

First Class Trial Examination 2012



ACCOUNTING

Written Examination 1

Reading time: 15 minutes

Writing time: 1 hour 30 minutes

QUESTION BOOK

Structure of book

Number of questions	Number of questions to be answered	Number of marks
7	7	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 10 pages.

Instructions

- Write your **student number** in the space provided on the front page of the answer book.
- Answer all 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

Palinda Perera has been operating his butcher store Perera Meats since the start of the year. As at 1 March 2012, he has decided to commence using a double entry accounting system. His diary where he keeps track of all business transactions reveals the following balances.

	\$
Cash at Bank	1 250
Overdraft	
Stock of Meat	8 000
GST Refund entitlement	1 120
Equipment	5 000
Creditor – Farm Fresh	1 300
Creditor – Cows Plus	1 700
Loan – AZN Bank	8 000

- a. Calculate the owner's equity as at 1 March 2012.
1 mark
- b. Define 'owner's equity'.
2 marks
- c. Explain one possible reason why Perera Meats would be entitled to a GST refund.
3 marks
- d. Prepare the General Journal entry necessary to establish a double entry accounting system on 1 March 2012.
A narration is **not** required.
5 marks

Question 2

Utri Underwear has provided you with the following source documents that are yet to be recorded. (Sports socks cost \$5 each)

UTRI UNDERWEAR Hird Street Essendon TAX INVOICE ABN:12 004 115 672 Receipt No: 287 Date: 30 June 2012 Amount: \$490 Received from: Debtor Packman For: Settlement of account including 2% discount	UTRI UNDERWEAR Hird Street Essendon TAX INVOICE ABN:12 004 115 672 INVOICE NUMBER: 6754 Customer: C Sloan Toorak Rd Toorak Date: 30 June 2012 5 Sports socks @ \$10 \$50 Plus GST \$5 Total \$55 Terms 10/7 n/30
Date: 30 /6/12 To: Adamos Insurance For: 12 Month policy starting 1 July 2012 including GST on Utri Underwear Shop. Bal c/f \$ Deposits \$ Amount \$2640 Balance \$ Cheque Number 00127	Memo 19 To: Accounts Peyton Partners Accounting today advised us that their client C Reidy has been declared insolvent and will only be paying 35 cents in the dollar. The records show that he currently owes us \$100 for recent credit purchases. Please adjust the accounts to reflect this Regards Conor Utri. 30/6/12
Memo 20 To: Accounts A check of the electricity meter shows that we have used \$400 of electricity that we are yet to be charged for. Regards Conor Utri. 30/6/12	Memo 21 To: Accounts On 26 of June a payment made to T Hanson for \$350 wages was incorrectly recorded as paying our creditor M Hince. Please correct this error. Regards Conor Utri. 30/6/12

a. Update and total the relevant Journals in the answer book with the information contained in the above documents.

Narrations are **not** required.

12 marks

- b. With reference to one accounting principle, explain the need to record the information contained in Memo 20.
3 marks
- c. Explain how special journals assist in the recording process.
2 marks
- d. Explain how the general journal assists with reliability of reports.
2 marks
- e. Show how the GST Clearing and Debtors Control Ledgers would look in the General Ledger after the Journals for June have been posted and the accounts balanced.
5 marks
- f. Describe how the GST Clearing account would be classified in the balance sheet as at 30 June 2012.
2 marks

Question 3

Simkiss Sports has recently purchased a few footballs and basketballs to begin trading on the internet. On the first of June they had in stock 12 Footballs which had cost \$50 plus \$5 GST and 20 Basketballs at \$30 plus \$3 GST. The following transactions took place in June.

June	9	Sold 10 Footballs for \$1100 including GST. Inv 22
	15	Purchased 20 Footballs for \$51 each plus GST, Inv 4812
	16	Sold 4 basketballs for \$60 each plus GST Inv 23
	19	Donated one football to the local club Memo 2
	21	Paid the freight company \$100 which covers the last 6 months freight on all stock.
	24	One basketball got run over and had to be thrown away Memo 3
	29	Sold 15 footballs for \$1650 including GST Inv 24
	30	A physical count revealed 7 footballs and 15 basketballs on hand Memo 4

- a. Record the football transaction for June in the stock card for footballs.

6 marks

- b. Show the General Journal entry necessary to record the transaction on 19 June. Narration is required.

3 marks

- c. Prepare an extract of the Income statement for Simkiss Sports Store to show the Adjusted Gross Profit for the year ended June 2012.

5 marks

Question 4

On 1 January 2012 Keenan Kites received a vehicle contributed by the owner who had been using it in another business he owns. It has been valued by dealers at \$40 000. The owner had originally purchased the vehicle for \$60 000 plus GST and had depreciated it by \$18 000. It is understood that the vehicle will have a residual value of \$25 000 in 5 years time.

- a. Discuss, referring to the accounting quality characteristics, what value the vehicle should be recorded at in the books of Keenan Kites.
4 marks
- b. Explain the affect on the accounting reports if adjustments for depreciation are not made in a period.
3 marks
- c. Using your figure from question 4 a (if left blank use \$75 000 as the historical cost), calculate the Vehicle's Depreciation expense for 1 year.
1 mark
- d. Show the General Journal entries necessary to record depreciation of the Vehicle by Keenan Kites on 30 June 2012. Narration is **not** required.
3 marks

Question 5

Barci Bricks sells bricks to builders on credit. The business prepared a debtors Schedule as at 31 May 2012.

DEBTOR	\$ Balance
J Graham	7 400
J Stewart	1 150
C Gleeson	2 200
Balance as per Debtors Control account	8 750

A study of June 2012 transactions with J Graham reveals the following:

June 4 Credit Sale of \$2 000 plus GST.
 11 Received payment of April invoice of \$2 000.
 18 Received payment of \$5 130, receipt (241) for the May account with J Graham taking advantage of a 5% discount for prompt payment.

- a. Discuss the usefulness of offering a discount to debtors for prompt payment.
5 marks
- b. Show how the Debtors Subsidiary Ledger for Debtor – J Graham would appear as at 30 June 2012. You are **not** required to balance the account.
4 marks

Question 6

Storey Pumps reports annually on 30 June.

- Prepaid Insurance Expense had a balance of \$660. The insurance policy is for 1 year starting 1 November 2011.
- The Interest Expense account had a balance of \$870. Interest incurred for the year totalled \$970 although the final payment is yet to be made by the business.
- Vehicles account had a balance on 1 June 2012 of \$145 000. The vehicles are depreciated at 10 % per annum on cost straight line method. The cash payments Journal shows that another vehicle was purchased on 1 June 2012 for \$120 000 plus GST.

- a. Prepare the adjusting entries required to record the above information in the General Journal on 30 June 2012. Narration is **not** required.

6 marks

- b. Based on the information given, state one reason why the cash position may have improved more than the profit over the year ending 30 June 2012.

1 mark

- c. Evaluate whether balance day adjustments should be made when determining the profit of a business.

4 marks

Question 7

Faull Fish Shop provided you with a list of the following details for the year ended 30 June 2012.

Cash purchases of stock	\$ 74 000
Credit purchases of stock	\$ 16 000
Payments to creditors	\$ 16 400
Cost of sales	\$ 79 500
Cash sales	\$130 000
Credit sales	\$ 3 050
Receipts from debtors	\$ 3 000
Depreciation – Vehicle	\$ 2 400
Payments to employees	\$ 9 000
Accrued wages at start of period	\$ 300
Prepaid wages at end of period	\$ 100
Stock gain	\$ 50
Advertising paid 1 January for the years advertising in the 2012 phone book.	\$600
GST paid to suppliers	\$ 7 460
GST received from customers	\$ 13 000
GST Settlements paid to ATO	\$ 4 200

- a. Complete the Profit and Loss Summary Account as it would appear in the General Ledger up to 1 July 2012.

4 marks

- b. Show the cash inflows and outflows from operations for the year ended 30 June 2012.

4 marks