

2 0 2 6

N H T

Accounting

Question Book

VCE (NHT) Examination – Wednesday 20 May 2026

- 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 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
9 questions (100 marks)	2–11

Instructions

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

Question 1 (7 marks)

Ezi Pools sells swimming pool accessories and reports annually on 31 March. All sales are for cash and all purchases are made on credit. The owner consulted with their accountant and has decided to establish a double entry system from 1 April 2026.

Business records on 1 April 2026 showed the following:

- Amounts owing to suppliers \$8 000
- Amount in the business bank account \$19 000
- Equipment at cost price when purchased \$129 000
- Depreciation on equipment since purchase \$30 000
- GST received since last settlement with the Australian Taxation Office (ATO) \$2 500
- GST paid or incurred since last settlement with the ATO \$2 000
- Inventory on hand \$48 000
- A loan of \$10 500 was taken out on 31 March 2026. The loan is for five years. Interest is 6% per annum and the principal is to be repaid in equal amounts each year.
- Rent is \$3 000 (plus GST) per month and was last paid on 1 January 2026 for the six months ending 30 June.

- a. Prepare the General Journal entry to establish a double entry system at 1 April 2026. A narration is **not** required. 5 marks
- b. Prepare the Current Liabilities section of the Balance Sheet as at 1 April 2026. 2 marks

Question 2 (9 marks)

Shum Casual sells a variety of casual clothing to retailers across Melbourne. The business reports monthly. The business sells on both cash and credit terms, and all inventory is purchased on credit. Shum Casual uses the First In, First Out (FIFO) inventory cost assignment method.

The documents below relate to one inventory item, the Ironic Tee, a T-shirt with printed artwork.

Shum Casual			
Date: 07/04/2026		Invoice 28	
To: Incognito Sportswear			
For:			
Item	Qty	Cost	Total
Ironic Tee	10	12	\$120
Delivery			\$10
Amount:			\$130
GST:			\$13
Total:			\$143

Fluery Imports			
Date: 12/04/2026		Invoice 678	
To: Shum Casual			
For:			
Item	Qty	Cost	Total
T-shirts	50	4	\$200
Printing			\$50
Amount:			\$250
GST:			\$25
Total:			\$275
Terms 4/10, n/30			

Shum Casual	
Date: 16/04/2026	EFT: 575EF
To: Fluery Imports	
For: Settlement of account	
	Amount: \$264
Reference: Inv. 678	

Shum Casual	
Date: 30/04/2026	Memo: 12
Notes: Inventory count showed 72 Ironic Tees on hand	
Signed: B Shum	

- a. Complete the Inventory Card for April. 3 marks
- b. Prepare the General Journal entries to record the transactions on:
- 16 April
 - 30 April.
- Narrations are **not** required. 4 marks
- c. Identify two advantages of maintaining separate inventory cards for each line of inventory. 2 marks

Question 3 (5 marks)

K&A Rowing sells rowing boats, trailers and equipment to clubs and schools across Australia. The business reports monthly and operates on a mark-up of 50%.

On 1 September, the balance in the GST Clearing account was \$14 000 cr.

The following information relates to September 2025.

3 September	Cash sale of three boats that had cost K&A Rowing a total of \$220 000 (plus GST) (Rec. 28)
7 September	One rowing machine, which was sold on credit in August for \$3 000 (plus GST), was returned due to transport damage (CrN. 34).
14 September	Wages of \$7 000 paid (EFT 205)
15 September	Credit sale of one trailer at \$40 000 (plus GST) (Inv. 35)
18 September	Cash purchase of six boats, total cost \$420 000 (plus GST) (EFT 206)
21 September	Payment for boat delivery of \$5 000 (plus GST) (EFT 207)
30 September	GST owing at 1 September was paid to the ATO (EFT 208)

Show how the GST Clearing account would appear in the General Ledger at 30 September 2025.

Question 4 (13 marks)

PXL Furniture sells a range of furniture. Some products sold are made by a local Australian manufacturer, while others are imported from an overseas supplier. Customers ordering furniture made by the overseas supplier are required to pay a 25% deposit. These orders can take up to six months to be delivered.

The following information was extracted from the Trial Balance on 31 March 2026, which is the end of the yearly reporting period.

Advertising	\$7 500
Prepaid Insurance	\$6 900
Unearned Sales Revenue	\$26 000
Allowance for Doubtful Debts	\$5 400 cr

Additional information

- A 12-month advertising campaign commenced on 1 April 2025. Payments were to be made monthly at \$750 (plus GST). Due to administrative errors, not all payments had been made by 31 March 2026.
- Insurance is renewed on 1 January each year. The latest payment was \$4 200 (plus GST) on 1 January 2026 for 12 months' insurance.
- On 31 March 2026, \$8 000 worth of deposits remained on orders yet to be delivered.
- On 31 March 2026, it was decided to write off an accounts receivable debt of \$6 600. It was also decided to increase the Allowance for Doubtful Debts to \$7 000.

a. Complete the following General Ledger accounts at 31 March 2026:

- Advertising
- Prepaid Insurance
- Unearned Sales Revenue
- Allowance for Doubtful Debts

7 marks

b. On 30 April 2026, advertising for April was paid, along with the overdue amounts (EFT 451).

Record this payment in the General Journal.

A narration is **not** required.

3 marks

c. With reference to the definition of one accounting element, explain why the receipt of deposits is **not** recorded as revenue.

3 marks

Question 5 (20 marks)

Sid's Showers operates from its warehouse headquarters in Melbourne. Most of the business's sales are made by four sales representatives (sales reps) employed by the business, who travel throughout Victoria to sell bathroom products to businesses in country towns. However, some sales are also made directly from the Melbourne warehouse.

Each sales rep is paid \$84 000 per year, plus a bonus of \$5 000 if they meet their sales targets. All four sales reps have expressed some concern about the amount of driving required to travel between country towns while trying to meet their sales targets and earn the bonus.

The accountant is preparing the Budgeted Income Statement for the year ending 31 March 2027.

Items from the Income Statement for the year ended 31 March 2026 are shown below, plus the owner's comments relating to the 2027 budget.

Year ended 31 March 2026	\$	Owner's comments relating to 2027 budget
Sales – country	1 200 000	I think the economy will be stronger. Let's aim for a 10% increase in sales in both areas.
Sales – warehouse	100 000	
Gross Profit	780 000	We should be able to keep the Gross Profit Margin at 60%.
Sales reps' wages	336 000	We need to increase wages by 5% to keep the sales reps happy. I will increase their sales targets too!
Sales reps' bonuses	15 000	I expect all four sales reps to meet their sales targets next year.
Vehicle expenses	40 000	The depreciation amount will be lower again this year, but other costs are up. I expect the same total.
Warehouse expenses	140 000	Wages, rent and insurance are up. Increase this item by 4%.
Net Profit	249 000	I would like to do better!

- a. Prepare the Budgeted Income Statement for the year ending 31 March 2027. 6 marks
- b. Justify the owner's comment on vehicle expenses that 'The depreciation amount will be lower again this year ...' 3 marks

Additional information for parts c and d

One of the sales reps, David, has been with Sid's Showers for only 12 months. He made sales of \$230 000 (plus GST) but did not earn a bonus. He has worked hard to develop a very valuable customer list in towns not previously covered and the owner expects that David's sales will double within two years because of this.

Despite this, the owner is considering not re-employing David as a sales rep and believes that, under this strategy, the business may be better off for the following reasons:

- The remaining three sales reps would be given David's customer list and their sales targets would be increased.
- While the business would expect to lose \$120 000 (plus GST) in sales next year, expenses would decrease and the business would more than make up the lost sales in the years that follow.
- The bonus would be increased to \$9 000 to further motivate the remaining sales reps to cover more towns and meet sales targets.
- The business vehicle used by David would be sold to one of the owner's family members at its carrying value, although its market value is \$4 000 higher.
- With one fewer vehicle required by sales reps, vehicle expenses would be expected to decrease by 15%.

c. Complete the table to show the effect on Budgeted Net Profit if this strategy were adopted.

5 marks

d. With reference to financial and ethical considerations, discuss whether this strategy should be adopted and make a recommendation to the owner.

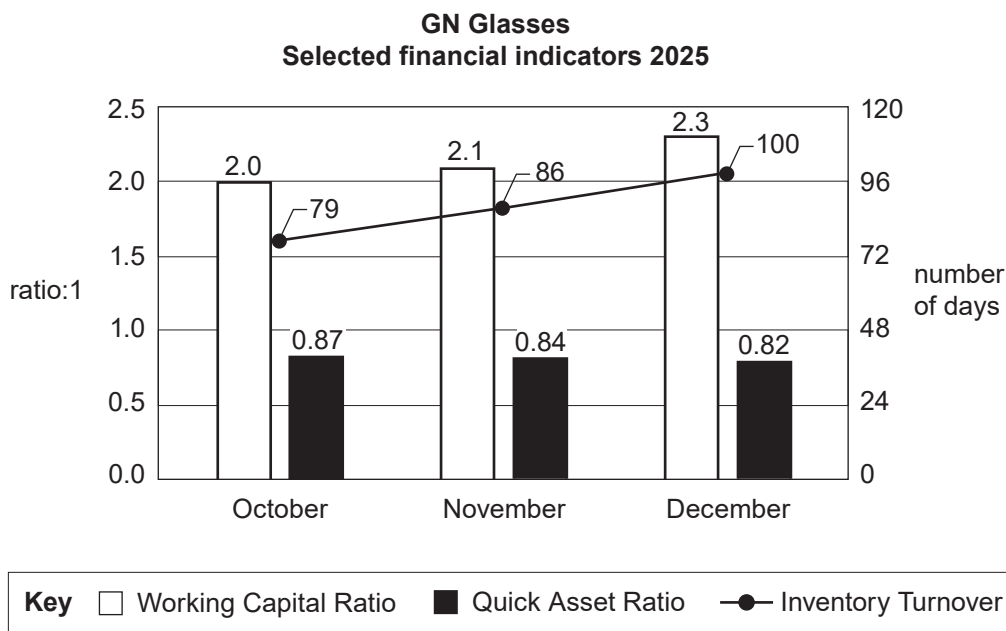
6 marks

Question 6 (10 marks)

GN Glasses buys all inventory on credit and all sales are for cash. In October 2025, its main supplier changed credit terms from n/30 to 5/14, n/30. GN Glasses has taken full advantage of the discount offered, which has resulted in the Accounts Payable Turnover changing from 32 days to 18 days. The business has also increased its purchases from the supplier as the owner believes it will result in cheaper unit product costs and an increased Gross Profit Margin.

The owner says that while sales have remained steady over the quarter, liquidity has deteriorated, even though the Working Capital Ratio has been increasing.

The accountant has provided the following chart to explain the situation.



- a. Explain why taking the discount offered will **not** lead to an increased Gross Profit Margin. 2 marks
- b. Explain why the business is experiencing liquidity problems even though the Working Capital Ratio has increased over the quarter. 4 marks
- c. The owner is concerned about the slower Inventory Turnover. A review of inventory identified several slow-moving inventory items. The owner decided that these items should be discounted immediately and that no further purchases of these items should be made. 4 marks
- Analyse the implications of the owner's decision. 4 marks

Question 7 (12 marks)

JustPhonz sells mobile phones and reports quarterly. New models of phones are released at the end of April each year. Any phones on hand at 31 March are reduced in price from 1 April to clear inventory before the new models arrive. Inventory is valued at the lower of cost and net realisable value (NRV).

The table below shows details of phones on hand at 31 March 2026 and the planned price reduction for April. A screen protector, which cost the business \$12 (plus GST), will be provided for free with each model C phone sold.

In the table below:

- Qty1 is quantity as per inventory records
- Qty2 is quantity as per physical count
- cost and current selling price are both excluding GST.

Model	Qty1	Qty2	Cost	Current selling price	Planned price reduction in April
A	42	40	\$450	\$530	20%
B	83	80	\$640	\$780	10%
C	60	60	\$800	\$1 000	25%

- a. Justify, with reference to one accounting assumption, why inventory is valued at the lower of cost and NRV. 3 marks
- b. Calculate the unit value at which each phone model will be reported as part of inventory at 31 March 2026. 3 marks
- c. Record the necessary adjusting entries in the General Journal at 31 March 2026. Narrations are **not** required. 4 marks
- d. Calculate the total value of Inventory to be reported in the Balance Sheet as at 31 March 2026. 2 marks

Question 8 (9 marks)

Molly's Electricals sells a range of household appliances and reports annually on 31 December. As a service to customers, Molly's Electricals offers free delivery of larger items sold.

On 1 October 2024, the business purchased a delivery van for cash, paying \$48 000 (plus GST). The van was expected to have a useful life of four years and a residual value of \$12 000. The business uses straight-line depreciation for vehicles.

The van proved to be too small for some deliveries and it was traded in for a larger van on 31 December 2025. The trade-in allowance was \$26 500 on the new van costing \$58 000 (plus GST). Additional shelving racks for the new van were also installed at a cost of \$4 500 (plus GST). The total amount owing was paid the same day (EFT 842).

- a. Prepare the Disposal of Van account in the General Ledger on 31 December 2025. 4 marks
- b. Prepare the General Journal entry to record the payment on 31 December.
A narration is **not** required. 3 marks
- c. A friend of the owner asked, 'Why do you depreciate your non-current assets?'
The owner replied, 'Well, it means that each year the Balance Sheet shows their current market value and what each could be sold for.'
Explain why the owner's statement is **not** correct. 2 marks

Question 9 (15 marks)

MGV Stationers is preparing its Cash Flow Statement for the month ended 30 April 2026. Sales are made on a cash basis and inventory is purchased on credit terms of 3/15, n/30.

The following information relates to April.

- Sales for the month were \$52 000 (plus GST).
- The Accounts Payable account in the General Ledger had an opening balance of \$9 900 cr. The business settled the account on 18 April.
- On 20 April, the business purchased inventory on credit for \$20 000 (plus GST). Half of the amount owing was settled on 30 April, taking advantage of the discount.
- There were no prepaid or accrued expenses on 1 April.
- Wages expense was \$6 000. Wages owing on 30 April were \$500.
- Advertising expense was \$3 000. Prepaid Advertising on 30 April was \$1 000.
- No GST settlement was made during the month and no other transactions involving GST occurred during April.

- a.** Complete the Accounts Payable account in the General Ledger for April. 4 marks
- b.** Prepare the Operating Activities section of the Cash Flow Statement for April. 6 marks
- c.** Justify the amount reported for Advertising in the Cash Flow Statement. 3 marks
- d.** In March, Net Cash Flow from Operating Activities was \$31 000. However, the Cash Flow Statement for March showed there had been a decrease in the cash position of \$14 000.
- Complete the table to identify one item from each of the other sections of the Cash Flow Statement for March that could have contributed to this decrease in the cash position. 2 marks

© Victorian Curriculum and Assessment Authority 2026

2 0 2 6

N H T

SUPERVISOR TO ATTACH
PROCESSING LABEL HERE

--	--	--	--	--	--	--	--	--

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

Letter

Accounting

Answer Book

VCE (NHT) Examination – Wednesday 20 May 2026

- 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

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

Instructions

- Answer all questions in the spaces provided in this book.

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

Do not write on this page.

Do not write in this area.

Question 2 (9 marks)

a.

3 marks

Inventory Card

Item: Ironic Tee		Cost assignment method: FIFO								
Supplier: Fluery Imports										
Date 2026	Document	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
Apr. 1	Balance							30	4	120

b.

4 marks

General Journal

Date 2026	Details	Debit \$	Credit \$

Do not write in this area.

c.

2 marks

Advantage 1
Advantage 2

Question 3 (5 marks)**General Ledger****GST Clearing**

Date 2025	Cross-reference	Amount	Date 2025	Cross-reference	Amount
			Sep. 1	Balance	14 000

Question 4 (13 marks)

a.

7 marks

General Ledger**Advertising**

Date 2026	Cross-reference	Amount	Date 2026	Cross-reference	Amount
Mar. 31	Bank (total to date)	7 500			

Prepaid Insurance

Date 2026	Cross-reference	Amount	Date 2026	Cross-reference	Amount
Mar. 31	Balance	6 900			

Unearned Sales Revenue

Date 2026	Cross-reference	Amount	Date 2026	Cross-reference	Amount
			Mar. 31	Balance	26 000

Allowance for Doubtful Debts

Date 2026	Cross-reference	Amount	Date 2026	Cross-reference	Amount
			Mar. 31	Balance	5 400

b. 3 marks

General Journal

Date 2026	Details	Debit \$	Credit \$

c. 3 marks

Accounting element
Explanation

Do not write in this area.

T E N

b.

3 marks

Justification

Do not write in this area.

IN

c.

5 marks

Working space

Effect on Budgeted Net Profit

	Change (\$)	Increase or decrease
Effect on Sales and Gross Profit		
Sales	120 000	decrease
Gross Profit		
Effect on expenses		
Overall effect on expenses		
Effect on Budgeted Net Profit		

Do not write in this area.

Question 6 (10 marks)

a.

2 marks

Explanation

b.

4 marks

Explanation

Do not write in this area.

Question 7 (12 marks)

a.

3 marks

Accounting assumption
Justification

b.

3 marks

Model A Working space	Unit value	\$
Model B Working space	Unit value	\$
Model C Working space	Unit value	\$

c.

4 marks

General Journal

Date 2026	Details	Debit \$	Credit \$

d.

2 marks

Working space**Total value of Inventory as at 31 March 2026****\$**

Question 8 (9 marks)

Working space

a. 4 marks

General Ledger

Disposal of Van

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

b. 3 marks

General Journal

Date 2025	Details	Debit \$	Credit \$

Do not write in this area.

c.

2 marks

Explanation

IN

Do not write in this area.

Question 9 (15 marks)

a.

4 marks

General Ledger

Accounts Payable

Date 2026	Cross-reference	Amount	Date 2026	Cross-reference	Amount
			Apr. 1	Balance	9 900

b.

6 marks

MGV Stationers
Cash Flow Statement (extract) for the month ended 30 April 2026

	\$	\$
Cash Flow from Operating Activities		

Do not write in this area.

c.

3 marks

Justification

d.

2 marks

Section of Cash Flow Statement	Item

Do not write in this area.

© Victorian Curriculum and Assessment Authority 2026

