

Accounting

Question Book

VCE Examination – Friday 7 November 2025

- Reading time is **15 minutes**: 3.00 pm to 3.15 pm
- Writing time is **2 hours**: 3.15 pm to 5.15 pm

Approved materials

- One scientific calculator

Materials supplied

- Question Book of 12 pages
- Answer Book of 20 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.

Contents	pages
8 questions (100 marks)	2–11

Instructions

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

Question 1 (13 marks)

The following two documents relate to MainRoad Electrics, a small business that sells electrical appliances. The business reports on a quarterly basis and uses a mark-up of 100% on inventory.

Document 1

<p>MainRoad Electrics 199 Main Road Queensville</p> <p>Account: Queensville Motel 12 Mountain Highway Queensville</p>	<p>Credit Note: 65 Date: 9 February 2025</p>
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Qty	Description	Unit price	GST	Total
1	Electric toaster	\$60	\$6	\$66

Reason for return: Damaged in transit

- a. Prepare the General Journal entry to record Document 1.
A narration is **not** required. 4 marks
- b. Explain how credit notes can be used as a non-financial indicator of business performance. 2 marks

Document 2**MainRoad Electrics****EFT payment number:** 2113**Date:** 10 February 2025**Paid from:** BRK Bank**For:** Advertising**Paid to:** eXN Advertising**Amount:** \$16 500 (including GST)**Description:** A three-month advertising contract with a radio breakfast show, commencing 1 March 2025

Document 2 was recorded on 10 February 2025 and an adjusting entry was made on 31 March, at the end of the first quarter. This is the first time MainRoad Electrics has used advertising.

- c. Show how the following two accounts would appear in the General Ledger at 31 March 2025:
- Prepaid Advertising
 - Advertising
- 4 marks
- d. With reference to one qualitative characteristic, explain the importance of documents in the accounting process.
- 3 marks

Question 2 (11 marks)

On 1 January 2025, Yumm Petfoods commenced operations. The business reports every six months and uses the Identified Cost inventory cost assignment method.

In July, the accountant provided the following data relating to the first six months of operations.

	Yumm Petfoods	Industry average
Inventory on hand	\$240 000	\$160 000
Inventory Turnover	90 days	49 days
Inventory Loss	\$12 000	\$4 000
Net Profit	\$63 000	\$111 000

- a. The owner believes that the inventory loss is mostly from theft.
Identify two other possible reasons for the inventory loss. 2 marks
- b. Yumm Petfoods already uses security cameras and bag checks to reduce inventory theft.
Describe **one** other internal control procedure that could be implemented to reduce inventory theft. 2 marks
- c. Analyse the likely effects on business performance of having an inventory turnover that is much slower than the industry average. 4 marks
- d. The owner commented that sales were higher than the budget projections and they were satisfied with business performance. The accountant agreed but suggested that a change to the First In, First Out (FIFO) inventory cost assignment method would improve efficiency.
Justify the accountant's suggestion. 3 marks

Question 3 (8 marks)

Top Sportz sells sporting equipment and clothing, including football jumpers. The business uses the FIFO inventory cost assignment method and reports on a quarterly basis.

The most recent purchase of football jumpers by the business was made on 1 August 2025. The supplier's invoice showed the following:

- cost price (each) \$80 (plus GST)
- quantity 45
- delivery \$90 (plus GST)

- a. Prepare the General Journal entry to record the purchase on 1 August.

A narration is **not** required.

2 marks

- b. On 30 September 2025, a physical count showed 30 football jumpers on hand. These jumpers sell for \$110 each (plus GST). The owner decided to sell the jumpers at a reduced price of \$75 each (plus GST) because a new style will be introduced next season. In addition, a free coffee cup in club colours will be given away with each jumper sold. These cups cost the business \$5 each (plus GST) and sell for \$10 each (plus GST). All of this information was noted in Memo 63.

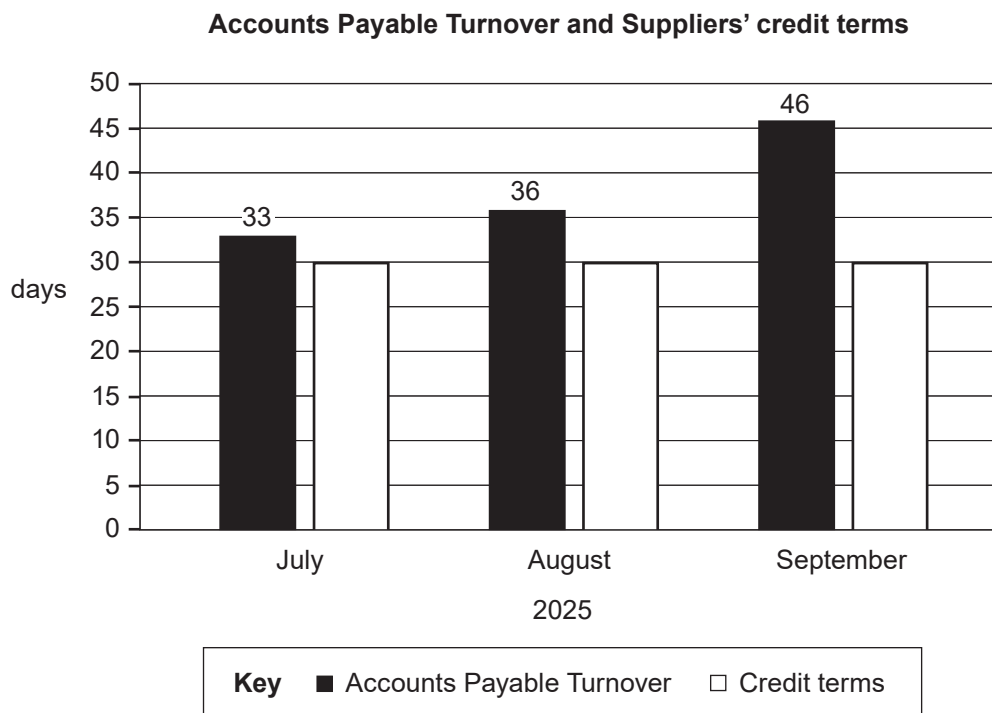
Prepare the General Journal entry required to record Memo 63.

A narration is required.

3 marks

- c. Top Sportz purchases inventory on credit. The owner is concerned that the business's relationship with some suppliers has worsened in recent months.

The accountant provided the following chart to assist the owner in understanding why the relationship has worsened.



Describe the likely consequences for Top Sportz if the trend shown in the chart continues.

3 marks

Question 4 (21 marks)

Dizzies Metalworks reports and budgets on a monthly basis. Sales are made on credit with terms of 3/15, n/30, and inventory purchases are made on a cash basis. The business uses a 100% mark-up on inventory.

Dizzies Metalworks is preparing the Budgeted Cash Flow Statement for November 2025. The Budgeted Income Statement for November has been completed and is shown below.

Dizzies Metalworks**Budgeted Income Statement for the month ending 30 November 2025**

Revenue	\$	\$
Sales		123 000
Sales Returns		<u>3 000</u>
Net Sales		120 000
Less Cost of Sales		<u>60 000</u>
Gross Profit		60 000
Less Other Expenses		
Wages	27 000	
Advertising	1 300	
Depreciation – Vehicles	3 200	
Discount Expense	1 500	
Bad Debts	4 000	
Rent	<u>2 500</u>	<u>39 500</u>
Budgeted Net Profit		20 500

Relevant extracts from the Actual and Budgeted Balance Sheets are also provided.

	Actual as at 31 October 2025 \$	Budgeted as at 30 November 2025 \$
Accounts Receivable	91 000	94 000
Allowance for Doubtful Debts	(3 000)	(5 000)
Prepaid Advertising	1 000	–

Additional information

- Apart from Prepaid Advertising, there were no other prepaid or accrued expenses.
- Purchases of inventory in November are expected to be \$55 000 (plus GST).
- The next GST settlement to the Australian Taxation Office (ATO) will be in December.

-
- a. Calculate the GST expected to be paid in November 2025. 3 marks
- b. Prepare the following General Ledger accounts to determine the cash to be received from Accounts Receivable in November:
- Allowance for Doubtful Debts
 - Accounts Receivable
- 7 marks
- c. Prepare the Operating Activities section of the Budgeted Cash Flow Statement for November. 6 marks
- d. Explain why the Budgeted Net Cash Flow from Operating Activities may be higher than the Budgeted Net Profit for the same period. 3 marks
- e. The business has recently changed from budgeting on a quarterly basis to budgeting on a monthly basis.
- Explain **one** potential advantage of this change. 2 marks

Question 5 (10 marks)

Gazza's Gas is the only service station open 24 hours a day, seven days a week in a large regional town. The business operates 365 days a year. It sells fuel and a range of food, drinks and convenience items.

The service station operates three eight-hour shifts each day. Two staff members are employed for each shift until 10 pm and one staff member for the 10 pm to 6 am shift.

Most of the current staff for the 10 pm to 6 am shift are local university students, who view employment at the service station as a valuable source of income.

In recent months there have been several instances of customers driving off without paying and other antisocial behaviour after 10 pm.

Daily details for each shift, over the last 12 months, are shown in the table below.

Shift	Hours worked per staff member	Number of staff	Average daily sales \$
6 am to 2 pm	8	2	9 500
2 pm to 10 pm	8	2	10 800
10 pm to 6 am	8	1	3 700

Additional information

- Net Profit for the year was \$295 000. Apart from wages, other major expenses were rent, maintenance and electricity.
- The Gross Profit Margin was 12% across all shifts.
- Staff are currently paid \$30 per hour for all shifts.

- a. The owner is aware that the 10 pm to 6 am shift is the least profitable but recognises the value of the all-night service to the town. The owner is prepared to operate the shift provided it generates at least \$60 000 per year towards overall profit.

The owner calculates the profit for each shift using the following formula.

$$\text{shift profit} = \text{gross profit} - \text{staff wages}$$

To retain suitable staff, the owner is considering paying an extra 20% per hour in wages for the 10 pm to 6 am shift.

Complete the table provided to calculate the profit for the 10 pm to 6 am shift for the year

- using the current wage of \$30 per hour
- if wages were increased by 20%.

4 marks

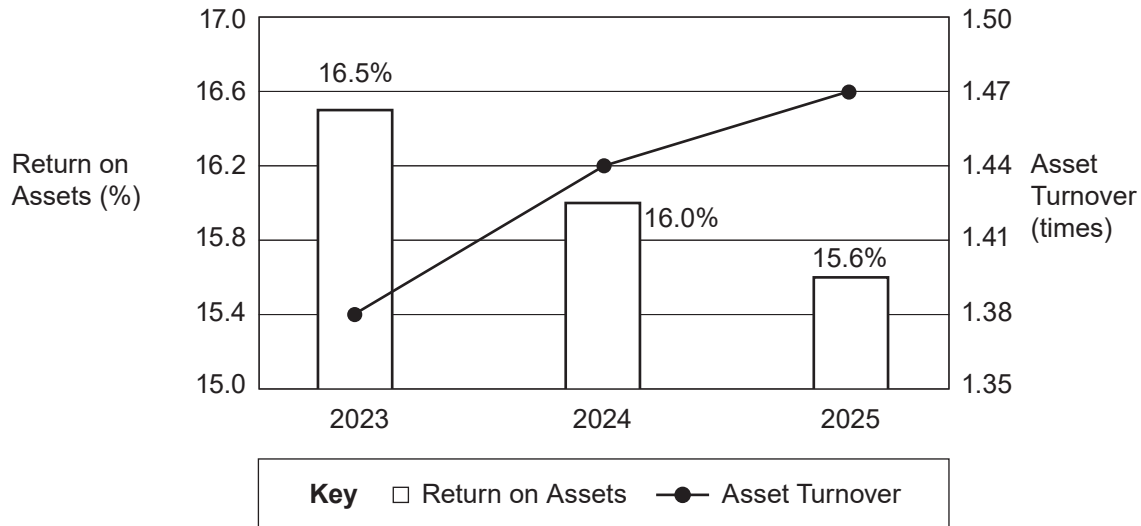
- b. With reference to financial and ethical considerations, discuss whether the 10 pm to 6 am shift should be continued and make a recommendation to the owner.

6 marks

Question 6 (8 marks)

Earthwrkx reports annually at 30 June. The accountant has provided the owner with the following chart to discuss the profitability of the business.

Key financial indicators for years ended 30 June 2023–2025



The accountant is concerned that the Return on Assets is decreasing. The owner points out that the Asset Turnover is getting faster and that Sales are increasing, and is hopeful that the Return on Assets will improve soon.

- Explain why a decline in the Return on Assets should be of concern. 2 marks
- Explain how both Sales and the Asset Turnover may increase yet the Return on Assets declines. 3 marks
- Explain how Sales meets the definition of one accounting element. 3 marks

Question 7 (19 marks)

454High reports on a monthly basis. The Trial Balance at 31 October 2025 is shown below. Adjusting entries have not yet been made.

Trial Balance at 31 October 2025

General Ledger Account	Debit \$	Credit \$
Accounts Payable		42 000
Accounts Receivable	70 000	
Accumulated Depreciation – Equipment		122 000
Bank	3 000	
Capital		281 850
Cost of Sales	57 000	
Drawings	12 000	
Equipment	272 000	
GST Clearing		2 350
Inventory	138 000	
Prepaid Insurance	4 400	
Sales		125 000
Wages	16 800	
	573 200	573 200

Additional information

- A physical count of inventory on 31 October revealed inventory on hand of \$139 000.
- 31 October falls on a Friday. Wages are paid each Thursday up to and including the previous day. Wages are \$800 per day based on a five-day week.
- Insurance of \$4 800 (plus GST) was paid in August for 12 months commencing 1 September.
- Equipment is depreciated using the reducing-balance method at 20% per annum. New equipment costing \$15 000 (plus GST) was purchased on 1 October.
- An electricity bill of \$300 (plus GST) was received on 31 October but it has not been paid or recorded.
- A cash deposit of \$800 (EFT 125) was received on 31 October for a sales order of \$2 000 (plus GST). This transaction has not yet been recorded and the goods ordered have not yet been provided to the customer.

- a. Record the necessary adjustments in the General Journal.
Narrations are **not** required. 12 marks
- b. Prepare the Current Liabilities section of the Balance Sheet as at 31 October. 4 marks
- c. Explain your treatment of the \$800 deposit received on 31 October. 3 marks

Question 8 (10 marks)

AB Gym Equipment sells a range of fitness equipment and reports annually on 30 June.

The business offers free delivery of its larger items and owns two delivery vans for this purpose. Straight-line depreciation is used for the delivery vans at 15% per annum on cost.

The Balance Sheet as at 30 June 2024 reported the following:

Non-Current Assets	\$	\$
Delivery Vans	90 000	
Less Accumulated Depreciation	<u>(52 000)</u>	38 000

One of the delivery vans, which originally cost \$40 000 (plus GST) and had a carrying value of \$12 000 at 30 June 2024, was traded in for a new van on 31 December 2024.

The trade-in allowance was \$10 000 on the new van, which cost \$48 000 (plus GST).

The balance was paid in cash on 31 December (EFT 654) and the new van was delivered on that date.

- a. Calculate the depreciation of the traded-in van to 31 December 2024. 1 mark
- b. Complete the Disposal of Delivery Van account in the General Ledger on 31 December 2024. 4 marks
- c. Calculate the depreciation of delivery vans for the year ended 30 June 2025. 3 marks
- d. Complete the table provided to show the effect of the disposal of the old van and the purchase of the new van on the Cash Flow Statement for the year ended 30 June 2025. 2 marks

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

Letter

Accounting

Answer Book

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Question 1 (13 marks)

a.

4 marks

MainRoad Electrics**General Journal**

Date 2025	Details	Debit \$	Credit \$

b.

2 marks

Explanation

c.

4 marks

MainRoad Electrics

General Ledger

Prepaid Advertising

Date 2025	Cross-reference	Amount	Date 2025	Cross-reference	Amount

Advertising

Date 2025	Cross-reference	Amount	Date 2025	Cross-reference	Amount

d.

3 marks

Qualitative characteristic
Explanation

Do not write in this area.

Question 2 (11 marks)

a.

2 marks

Reason 1
Reason 2

b.

2 marks

Description

Question 3 (8 marks)

Working space

a. 2 marks

**Top Sportz
General Journal**

Date 2025	Details	Debit \$	Credit \$

b. 3 marks

**Top Sportz
General Journal**

Date 2025	Details	Debit \$	Credit \$

Do not write in this area.

c.

3 marks

Description

Do not write in this area.

Question 4 (21 marks)

a.

3 marks

Working space		
<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="padding: 5px;">GST expected to be paid in November 2025</td> <td style="padding: 5px; width: 50px; text-align: center;">\$</td> </tr> </table>	GST expected to be paid in November 2025	\$
GST expected to be paid in November 2025	\$	

b.

7 marks

General Ledger

Allowance for Doubtful Debts

Date 2025	Cross-reference	Amount	Date 2025	Cross-reference	Amount

Accounts Receivable

Date 2025	Cross-reference	Amount	Date 2025	Cross-reference	Amount

Do not write in this area.

c.

6 marks

Dizzies Metalworks

Budgeted Cash Flow Statement for the month ending 30 November 2025

	\$	\$
Cash Flow from Operating Activities		

d.

3 marks

Explanation

Do not write in this area.

e.

2 marks

Explanation

Question 5 (10 marks)

a.

4 marks

	Current wages	Wages increased by 20%
Daily sales	\$3700	\$3700
Gross profit (12%)		
Less staff wages		
Shift profit (daily)		
× 365 = Shift profit (year)		

Question 6 (8 marks)**a.**

2 marks

Explanation

b.

3 marks

Explanation

c.**3 marks**

Accounting element
Explanation

b.

4 marks

454High
Balance Sheet (extract) as at 31 October 2025

	\$	\$
Current Liabilities		

c.

3 marks

Explanation

Question 8 (10 marks)

a.

1 mark

Working space
Depreciation of traded-in van to 31 December 2024
\$

b.

4 marks

General Ledger

Disposal of Delivery Van

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount

c.

3 marks

Working space
Depreciation of delivery vans for the year ended 30 June 2025
\$

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d.

2 marks

Effect on Cash Flow Statement

Item	Classification	Inflow or outflow	\$

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