

Victorian Certificate of Education
2017**ACCOUNTING**
Written examination**Tuesday 6 June 2017****Reading time: 10.00 am to 10.15 am (15 minutes)****Writing time: 10.15 am to 12.15 pm (2 hours)****QUESTION BOOK****Structure of book**

<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
8	8	100

- 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 correction fluid/tape.

Materials supplied

- Question book of 12 pages.
- Answer book of 18 pages.

Instructions

- Write your **student number** in the space provided on the front cover 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 (11 marks)

The following information relates to Maxi Arts, a supplier of art material, for January 2017.

Creditor balances at 1 January 2017

Pixel Printing	\$14 000
N Dawson	10 000
Arts Plus	<u>16 000</u>
	\$40 000

Journals for January 2017**Purchases Journal**

Date 2017	Creditor	Invoice No.	Stock Control	GST	Creditors Control
Jan. 5 17	G Roberts CanArts	822	10 500	1 050	11 550
		1 437	8 400	840	9 240
			\$18 900	\$1 890	\$20 790

General Journal (partially completed)

Date 2017	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit
Jan. 9					
	G Roberts			550	
	Returned art folios – CrN. 34				

Cash Payments Journal

Date 2017	Details	Chq. No.	Bank	Disc. Rev.	Creditors Control	Wages	Sundries	GST
Jan. 4	Office equipment	201	7 700				7 000	700
6	N Dawson	202	9 800	200	10 000			
11	G Roberts	203	11 000		11 000			
15	Wages	204	4 100			4 100		
17	Drawings	205	27 000				27 000	
23	CanArts	206	16 000		16 000			
30	Wages	207	4 175			4 175		
			\$79 775	\$200	\$37 000	\$8 275	\$34 000	\$700

- a. Complete the General Journal entry on 9 January. 2 marks
- b. Complete the Creditors Control account at 31 January.
You are required to balance the account. 4 marks
- c. Post the required transactions into G Roberts's account in the Creditors Subsidiary Ledger.
You are **not** required to balance the account. 3 marks
- d. Describe when the 'Sundries' column is used in the Cash Payments Journal and provide an example. 2 marks

Question 2 (5 marks)

Lux Lamps commenced business on 1 February 2017. The business will use a General Journal and special journals, and also subsidiary records for debtors, creditors and stock.

On 1 February 2017:

- the owner contributed \$15 000 cash
- the owner also contributed equipment that cost \$6 000 (plus GST), but has an agreed value of \$4 000
- a motor vehicle costing \$26 000 (plus GST) was bought on credit from Milton Motors
- stock costing \$10 000 (plus GST) was purchased on credit from West Imports. Stock will be marked up by 125%
- the owner negotiated a bank overdraft with Who Bank for \$45 000.

Prepare the General Journal entry with the relevant items required to commence a double entry system on 1 February 2017.

A narration is **not** required.

Question 3 (10 marks)

Licorice Likes pays its employees monthly on the ninth day of each month for work up to and including that day. The total wages bill is \$2 500 per day, based on a seven-day working week. The business reports on a monthly basis. (Note: There are 31 days in March and 30 days in April.)

- a. Prepare the Cash Payments Journal entry for 9 April 2017 (Chq. No. 411). 2 marks
- b. Prepare the adjusting and closing entries in the General Journal for 30 April 2017.
Narrations are **not** required. 4 marks
- c. If the adjusting entry were not recorded, explain the effect for April on the:
- Income Statement
 - Balance Sheet. 4 marks

Question 4 (15 marks)

A2 Imports has provided the following partially completed Stock Card for the Tech television.

Stock Card

Product: Tech television					Cost Assignment Method: FIFO					
Date 2017	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
May 1	Balance							10	500	5 000
5	Inv. 234	10	550	5 500				10	500	
								10	550	10 500

Additional information

- 6 May Credit sale of eight Tech televisions to a local school for \$800 each plus GST (Invoice 430)
- 12 May Credit purchase of seven Tech televisions at a cost of \$475 each plus GST and customs duty of \$350 plus GST on this invoice (Invoice 644)
- 17 May Owner withdrew one Tech television and one Ace television from the business (Memo 33)
- 19 May Provided three Tech televisions to a local hospital in exchange for advertising in their newsletter (Memo 34)
- 24 May Customer returned one faulty Tech television to the business (Credit Note 56)

- a. Record the additional information in the Stock Card provided. 5 marks
- b. Justify the cost price entered for the seven televisions purchased on 12 May. 2 marks
- c. A physical stocktake was conducted on 31 May and there were 15 Tech televisions on hand (Memo 35).

Prepare the General Journal entry required to record Memo 35.

A narration is required.

3 marks

A new model of the Tech television, called Tech2, was released during May 2017.

The owner provided the following information about the existing televisions in stock on 31 May 2017.

Model	Estimated selling price	Delivery to customers
Tech television	\$400	\$40

- d. Complete the table provided to show the effect that the release of the new Tech2 television will have on the Balance Sheet. 2 marks
- e. With reference to **one** qualitative characteristic, explain why it would be necessary for A2 Imports to record the impact of the release of the new Tech2 television. 3 marks

Question 5 (14 marks)

Candy Enterprises sells chocolates and lollies. It reports on an annual basis on 30 June each year. On 1 June 2015, Candy Enterprises purchased three mobile phones for the use of the sales staff. Each mobile phone cost \$900 (plus GST) and was bought on credit from DigPhones. The mobile phones were depreciated at 40% per annum using the reducing balance method. The business decided to dispose of the mobile phones on 30 June 2016 and received \$400 cash for each phone.

- a. Show how the following accounts would appear in the General Ledger after all details of the purchase and sale of the mobile phones have been posted:
- Mobile Phones
 - Accumulated Depreciation of Mobile Phones
 - Disposal of Mobile Phones

You are **not** required to balance the accounts.

7 marks

The accountant told the owner that a loss on disposal of a non-current asset results from under-depreciation.

- b. Justify the accountant's statement. 3 marks
- c. Describe the impact of loss on disposal on the accounting reports. 3 marks
- d. State the journals that would be used to record the disposal of the mobile phones. 1 mark

Question 6 (14 marks)

XT Traders has benchmarked itself against recently published industry averages and has produced the following data for 2016.

Key indicator	XT Traders	Industry average
Return on Owner's Investment	15.4%	17.5%
Return on Assets	13.8%	11.6%
Stock Turnover	88 days	67 days
Debtors Turnover	57 days	43 days
Creditors Turnover	28 days	35 days
Working Capital Ratio	2.7:1	1.9:1
Quick Asset Ratio	1.4:1	1.2:1
Debt Ratio	31%	51%

- a. Discuss the liquidity of XT Traders. 6 marks
- b. Explain the purpose of a benchmark and provide **two** benchmarks that this business could use, other than industry averages. 4 marks
- c. Using the information above, suggest why XT Traders' Return on Owner's Investment is lower than the industry average while the Return on Assets is higher than the industry average. 4 marks

Question 7 (22 marks)

Hills Hardware is preparing its budgets for the three months ending 30 September 2017. All sales and purchases of stock are on credit. The business provides the following information.

Hills Hardware**Assets, Liabilities and Owner's Equity as at 30 June 2017**

	Debit	Credit
Accrued Wages		1 000
Accumulated Depreciation of Equipment		27 000
Bank	4 000	
Capital		112 000
Creditors Control		15 000
Debtors Control	25 000	
Equipment	89 000	
GST Clearing		3 000
Prepaid Advertising	2 000	
Stock Control	38 000	

Additional information for the three months ending 30 September 2017

- Purchases of stock on credit will be \$21 000 (plus GST).
- The business will purchase a new computer system on credit from AC Technologies for \$4 000 (plus GST) on 30 August. Payment is due within six months.
- **Estimated Receipts**

Receipts from Debtors	\$85 000 (no discounts will be offered for early payment)
Capital	\$10 000
- **Estimated Payments**

Advertising	\$7 000 (plus GST)
Creditors	\$23 000 (including discount revenue of \$500)
Wages	\$24 000
Accrued Wages	\$1 000
Rent	\$10 000 (plus GST)
Drawings	\$9 000
Australian Taxation Office (ATO; GST)	\$3 000

Budgeted Income Statement for the three months ending 30 September 2017

Sales	102 000
Less Cost of Sales	<u>40 000</u>
Gross Profit	62 000
Plus Other Revenue	
Discount Revenue	<u>500</u>
	62 500
Less Expenses	
Wages	24 000
Rent Expense	10 000
Advertising	8 000
Depreciation of Equipment	<u>4 000</u>
	46 000
Net Profit	16 500

- a. Prepare the Estimated Cash Flows from Operating Activities section of the Budgeted Cash Flow Statement for the three months ending 30 September 2017. 7 marks
- b. Show how the following accounts would appear in the General Ledger at 30 September 2017:
- GST Clearing account
 - Capital account
- You are **not** required to balance the accounts. 8 marks
- c. Prepare the Current Assets and the Current Liabilities sections of the Budgeted Balance Sheet as at 30 September 2017. 7 marks

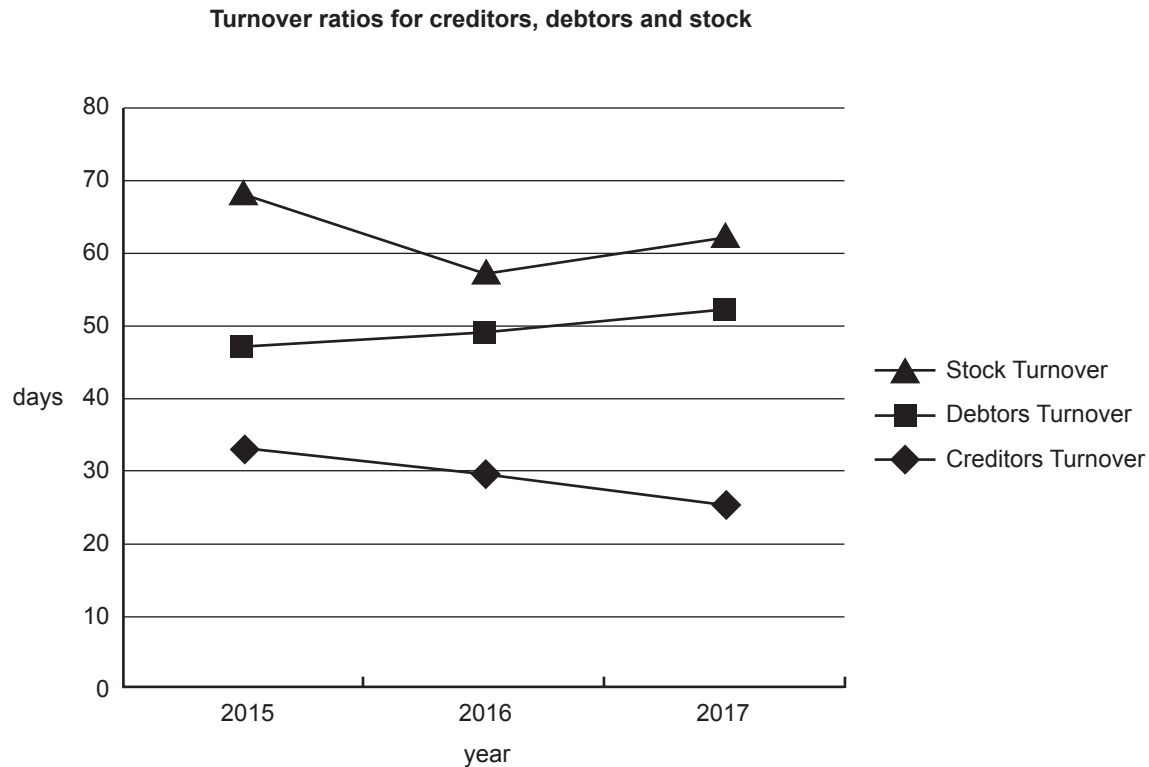
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Question 8 (9 marks)

XA Furniture buys and sells a range of designer furniture. It operates on the following credit terms:

- suppliers 5/15, n/30
- customers 3/10, n/30

The owner has been provided with the following information.



- Using the information above, explain the implications of these ratios for the business' cash flow.
- Explain **three** strategies that the owner could implement in order to improve the turnover ratios and cash flow.

3 marks

6 marks

**Victorian Certificate of Education
2017**

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STUDENT NUMBER

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Letter

ACCOUNTING
Written examination**Tuesday 6 June 2017****Reading time: 10.00 am to 10.15 am (15 minutes)****Writing time: 10.15 am to 12.15 pm (2 hours)****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 (11 marks)**a.**

2 marks

Maxi Arts**General Journal (partially completed)**

Date 2017	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit
Jan. 9					
	G Roberts			550	
	Returned art folios – CrN. 34				

b.

4 marks

Creditors Control

Date 2017	Cross-reference	Amount	Date 2017	Cross-reference	Amount
			Jan. 1	Balance	40 000

c.

3 marks

Creditor – G Roberts

Date 2017	Cross-reference	Amount	Date 2017	Cross-reference	Amount

2 marks

Description
Example

Question 2 (5 marks)

Working space

Lux Lamps

General Journal

[illegible]

TURN OVER

Question 3 (10 marks)**Working space****a.**

2 marks

Licorice Likes**Cash Payments Journal**

Date 2017	Details	Chq. No.	Bank	Disc. Rev.	Creditors Control	Wages	Stock Control	Sundries	GST

b.

4 marks

General Journal

Date 2017	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

c.

4 marks

Income Statement
Balance Sheet

TURN OVER

Question 4 (15 marks)**Working space****a.**

5 marks

Stock Card

Product: Tech television					Cost Assignment Method: FIFO					
Date 2017	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
May 1	Balance							10	500	5 000
5	Inv. 234	10	550	5 500				10	500	
								10	550	10 500

b.

2 marks

Justification

c.

3 marks

General Journal

Date 2017	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

d.

2 marks

	Increase/Decrease/No effect	Amount
Assets		
Liabilities		
Owner's Equity		

e.

3 marks

Qualitative characteristic
Explanation

TURN OVER

Question 5 (14 marks)**a.**

7 marks

Working space**Candy Enterprises****General Ledger****Mobile Phones**

Date	Cross-reference	Amount	Date	Cross-reference	Amount

Accumulated Depreciation of Mobile Phones

Date	Cross-reference	Amount	Date	Cross-reference	Amount

Disposal of Mobile Phones

Date	Cross-reference	Amount	Date	Cross-reference	Amount

b.**3 marks**

Justification

c.**3 marks**

Description

d.**1 mark**

Journals

TURN OVER

Question 6 (14 marks)

a.

6 marks

Discussion

b.**4 marks**

Explanation

c.**4 marks**

Suggestion

TURN OVER

Question 7 (22 marks)

a.

7 marks

Hills Hardware
Budgeted Cash Flow Statement (extract) for the three months ending 30 September 2017

	\$	\$
Estimated Cash Flows from Operating Activities		

b.

8 marks

Hills Hardware**General Ledger****GST Clearing**

Date 2017	Cross-reference	Amount	Date 2017	Cross-reference	Amount

Capital

Date 2017	Cross-reference	Amount	Date 2017	Cross-reference	Amount

Question 8 (9 marks)**a.**

3 marks

Explanation

b.

6 marks

Explanation