VCE Accounting 2019–2024  
Advice for teachers

Detailed example

Unit 2 Area of Study 2: Accounting for and managing accounts receivable and accounts payable

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| Detailed example |
| **Accounts receivable and payable turnover**  *Business scenario*  B&D Sports sell a wide range of sporting equipment. They have three shop fronts and an online store. Sporting organisations and clubs are offered credit. Most over-the-counter sales are for cash. B&D Sports’ credit terms are  2/14, n/30. Accountable Payable typically provides n/30 credit terms.  **B&D Sports**  **2021** **2022** **2023**  Accounts receivable turnover 35 days 42 days 48 days  Accounts payable turnover 45 days 39 days 28 days   * The business has been operating for three years and has grown quickly. * The industry average for the accounts receivable turnover is usually around 32 days and the accounts payable turnover is usually around 28 days.   *Tasks*  1. Using all the information provided, describe the trend in both the accounts receivable and accounts payable turnovers over the three years. In your answer, explain any positive or negative trends.  2. As the accountant, suggest and explain the impact of possible strategies to improve the results for B&D Sports. |