

**Victorian Certificate of Education
2019****ACCOUNTING
Written examination****Thursday 30 May 2019****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 14 pages
- Answer book of 19 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 (15 marks)

Beachside Carpets reports monthly. On 1 March 2019, a summary of the Debtors Subsidiary Ledger showed the following balances.

Debtor	Amount
R Chee	\$1 100
G Long	880
J Terrell	<u>1 540</u>
Total	\$3 520

Journals for March 2019**Cash Receipts Journal**

Date 2019	Details	Rec. No.	Bank	Disc. Exp.	Debtors Control	Cost of Sales	Sales	Sundries	GST
Mar. 3	Capital	784	10 000					10 000	
8	Cash Sales	785	4 675			2 550	4 250		425
14	J Terrell	786	1 261	125	1 386				
21	R Chee	787	435	15	450				

Sales Journal

Date 2019	Debtor	Invoice Number	Cost of Sales	Sales	GST	Debtors Control
Mar. 2	D Starr	1655	408	680	68	748
9	J Terrell	1656	732	1 220	122	1 342
15	K Martin	1657	150	250	25	275
23	R Chee	1658	240	400	40	440

On 31 March, the following documents had not been recorded.

Beachside Carpets	
	2/03/2019
Credit Note: 625	
To: J Terrell	
For: Return of faulty goods*	
	\$140
GST:	\$14
Total:	\$154
*Cost Price \$84	

Beachside Carpets	
	22/03/2019
Receipt: 788	
To: K Martin	
For: Full settlement of account	
(Inv. 1657)	\$260

Beachside Carpets	
	29/03/2019
Memo: 14	
G Long declared bankrupt. We have to accept an offer of 50 cents in the dollar (Rec. 789). Write off the remaining balance.	

- a. Record the three documents in the journals provided for March.
Narrations are **not** required. 7 marks
- b. Complete the Debtors Control account in the General Ledger after all journals have been posted.
You are required to balance the account. 4 marks
- c. Explain **two** benefits of using a control account and a Subsidiary Ledger for debtors. 4 marks

TURN OVER

Question 2 (14 marks)

Pets Plus is a business that sells a range of pet toys and grooming products. The business uses the perpetual method for recording stock and it uses control accounts for its debtors, creditors and stock. The business uses a 100% mark-up on cost and the financial reports are prepared monthly.

The following transactions for March 2019 relate to Acme dog brushes:

- 8 March Sale of 14 Acme dog brushes to Global Pets (Invoice 473)
- 12 March Credit purchase from ZZZ Brushes of 20 Acme dog brushes for \$14 each (plus GST) (Invoice TR282)
- 23 March Global Pets returned five Acme dog brushes due to broken handles (Credit Note 142).
- 24 March The five broken Acme dog brushes were returned to ZZZ Brushes (Credit Note 234).
- 31 March A physical stocktake revealed 19 Acme dog brushes were on hand (Memo 88).

- a. Record the transactions above in the Stock Card for the Acme dog brush. 5 marks
- b. Describe the effect of the transaction on 8 March on the accounting equation. 3 marks
- c. Prepare the relevant General Journal entry for the transaction on 24 March.
A narration is **not** required. 2 marks
- d. The owner of Pets Plus feels that the stock is overcrowded and wishes to reduce the variety and level of stock. The owner decides that any stock item with a turnover rate slower than 40 days will not be replaced once sold.

State **two** advantages and **two** disadvantages of this strategy. 4 marks

Question 3 (11 marks)

On 30 April 2019, Global Business Centre traded in its 3D printer for a new model purchased from Tex Computers. The old printer was purchased for \$3 520 (including GST) and, at the time of trade-in, had a carrying value of \$500.

Tex Computers 144 Digital Crescent Melbourne 3000	
Invoice No.: C117	30/4/2019
3D printer	\$2 500
GST	<u>250</u>
	2 750
Less agreed trade-in	<u>(600)</u>
	2 150
Less deposit	<u>800</u>
Balance owing	\$1 350

- a. Prepare the General Journal entries to record the disposal of the old printer and the purchase of the new printer.
Narrations are **not** required. 6 marks
- b. With reference to **one** qualitative characteristic, justify how the outstanding balance to Tex Computers would be reported in the Balance Sheet on 30 April 2019. 3 marks
- c. Show how the payment for the outstanding balance to Tex Computers would be reported in the Cash Flow Statement of Global Business Centre. 2 marks

TURN OVER

Question 4 (6 marks)

Hamster sells wireless headphones on credit. The business buys the headphones for \$200 each (plus GST). Purchases are for cash.

In March 2019, Hamster was facing increased competition and the owner instructed staff, 'More headphones are to be sold – no matter what!'

Expenses did not change in April, May and June 2019.

Data for April, May and June showed the following.

Month	Unit sales	Credit Sales (\$)	Debtors Turnover (days)	Net Profit (\$)	Cash from debtors (\$)
April	200	70 000	52	15 000	66 000
May	300	81 000	72	6 000	73 000
June	400	92 000	115	(3 000)	82 000

Discuss the impact of the owner's instruction on both the liquidity and profitability of Hamster.

Question 5 (13 marks)

The Olive Merchant sells high-quality olive leaf extract in 10-litre tins to the health food industry. Each tin sells for \$165 (including GST). Purchases are on credit and sales are on a cash basis. Reports are prepared monthly.

The following information is available for May 2019:

- 1 May opening stock 260 tins at \$90 each
- 8 May sales 220 tins (Receipt 86)
- 14 May purchases 300 tins from Herbal Home at a cost of \$100 each (plus GST) (Invoice S118); the delivery expense was \$5 per tin (plus GST) (Cheque 1414)
- 22 May sales 180 tins (Receipt 87)

Additional information

- A physical stocktake revealed 155 tins on hand on 31 May (Memo 4).
 - Twenty of the tins on hand at 31 May are approaching their use-by date and will be reduced in price to sell for \$60 each (plus GST). A bottle of herbal shampoo (cost \$15 each plus GST) will be included with each of these tins sold (Memo 3).
- a. Prepare General Journal entries to record the two stock adjustments at 31 May 2019. Narrations are **not** required. 4 marks
 - b. Explain your treatment of the 20 tins that are approaching their use-by date. 3 marks
 - c. Calculate the Cost of Sales for May 2019. 2 marks
 - d. Prepare an extract of the Income Statement up to and including Adjusted Gross Profit for the month ended 31 May 2019. 4 marks

TURN OVER

Question 6 (6 marks)

Q&X Traders has found that its Asset Turnover Ratio is slowing and it is seeking an explanation. Q&X Traders provides the following table.

	March	April	May	June
Asset Turnover Ratio (Sales / Average Total Assets)	62 times per year	60 times per year	57 times per year	56 times per year
Total Assets	240 000	245 000	260 000	275 000

Discuss, referring to **one** Current Asset and **one** Non-Current Asset, why the Asset Turnover Ratio is slowing.

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TURN OVER

Question 7 (21 marks)

The Wedding Shop reports annually on 30 June. The previous accountant, who has now left the business, only made one adjustment at 30 June 2019: the depreciation of the vehicles. The Adjusted Trial Balance produced by the previous accountant is shown below.

The Wedding Shop
Adjusted Trial Balance as at 30 June 2019

Account	Debit	Credit
Accumulated Depreciation of Vehicles		36 400
Advertising Expense	19 000	
Bank Loan		40 000
Capital		230 100
Cash at Bank	48 000	
Cost of Sales	160 000	
Creditors Control		20 000
Debtors Control	52 000	
Depreciation of Vehicles	8 400	
GST Clearing		3 400
Prepaid Insurance	34 500	
Prepaid Rent	91 000	
Sales		480 000
Stock Control	149 000	
Vehicles	70 000	
Wages Expense	178 000	
Total	\$809 900	\$809 900

The new accountant has identified that the following items were not considered.

Additional information

- Rent is \$7 000 per month (plus GST) and is paid in advance during the previous month.
- Insurance is paid annually in advance on 1 June. An amount of \$18 000 (plus GST) was paid on 1 June 2019.
- A deposit of \$500 for wedding accessories (Prepaid Revenue) was paid in June and was incorrectly recorded as a sale. The wedding accessories will not be available until July.
- The Bank Loan (interest only) was taken out on 1 May 2019. Interest is 6% per annum, payable every three months.

- a. Explain, with reference to the definition of **one** accounting element, how Cost of Sales is classified. 3 marks
- b. Prepare General Journal entries to record the additional information.
Narrations are **not** required. 9 marks
- c. With reference to **one** accounting principle, explain why the business may choose the reducing balance method of depreciation when depreciating vehicles. 3 marks
- d. Explain the effect on the Income Statement and the Balance Sheet if the adjustment for Prepaid Rent was not made. 3 marks
- e. Prepare the Current Liabilities section of the Balance Sheet as at 30 June 2019. 3 marks

Question 8 (14 marks)

Sava Traders is preparing its Cash Flow Statement for the year ended 30 June 2019 and provides the following information.

Summary of Income Statement items for the year ended 30 June 2019

	\$		\$
Revenue		Expenses	
Sales	870 000	Cost of Sales	417 000
Gain on Disposal of Vehicle	2 000	Advertising	18 000
Discount Revenue	<u>8 000</u>	Wages	120 000
Total Revenue	880 000	Insurance	40 000
		Interest	18 000
		Depreciation of Vehicles	46 000
		Bad Debts	7 000
		Discount Expense	<u>3 000</u>
		Total Expenses	669 000

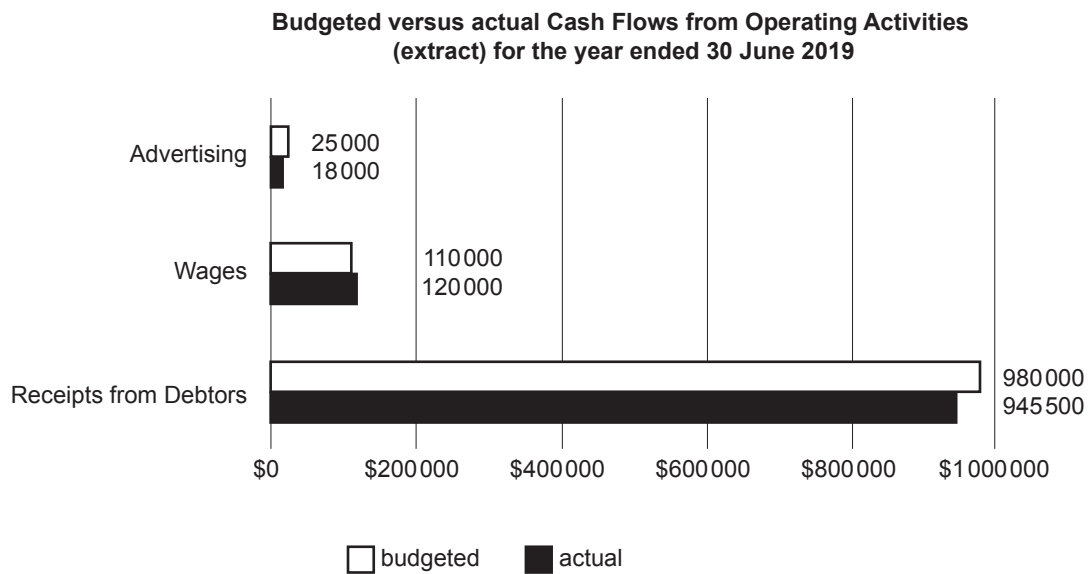
Sava Traders
Balance Sheet as at 30 June

	2018	2019
Current Assets		
Cash	21 000	41 600
Debtors Control	90 500	92 000
Prepaid Insurance	6 000	2 000
Stock Control	108 000	104 000
Non-Current Assets		
Land	240 000	300 000
Vehicles	277 600	302 000
Less Accumulated Depreciation of Vehicles	(70 000)	(86 000)
Total Assets	\$673 100	\$755 600
Current Liabilities		
Creditors Control	35 000	40 000
Accrued Interest	4 000	5 000
GST Clearing	4 500	3 000
Loan	60 000	50 000
Non-Current Liabilities		
Loan	320 000	270 000
Owner's Equity		
Capital	249 600	387 600
Total Liabilities and Owner's Equity	\$673 100	\$755 600

Additional information

- All sales and purchases are on credit.
 - One vehicle (cost \$35 000 plus GST) was sold for cash. A new vehicle was purchased for cash.
 - No additional capital was contributed during the year.
 - All drawings were cash.
- a. Reconstruct the Stock Control account and the Creditors Control account to determine the cash paid to creditors. 6 marks
- b. Prepare the Cash Flows from Financing Activities section of the Cash Flow Statement for the year ended 30 June 2019. 2 marks

The graph below shows budgeted and actual results for three items from the Cash Flows from Operating Activities section of the Cash Flow Statement for the year ended 30 June 2019.



c. Complete the Variance Report (extract) for the year ended 30 June 2019. 3 marks

d. A variance may be listed as 'favourable' yet have an unfavourable effect on business performance.

Explain this statement with respect to **one** of the items in the Variance Report.

3 marks

**Victorian Certificate of Education
2019**

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STUDENT NUMBER

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Letter

ACCOUNTING
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- Refer to **Instructions** on the front cover of the question book.

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Question 1 (15 marks)**a.**

7 marks

Beachside Carpets**Cash Receipts Journal**

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Mar. 3	Capital	784	10 000					10 000	
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General Journal

Date 2019	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

b.

4 marks

Debtors Control

Date 2019	Cross-reference	Amount	Date 2019	Cross-reference	Amount
Mar. 1	Balance	3 520			

c.

4 marks

Benefit 1
Benefit 2

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Question 2 (14 marks)

a.

5 marks

Stock Card

Product: Acme dog brush					Cost Assignment Method: FIFO					
Date 2019	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
Mar. 1	Balance							18	12	216

b.

3 marks

Description

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c.

2 marks

Pets Plus**General Journal**

Date 2019	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

d.

4 marks

Advantage 1
Advantage 2
Disadvantage 1
Disadvantage 2

TURN OVER

Question 3 (11 marks)

a.

6 marks

Global Business Centre
General Journal

Date 2019	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

b.

3 marks

Qualitative characteristic
Justification

2 marks

c.

Question 4 (6 marks)

Question 4 (6 marks)

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Question 5 (13 marks)

a.

4 marks

Working space

The Olive Merchant
General Journal

Date 2019	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

b.

3 marks

Explanation

c.

2 marks

Calculation

Cost of Sales for May 2019	\$
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d.

4 marks

The Olive Merchant
Income Statement (extract) for the month ended 31 May 2019

	\$	\$
Revenue		

TURN OVER

Question 6 (6 marks)

Discussion

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Question 7 (21 marks)**a.****3 marks**

Explanation

b.

9 marks

Working space

The Wedding Shop
General Journal

Date 2019	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

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c.

3 marks

Accounting principle
Explanation

d.

3 marks

Explanation

e.

3 marks

The Wedding Shop
Balance Sheet (extract) as at 30 June 2019

	\$	\$
Current Liabilities		

TURN OVER

Question 8 (14 marks)**a.**

6 marks

Stock Control

Date	Cross-reference	Amount	Date	Cross-reference	Amount

Creditors Control

Date	Cross-reference	Amount	Date	Cross-reference	Amount

b.

2 marks

Working space**Sava Traders****Cash Flow Statement (extract) for the year ended 30 June 2019**

	\$	\$
Cash Flows from Financing Activities		

Question 8 – continued

c.

3 marks

Sava Traders**Variance Report (extract) for the year ended 30 June 2019**

Cash Flows from Operating Activities	Budgeted	Actual	Variance	Favourable/ Unfavourable
Advertising	25 000	18 000		
Wages	110 000	120 000		
Receipts from Debtors	980 000	945 500		

d.

3 marks

Explanation