottle to be visually appealing.

**Supplier Options**

**Option A:** The current supplier imports high-quality stainless-steel bottles that are durable and visually appealing. The cost of each bottle is \$15 (plus GST). This supplier tries to ensure that materials are sustainably sourced and workers are paid fair wages.

**Option B:** This supplier offers locally made high-quality aluminium bottles that are similar in appearance to the current bottle but less durable. The cost of each bottle is \$11 (plus GST). This supplier has been fined for several safety issues in its factory.

Discuss the financial and ethical considerations WortaFlow faces when deciding between the two options, and make a recommendation about which option the business should select.

**Question 4** (20 marks)

Tod's Tiles reports on a monthly basis. The business has been preparing budgets for April 2025. The Budgeted Balance Sheet and Budgeted Income Statement have been completed and the accountant is now preparing the Budgeted Cash Flow Statement.

Relevant extracts from actual and budgeted Balance Sheets are shown below.

<b>Balance Sheet</b>	<b>Actual at 31 March</b>	<b>Budgeted at 30 April</b>
	\$	\$
Bank	13 560 dr	11 900 dr
Inventory	110 000	140 000
Accounts Payable	24 200	26 400
Accrued Wages	750	1 250
GST Clearing	3 500 cr	6 900 cr
Loan	8 000	6 000

The Budgeted Income Statement for April reported the following items.

	\$
Sales	360 000
Cost of Sales	165 000
Discount Revenue	3 800
Wages	68 000
Advertising	19 000
Depreciation – Equipment	13 800
Net Profit	98 000

**Additional information**

- All sales will be for cash and all purchases made on credit.
  - Purchases will be \$195 000 (plus GST) and no sales returns or purchases returns are expected.
  - There are no planned purchases or sales of non-current assets.
  - A GST settlement payment will be made during April.
- a. Prepare the following ledger accounts to determine relevant items for the Budgeted Cash Flow Statement for April.
- Accounts Payable
  - GST Clearing
- 9 marks
- b. Prepare the Operating Activities section of the Budgeted Cash Flow Statement for April.
- 7 marks
- c. Explain two reasons why the balance in the Bank account of Tod's Tiles would decrease over the month despite the business budgeting for a profit.
- 4 marks

**Question 5** (16 marks)

MusicMaxx purchased a new vehicle for \$47 200 (plus GST), including annual roadside assistance of \$200 (plus GST) (EFT 5653), on the last day of April. The old vehicle was sold for cash on the same day for \$25 000 (plus GST) (EFT 3322). The old vehicle has been depreciated at a rate of 25% per annum using the reducing-balance method.

**MusicMaxx****Balance Sheet (extract) as at 31 March 2025**

<b>Non-Current Assets</b>	<b>\$</b>
Vehicle	60 000
Less Accumulated Depreciation of Vehicle	<u>(36 000)</u>
	24 000

- a. Calculate depreciation of the old vehicle for April. 1 mark
- b. Record the disposal of the old vehicle in the General Journal.  
A narration is **not** required. 5 marks
- c. Record the purchase of the new vehicle in the General Journal.  
A narration is **not** required. 3 marks
- d. Referring to **one** accounting element, explain the classification of Depreciation of Vehicles. 3 marks
- e. Explain how the depreciation of a vehicle is consistent with the application of the Period assumption. 4 marks

**Question 6** (18 marks)

AutoStuff4U sells auto parts and accessories, and reports quarterly.

**AutoStuff4U****Pre-adjustment Trial Balance at 31 March 2025**

<b>Account</b>	<b>Debit \$</b>	<b>Credit \$</b>
Accounts Payable		51 500
Accounts Receivable	85 000	
Accrued Wages		400
Bank	19 000	
Buying Expenses	4 000	
Capital		146 400
Cost of Sales	205 000	
Drawings	46 000	
GST Clearing		25 700
Inventory	184 500	
Prepaid Rent	48 000	
Sales		465 000
Unearned Sales Revenue		500
Wages	98 000	
	<b>\$689 500</b>	<b>\$689 500</b>

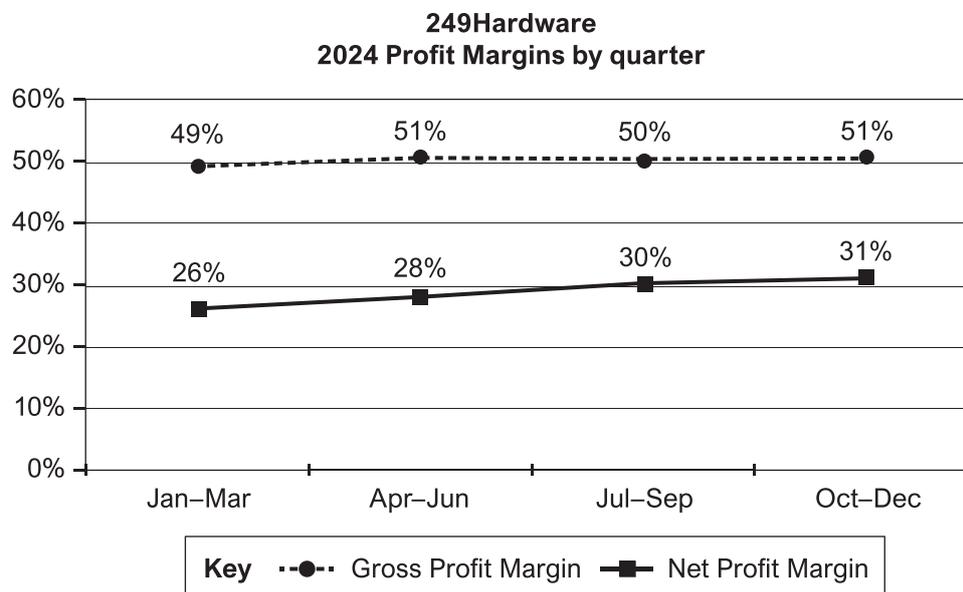
**Additional information**

- On 13 January, a cash payment of \$12 000 was debited to the Wages ledger account. This payment incorrectly included \$400 for the accrued wages owing at 31 December. No correction has yet been made.
  - On 8 March, a customer paid a deposit of \$500 (EFT 234) for a Turbo Booster with a selling price of \$3 000 (plus GST) and a cost price of \$1 500 (plus GST). The Turbo Booster was collected by the customer on 28 March and Invoice 644 was issued for the balance owing. No entry has yet been made to record the events of 28 March.
  - Prepaid Rent was for the six months commencing 1 January.
  - A physical count on 31 March showed no inventory losses or gains.
  - One brand of car seat cover sets had low sales and 50 sets were still on hand at 31 March. They cost \$86 each (plus GST) and usually sell for \$150 each (plus GST). It was decided to reduce the price to \$40 each (plus GST) and provide a free cleaning kit, which has a cost price of \$10 (plus GST), with each purchase.
- a.** Prepare General Journal entries to record the necessary correction and adjustments at 31 March 2025. 12 marks  
Narrations are **not** required.
- b.** Prepare the General Journal entry needed to close the revenue account(s) at 31 March 2025. 2 marks  
A narration is **not** required.
- c.** Prepare the Income Statement, up to and including Adjusted Gross Profit, for the quarter. 4 marks

**Question 7** (8 marks)

249Hardware's sales and profit results for 2024 are shown below.

Income Statement summary 2024 by quarter				
	Jan–Mar \$	Apr–Jun \$	Jul–Sep \$	Oct–Dec \$
Sales	397 500	389 550	381 759	374 124
Gross Profit	194 775	198 671	190 880	190 803
Net Profit	103 350	109 074	114 528	115 978



The owner is surprised that Net Profit has risen despite Sales falling over the year. The accountant has graphed the Gross and Net Profit Margins to help explain this situation.

- Distinguish between Gross Profit Margin and Net Profit Margin. 4 marks
- Using the information provided, explain why Net Profit increased in the three quarters (April to December) despite Sales decreasing. 4 marks

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Write your **student number** in the boxes above.

**Letter**

# Accounting

## Answer Book

VCE (NHT) Examination – Wednesday 21 May 2025

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**Question 1** (13 marks)

a.

4 marks

**CardXtra  
Inventory Card**

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Supplier: Card2U										
Date 2025	Document	IN			OUT			BALANCE		
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								300	5.00	1 838

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b.

4 marks

<b>Working space</b>	
<b>Sales</b>	<b>\$</b>

<b>Working space</b>	
<b>Cost of Sales</b>	<b>\$</b>

c.

2 marks

<b>Effect on the Balance Sheet</b>

d.

1 mark

**CardXtra**  
**Income Statement Variance Report (extract) for the month ended 31 January 2025**

Item	Budget	Actual	Variance	Favourable/ Unfavourable
Cost of Sales	85 000	78 000		

**Question 1** continues on the next page.

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b.

8 marks

**Sportz5000**  
**General Ledger**

**Accounts Receivable**

Date 2025	Cross-reference	Amount	Date 2025	Cross-reference	Amount
Feb. 1	Balance	26 000			

**Allowance for Doubtful Debts**

Date 2025	Cross-reference	Amount	Date 2025	Cross-reference	Amount
			Feb. 1	Balance	1 560

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**Question 4** (20 marks)

a.

9 marks

Tod's Tiles

General Ledger

**Accounts Payable**

Date 2025	Cross-reference	Amount	Date 2025	Cross-reference	Amount
			Apr. 1	Balance	24 200

**GST Clearing**

Date 2025	Cross-reference	Amount	Date 2025	Cross-reference	Amount
			Apr. 1	Balance	3 500

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c.

3 marks

**MusicMaxx**  
**General Journal**

<b>Date 2025</b>	<b>Details</b>	<b>Debit</b>	<b>Credit</b>

d.

3 marks

<b>Element</b>
<b>Explanation</b>

**Question 5** continues on the next page.

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e.

4 marks

Explanation

Do not write in this area.



b.

2 marks

**AutoStuff4U  
General Journal**

Date 2025	Details	Debit	Credit

c.

4 marks

**AutoStuff4U  
Income Statement (extract) for the quarter ended 31 March 2025**

	\$	\$
<b>Revenue</b>		

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