



Victorian Certificate of Education 2008

ACCOUNTING

Written examination 1

Wednesday 11 June 2008

Reading time: 2.45 pm to 3.00 pm (15 minutes)

Writing time: 3.00 pm to 4.30 pm (1 hour 30 minutes)

QUESTION BOOK

Structure of book

<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
2	2	90

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners, rulers and one scientific calculator.
- Students are NOT permitted to bring into the examination room: blank sheets of paper and/or white out liquid/tape.

Materials supplied

- Question book of 9 pages.
- Answer book of 14 pages.

Instructions

- Write your **student number** in the space provided on the front page of the answer book.
- Answer both questions in the answer book.
- All written responses must be in English.

At the end of the examination

- You may keep this question book.

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

Question 1

Deans Bikes

Laura Dean operates a small business, Deans Bikes, selling bicycles and motorbikes. Laura's accountant maintains a double-entry accrual accounting system with control accounts for Debtors, Creditors and Stock. The business uses a perpetual inventory recording system with the FIFO (First In First Out) cost assignment method. Laura prepares quarterly reports.

1.1 The Balance Sheet at 30 June 2008 is shown below.

Deans Bikes			
Balance Sheet as at 30 June 2008			
Assets		Equities	
Current Assets		Current Liabilities	
Cash at Bank	6 500	Accrued Wages	2 000
Debtors Control	15 700	Creditors Control	20 800
Stock Control	<u>37 300</u>	Loan – ABC	4 000
	59 500	GST Clearing	<u>2 500</u>
			29 300
Non-Current Assets		Non-Current Liabilities	
Shop Fittings (at cost)	50 000	Loan – ABC	20 000
Accumulated Depreciation	(10 000)	Mortgage Loan	<u>240 000</u>
Land & Buildings	370 000		260 000
Accumulated Depreciation	<u>(18 500)</u>		
	391 500		
Total Assets		Owners Equity	
		Capital – L Dean	<u>161 700</u>
Total Assets		Total Equities	
	<u>451 000</u>		<u>451 000</u>

Required

1.1.1 From the Balance Sheet, **select** and **explain** two items (one for each principle) that best illustrate the accounting principles of

- Reporting Period
- Entity.

2 + 2 = 4 marks

The Mortgage Loan is an interest only loan due for repayment in 2015. The Loan from ABC was taken out on 1 July 2006. It is a principal and interest loan. Principal repayments are made in December each year.

1.1.2 **Explain** why the Loan from ABC was reported as both a Current and a Non-Current Liability.

2 marks

1.2 During the quarter ended 30 September 2008, Laura recorded transactions into the journals. A summary of all entries to 30 September 2008 is shown below.

Cash Payments Journal

Date 2008	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
July–Sept	Totals to date		184 100	1 100	92 900	33 000	12 000	7 300	40 000

Sales Journal

Date 2008	Debtor	Inv. No.	Cost of Sales	Sales	GST	Total Debtors
July–Sept	Totals to date		45 000	90 000	9 000	99 000

Purchases Journal

Date 2008	Creditor	Inv. No.	Stock	GST	Total Creditors
July–Sept	Totals to date		95 000	9 500	104 500

Cash Receipts Journal

Date 2008	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries
July–Sept	Totals to date		196 800	900	85 500	51 000	102 000	10 200	–

The following information is still to be recorded on 30 September 2008.

- Paid the Australian Taxation Office the balance of GST owing at 30 June 2008 (Chq. 728)
- Paid \$1 200 (plus \$120 GST) for advertising (Chq. 729)
- Paid Creditor – Honda \$3 900 in full settlement of our \$4 000 debt (Chq. 730)
- Debtor – R Johns has been declared bankrupt and his \$700 debt is to be written off (Memo 36)
- Charged Depreciation on Shop Fittings for the quarter. The Shop Fittings have a useful life of 10 years and a nil residual value (Memo 37). (**Note:** There were no additional purchases of Shop Fittings.)
- Sold 1 bicycle on credit to S May – \$400 + \$40 GST (cost price \$200 + \$20 GST) (Inv. DB92)
- A physical stocktake revealed a stock loss of \$200 (Memo 38).

Required

- 1.2.1 Record** the above transactions into the appropriate journals. **Total** all relevant journals. (Narrations are **not** required.)

3 + 2 + 2 + 1 + 1 + 1 = 10 marks

- 1.2.2 Show** how the following General Ledger accounts would appear after all journals have been posted at 30 September 2008.

- Cash at Bank (You are **not** required to **balance** this account.)
- Creditors Control (You are **not** required to **balance** this account.)
- GST Clearing (You **are** required to **balance** this account.)
- Stock Control (You **are** required to **balance** this account.)

1 + 2 + 4 + 4 = 11 marks

- 1.2.3 Explain** how source documents improve the reliability of information in the accounting reports.

2 marks

- 1.2.4 Explain** the process by which the Stock Loss of \$200 was determined by the business.

2 marks

- 1.2.5 State** two advantages of using special journals in the recording process.

1 + 1 = 2 marks

1.3 At 31 December 2008 Laura prepared the post-adjustment Trial Balance shown below.

Deans Bikes
Post-adjustment Trial Balance as at 31 December 2008

Account	Debit \$	Credit \$
Accrued Wages		1 200
Accumulated Depreciation – Land & Buildings		23 200
Accumulated Depreciation – Shop Fittings		13 250
Advertising Expense	4 000	
Capital		168 700
Cartage In	2 000	
Cash at Bank		6 300
Cost of Sales	87 100	
Creditors Control		24 500
Debtors Control	19 650	
Depreciation – Land & Buildings	4 700	
Depreciation – Shop Fittings	2 000	
Discount Revenue		1 000
Drawings	10 700	
GST Clearing		4 100
Interest Expense	6 000	
Land & Buildings	370 000	
Loan – ABC		20 000
Mortgage Loan		240 000
Other Expenses	24 000	
Prepaid Advertising Expense	12 000	
Sales		174 200
Shop Fittings	80 000	
Stock Control	38 300	
Stock Loss	600	
Wages	15 400	
	676 450	676 450

Required

1.3.1 Prepare a Classified Profit and Loss Statement for the quarter ended 31 December 2008.

5 marks

1.3.2 Show how the Profit and Loss Summary account and the Capital account would appear in the General Ledger after all closing and transfer entries have been posted.

(You **are** required to **close or balance** each account.)

3 + 2 = 5 marks

1.3.3 Explain why the discount received from creditors of \$1 000 is treated as revenue in the Profit and Loss Statement.

2 marks

Total 45 marks

Question 2

Electrical World

Dale Wood operates a small business, Electrical World, selling a range of electrical appliances. Dale's accountant maintains a double-entry accrual accounting system with control accounts for Debtors, Creditors and Stock. The business uses a perpetual inventory recording system with the FIFO (First In First Out) cost assignment method.

- 2.1** The LCD3 is a type of television set sold by Electrical World. Malden Ltd is the only supplier of the LCD3.

On 1 June 2008 the subsidiary records for the creditor and the stock item were as follows.

Creditor – Malden Ltd

Date 2008	Cross Reference	\$	Date 2008	Cross Reference	\$
			1 June	Balance	7 200

Stock Card: LCD3 Television

Date	Details	IN			OUT			BALANCE		
2008		Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$
June 1	Balance							5	700	3 500

During June 2008 the following transactions occurred.

- 2 June – Purchased 4 LCD3s on credit from Malden Ltd – \$750 each + \$75 GST each (Inv. M371)
- 5 June – Sold 1 LCD3 for cash – \$1 450 + \$145 GST (Rec. 74)
- 8 June – Paid Malden Ltd \$4 000 and was granted a \$200 discount (Chq. 179)
- 10 June – Sold 6 LCD3s on credit to Highett Motels \$1 400 + \$140 GST each (Inv. C21)
- 14 June – Dale took 1 LCD3 home as a present for his family (Memo 64).

Required

- 2.1.1** **Record** the above transactions into

- the Creditors Subsidiary Ledger account
- the Stock Card.

(You are **not** required to **balance** the Subsidiary Ledger.)

2 + 4 = 6 marks

- 2.1.2** **Explain** the purpose of subsidiary records in the recording process.

2 marks

- 2.2 On 11 October 2007 the business paid \$3 960 (including \$360 GST) to renew the annual insurance policy due to expire on 31 October 2007 (Chq. 1245). The payment was correctly recorded in the Prepaid Insurance account. On 30 June 2008, before any adjusting entries, the balance in the Prepaid Insurance account was \$4 720.

Required

- 2.2.1 **Explain** why it was correct to record the payment as prepaid insurance.

2 marks

- 2.2.2 **Prepare** the necessary General Journal entries to record the

- balance day adjustment
- closing entry

relating to insurance for the year ending 30 June 2008.

(Narrations are **not** required.)

2 + 2 = 4 marks

- 2.2.3 **State** the effect on the Balance Sheet if the balance day adjustment relating to insurance was **not** made.

2 marks

- 2.2.4 **Explain** why closing entries are required as part of the accounting process.

2 marks

2.3

MEMO 76

From: Dale Wood

Date 30/6/08

To: Mary Spence (Accountant)

I have transferred my Ford Terrestrial 4WD vehicle (Registration DWD196) into the business name as you requested, effective from 1 June 2008. Original cost was \$42 900 (including \$3 900 GST) on 1 March 2005. The current market value is \$30 000 – we will use this as the agreed value. The annual vehicle registration was \$900 and expires 1 March 2009.

Please record all necessary details.

Signed: Dale Wood (owner)

Required

Show the General Journal entries required on 30 June 2008 to record

- the transfer of the vehicle and the remaining vehicle registration to the business
- the depreciation on the vehicle (depreciation charged at 20% p.a.)
- the vehicle registration expense for the month of June 2008.

(Narrations are **not** required.)

3 + 2 + 2 = 7 marks

- 2.4** On 31 March 2009 Dale's accountant provided him with a summary of cash flow for the previous quarter.

	\$
Net Cash from Operating Activities	(12 100)
Net Cash from Investing Activities	5 000
Net Cash from Financing Activities	40 000
Cash at Bank (1/01/2009)	(18 500)

Required

- 2.4.1 Calculate** the bank balance at 31 March 2009.

1 mark

- 2.4.2 Identify** one possible inflow from Financing Activities.

1 mark

- 2.4.3 Explain** what is meant by Cash Flow from Operating Activities.

2 marks

Net Profit for the quarter was \$3 650, although Net Cash from Operating Activities was negative.

- 2.4.4 Explain**, giving one example, how this can occur.

2 + 1 = 3 marks

- 2.4.5 Explain** whether the owner should be concerned about the business's cash flow.

2 marks

- 2.5** At 30 June 2009 the GST Clearing account appeared as follows.

GST Clearing

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
30 June	Creditors Control	4 200	1 June	Balance	7 200
	Bank (1)	3 800	30 June	Debtors Control (2)	6 500
				Bank	3 300

Required

- 2.5.1 Identify** the transactions that resulted in the ledger entries marked (1) and (2).

1 + 1 = 2 marks

- 2.5.2 Explain** why GST received from customers is not treated as revenue for the business.

2 marks

2.6 Wages expense is currently \$10 000 per month, paid in arrears on and up to the 15th of each month. The following information relates to wages for the business.

- Accrued wages at 1 October 2009 – \$5 000
- Payments to employees for wages on 15 October were \$10 000
- During November 2009 a wage increase of 20% was approved, effective from 16 December 2009
- Wages owing at 31 December 2009 – \$6 000

Required

2.6.1 Record the wages payments in the Cash Payments Journal for

- 15 October (Chq. 473)
- 15 November (Chq. 491)
- 15 December (Chq. 522).

(You are required to **total** the Cash Payments Journal.)

2 marks

2.6.2 Prepare the balance day adjustment in the General Journal at 31 December 2009 for accrued wages. (Narration is **not** required.)

2 marks

2.6.3 Show how the

- Wages Expense account
- Accrued Wages account

would appear at 31 December 2009 after all information has been recorded and posted.

(You are **not** required to **balance or close** the accounts.)

3 marks

Total 45 marks



Victorian Certificate of Education 2008

SUPERVISOR TO ATTACH PROCESSING LABEL HERE

STUDENT NUMBER

Figures

Words

Letter

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ACCOUNTING

Written examination 1

Wednesday 11 June 2008

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Writing time: 3.00 pm to 4.30 pm (1 hour 30 minutes)

ANSWER BOOK

Instructions

- A question book is provided with this answer book.
- Answer all questions in the spaces provided in this book.
- Write your **student number** in the space provided above on this page.
- Refer to **Instructions** on the front cover of the question book.

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Question 1 – Deans Bikes**1.1.1****Reporting Period**

Item
Explanation

Entity

Item
Explanation

2 + 2 = 4 marks

1.1.2

Explanation

2 marks

1.2.1

CASH PAYMENTS JOURNAL

Date 2008	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
July–Sept	Totals to date		184 100	1 100	92 900	33 000	12 000	7 300	40 000

SALES JOURNAL

Date 2008	Debtor	Inv. No.	Cost of Sales	Sales	GST	Total Debtors
July–Sept	Totals to date		45 000	90 000	9 000	99 000

PURCHASES JOURNAL

Date 2008	Creditor	Inv. No.	Stock	GST	Total Creditors
July–Sept	Totals to date		95 000	9 500	104 500

CASH RECEIPTS JOURNAL

Date 2008	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries
July–Sept	Totals to date		196 800	900	85 500	51 000	102 000	10 200	–

GENERAL JOURNAL

Date 2008	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

3 + 2 + 2 + 1 + 1 + 1 = 10 marks

1.2.2

CASH AT BANK

Date 2008	Cross Reference	\$	Date 2008	Cross Reference	\$
1 July	Balance	6 500			

CREDITORS CONTROL

Date 2008	Cross Reference	\$	Date 2008	Cross Reference	\$
			1 July	Balance	20 800

GST CLEARING

Date 2008	Cross Reference	\$	Date 2008	Cross Reference	\$
			1 July	Balance	2 500

STOCK CONTROL

Date 2008	Cross Reference	\$	Date 2008	Cross Reference	\$
1 July	Balance	37 300			

1 + 2 + 4 + 4 = 11 marks

1.2.3

Explanation

2 marks

1.2.4

Explanation

2 marks

1.2.5

Advantage 1
Advantage 2

1 + 1 = 2 marks

1.3.2

PROFIT & LOSS SUMMARY

Date 2008	Cross Reference	\$	Date 2008	Cross Reference	\$

CAPITAL

Date 2008	Cross Reference	\$	Date 2008	Cross Reference	\$
			31 Dec	Balance	168 700

3 + 2 = 5 marks

1.3.3

Explanation

2 marks

Total 45 marks

TURN OVER

Question 2 – Electrical World**2.1.1****Creditor – Malden Ltd (Subsidiary Ledger)**

Date 2008	Cross Reference	\$	Date 2008	Cross Reference	\$
			1 June	Balance	7 200

Stock Card: LCD3 Television

Date 2008	Details	IN			OUT			BALANCE		
		Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$
June 1	Balance							5	700	3 500

2 + 4 = 6 marks

2.1.2

Explanation

2 marks

2.2.1

Explanation

2 marks

2.2.2

GENERAL JOURNAL

Date 2008	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

2 + 2 = 4 marks

2.2.3 Effect on Balance Sheet

Item	Overstated/Understated/No Change
Effect on Assets	
Effect on Liabilities	
Effect on Owners Equity	

2 marks

2.2.4

Explanation

2 marks

2.3

GENERAL JOURNAL

Date 2008	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

3 + 2 + 2 = 7 marks

2.4.1

Calculation	
Bank balance at 31 March 2009	\$

1 mark

2.4.2

Inflow

1 mark

2.4.3

Explanation

2 marks

2.4.4

Explanation

2 + 1 = 3 marks

2.4.5

Explanation

2 marks

2.5.1

Transaction 1
Transaction 2

1 + 1 = 2 marks

2.5.2

Explanation

2 marks

2.6.1

CASH PAYMENTS JOURNAL

Date 2009	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries

2 marks

2.6.2

GENERAL JOURNAL

Date 2009	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

2 marks

2.6.3

WAGES

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$

ACCRUED WAGES

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
			1 Oct	Balance	5 000

3 marks

Total 45 marks

END OF ANSWER BOOK