

**Victorian Certificate of Education
2020****ACCOUNTING
Written examination****Friday 20 November 2020****Reading time: 3.00 pm to 3.15 pm (15 minutes)****Writing time: 3.15 pm to 5.15 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>
10	10	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 9 pages
- Answer book of 22 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.

Instructions

Answer **all** questions in the answer book provided.

Question 1 (12 marks)

EyeWear sells sunglasses to retail stores around Victoria. The sunglasses are purchased and sold in boxes of 25. The business uses the First In, First Out (FIFO) cost assignment method for recording inventory. The business has provided the following information for March 2020.

1 March	Opening inventory: • 70 boxes at \$400 each (plus GST) • 30 boxes at \$450 each (plus GST)
5 March	Credit sale of 14 boxes for \$600 each (plus GST)
19 March	Cash purchase of five boxes for \$420 each (plus GST)
20 March	Cash sale of 70 boxes for \$600 each (plus GST)
28 March	Credit purchase of 30 boxes for \$400 each (plus GST)
31 March	Closing inventory as per physical stocktake: 53 boxes

Additional information

- Certified UV labels are provided to EyeWear at a cost of \$15 (plus GST) per box of sunglasses.
 - The owner advises that as new models of sunglasses for the new season become available, the sunglasses on hand will be reduced to sell at \$400 (plus GST) per box. Free delivery to retail stores will also be included at a total cost of \$200 (plus GST) to EyeWear (Memo 41).
- a. Calculate the total cost of the closing inventory at 31 March 2020 as per the physical stocktake. 3 marks
 - b. Calculate the total value of the inventory at 31 March 2020 after applying the lower of cost and net realisable value inventory valuation method. 2 marks
 - c. Record the necessary entries for 31 March 2020 in the General Journal.
Narrations are **not** required. 4 marks
 - d. On 1 April 2020, EyeWear donated four boxes of sunglasses to a local school.
Explain how this donation meets the definition of **one** accounting element. 3 marks

Question 2 (4 marks)

Kitchen Central received the following document.

Wood n Set			
Tax invoice		Invoice No: W58	
		Date: 24/04/2020	
To: Kitchen Central			
Description	Quantity	Unit price	Subtotal
Handcarved plates set	8	\$500	\$4 000
GST			\$400
Total amount due			\$4 400
Terms: 3/7, n/30			

- a. Describe the transaction that led to this document. 2 marks
- b. On 30 April 2020, Kitchen Central settled the account with Wood n Set.
Record the entry to settle the account on 30 April 2020 in the General Journal.
A narration is **not** required. 2 marks

Question 3 (6 marks)

The accountant for Music Times has supplied the following information.

	2018	2019	2020
Gross Profit Margin	60%	64%	68%
Net Profit Margin	33%	33%	31%

The owner of Music Times states that as sales have remained constant over the three-year period, this shows that the business has achieved favourable profitability.

Using the information provided, discuss whether the owner's statement is justified.

TURN OVER

Question 4 (10 marks)

Mayfair Furniture reports on a monthly basis. Wages are paid on the last Friday of each month. On Tuesday 30 June 2020, wages owing to employees totalled \$1 200.

- a. Record the balance day adjustment required on 30 June 2020 in the General Journal.
A narration is **not** required. 1 mark
- b. With reference to **one** accounting assumption, explain why this balance day adjustment is necessary. 3 marks
- c. Wages of \$13 800 were paid on Friday 31 July 2020 (Chq. 234).
Record this payment in the General Journal.
A narration is **not** required. 3 marks
- d. Mayfair Furniture has recently purchased furniture for use in its office administration area at a cost of \$10 000 (plus GST). The owner has suggested that this furniture should be recorded as inventory because it might be sold at a later date. The accountant has stated that recording it in this way would be a breach of faithful representation.
Justify the accountant's statement. 3 marks

Question 5 (14 marks)

Ando's Imports reports annually on 31 December.

Pre-adjustment Trial Balance as at 31 December 2019

Account	Debit	Credit
Accounts Payable		19 000
Accounts Receivable	55 000	
Accumulated Depreciation of Equipment		21 000
Bank	21 500	
Capital		160 300
Cost of Sales	195 000	
Credit Sales		350 000
Drawings	37 000	
Equipment	36 000	
Inventory	82 000	
Term Deposit (12 months)	40 000	
Prepaid Insurance	5 800	
Wages	78 000	
	\$550 300	\$550 300

Additional information

- A physical stocktake on 31 December 2019 showed inventory of \$82 000.
- In August 2019, an insurance policy was paid for the year commencing 1 September 2019 at a cost of \$3 600 (plus GST).
- New equipment costing \$6 000 (plus GST) was purchased on 30 June 2019.
- All equipment is depreciated using the straight-line method and is expected to have a useful life of three years and a residual value of 10%.
- The term deposit was established on 1 March 2019. Interest on the term deposit is 3% per annum payable at maturity.

- a. Record the necessary adjustments and all closing entries required on 31 December 2019 in the General Journal provided.

Narrations are **not** required.

11 marks

- b. Explain why some accounts are closed at the end of each reporting period while other accounts are balanced.

3 marks

TURN OVER

Question 6 (9 marks)

Education Factory reports monthly. On 1 August 2020, the balance in the Allowance for Doubtful Debts ledger account was \$3 500 cr.

During August, net credit sales were \$100 000 (plus GST). This included a credit sale of \$12 000 (plus GST) to Bell Learning on 2 August. On 12 August, Education Factory received notification that Bell Learning had been declared bankrupt and that it would repay only 60 cents in every dollar owed. On 30 August, Education Factory received the payment from Bell Learning.

On 31 August, Education Factory decided to increase the Allowance for Doubtful Debts to 6% of net credit sales.

- a. Calculate the amount received from Bell Learning. 2 marks
- b. Complete the General Ledger accounts provided for August 2020. 7 marks

Question 7 (9 marks)

Keyword Computers reports monthly. It has recently sold some older computers to make way for new models. The Disposal of Computers ledger account is provided below.

Disposal of Computers

Date	Cross-reference	\$	Date	Cross-reference	\$
28 Oct.	Computers	20 000	28 Oct.	Accumulated Depreciation of Computers	15 000
				Bank	3 000
				Loss on Disposal of Computers	2 000
		20 000			20 000

- a. Describe the entries for:
 - Computers
 - Accumulated Depreciation of Computers
 - Bank3 marks
- b. Explain why the loss on disposal of the computers has occurred. 3 marks
- c. Explain the impact the disposal of the computers will have on each of the financial reports of Keyword Computers on 31 October 2020. 3 marks

Question 8 (22 marks)

Rightfield Sports reports monthly and uses a 100% mark-up on inventory.

Rightfield Sports
Balance Sheet as at 31 August 2020

Assets		Liabilities	
Cash at Bank	\$21 400	Accounts Payable	\$13 200
Inventory	127 000	GST Clearing	16 500
Prepaid Rent	3 500	Accrued Interest	180
Motor Vehicles	86 000	Loan (2020)	12 000
			41 880
less Accumulated Depreciation of Motor Vehicles	(26 000)		
		Owner's Equity	
		Capital	170 020
	\$211 900		\$211 900

Additional information relating to September 2020

- Sales – all on a cash basis – were \$56 000 (plus GST).
- Purchases – all on credit – were \$30 000 (plus GST). Credit terms are 4/14, n/30, and the discount is always taken. Accounts Payable closing balance at 30 September was \$18 700 cr.
- Rent is paid two months in advance and was last paid on 1 August.
- Depreciation of motor vehicles is 30% per annum using the reducing balance method.
- The loan and all interest outstanding were repaid on 15 September. Interest is 6% per annum.
- Wages expense was \$7 500, with \$400 owing at 30 September.
- \$8 000 (plus GST) was paid for Advertising and only 40% was used in September.
- No GST settlements with the Australian Taxation Office (ATO) occurred in September.

a. Reconstruct the following ledger accounts:

- Accounts Payable
- GST Clearing

6 marks

b. Prepare the Operating Activities section of the Cash Flow Statement for September 2020.

5 marks

c. Prepare the Income Statement for September 2020.

7 marks

d. In August 2020, the business's Net Cash Flow from Operating Activities was \$12 200 while Net Profit was \$14 000.

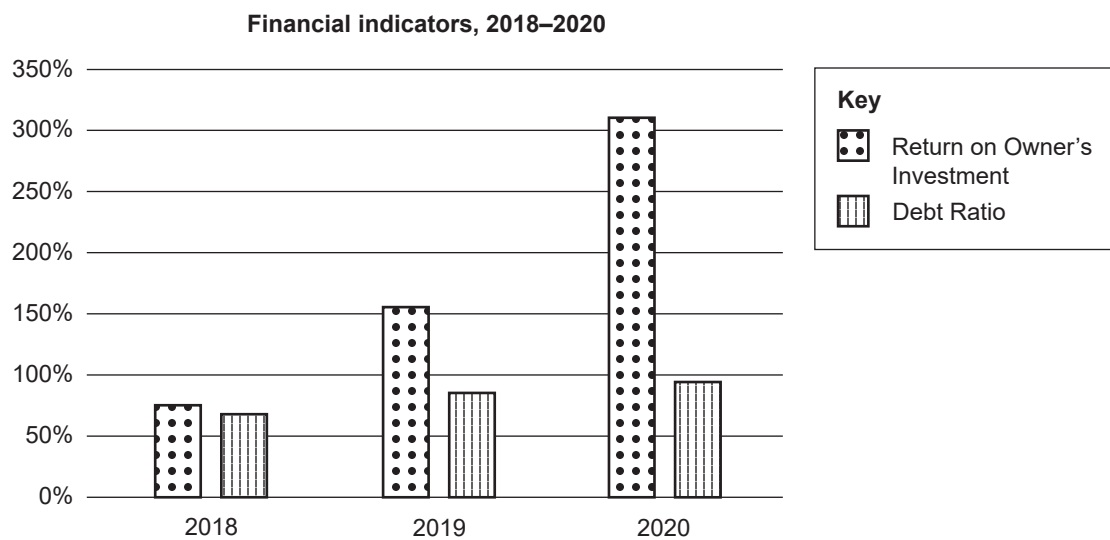
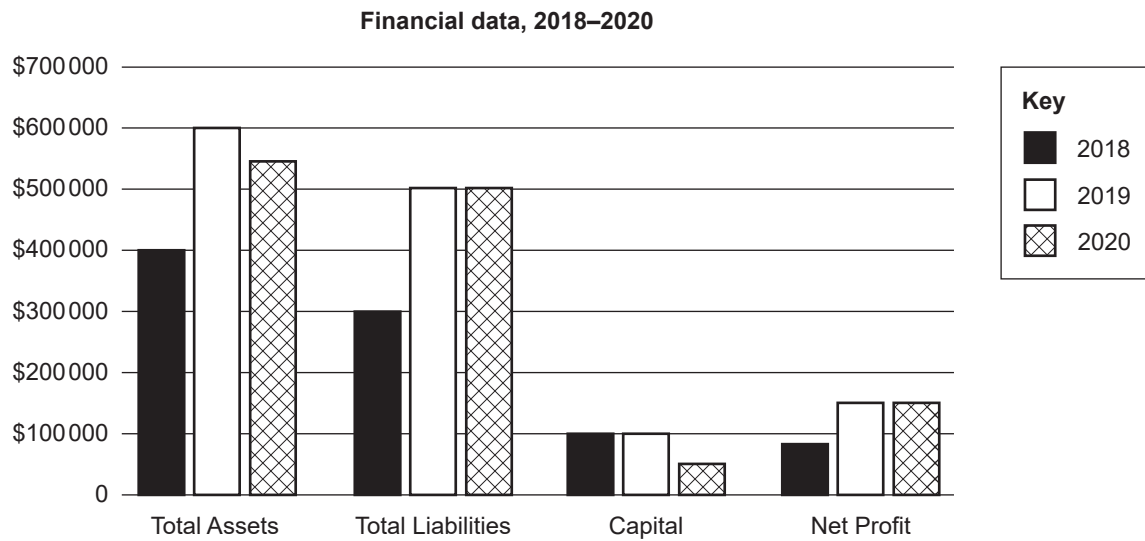
Explain, giving **two** examples, how the business's Net Profit can be higher than its Net Cash Flow from Operating Activities.

4 marks

TURN OVER

Question 9 (9 marks)

Timetracker sells technology devices for athletes. The accountant has provided the following graphs for the years 2018, 2019 and 2020.

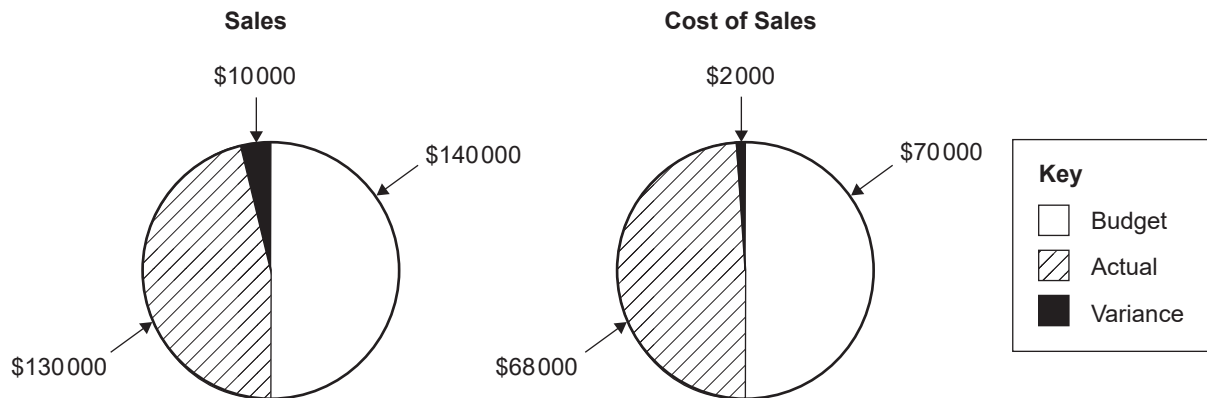


- a. Analyse the information presented in the graphs and provide reasons for the changes in the Return on Owner's Investment and in the Debt Ratio. 5 marks

- b. Explain **one** advantage and **one** disadvantage of relying heavily on borrowed funds. 4 marks

Question 10 (5 marks)

A business has prepared a variance report from the Income Statement for the month ended 31 July 2020. Data taken from the report is represented in the graphs shown below.



- State which variance would be described as favourable. 1 mark
- Explain how the owner of the business should interpret these graphs and suggest what appropriate action they could take based on this data. 4 marks

**Victorian Certificate of Education
2020**

SUPERVISOR TO ATTACH PROCESSING LABEL HERE

STUDENT NUMBER

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

Letter

ACCOUNTING
Written examination**Friday 20 November 2020****Reading time: 3.00 pm to 3.15 pm (15 minutes)****Writing time: 3.15 pm to 5.15 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.

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

THIS PAGE IS BLANK

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

THIS PAGE IS BLANK

TURN OVER

Question 1 (12 marks)**a.**

3 marks

Working space	
Closing inventory at 31 March 2020 as per physical stocktake	\$

b.

2 marks

Working space	
Inventory at 31 March 2020 after applying inventory valuation method	\$

c.

4 marks

EyeWear**General Journal**

Date 2020	Details	Debit	Credit

d.

3 marks

Accounting element
Explanation

TURN OVER

Question 2 (4 marks)

a.

2 marks

Description

b.

2 marks

**Kitchen Central
General Journal**

Date 2020	Details	Debit	Credit

Question 3 (6 marks)**Discussion**

TURN OVER**DO NOT WRITE IN THIS AREA**

Question 4 (10 marks)**a.**

1 mark

Mayfair Furniture**General Journal**

Date 2020	Details	Debit	Credit

b.

3 marks

Accounting assumption
Explanation

c.

3 marks

Mayfair Furniture**General Journal**

Date 2020	Details	Debit	Credit

d.

3 marks

Justification

DO NOT WRITE IN THIS AREA

TURN OVER

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

11 marks

Working space**DO NOT WRITE IN THIS AREA**

Ando's Imports

General Journal

[illegible]

DO NOT WRITE IN THIS AREA

b.

3 marks

Explanation

Question 6 (9 marks)**a.****2 marks****Working space****Amount received from Bell Learning****\$****b.****7 marks****Education Factory****General Ledger****Accounts Receivable – Bell Learning**

Date 2020	Cross-reference	Amount	Date 2020	Cross-reference	Amount

Allowance for Doubtful Debts

Date 2020	Cross-reference	Amount	Date 2020	Cross-reference	Amount
			1 Aug.	Balance	3 500

TURN OVER

Question 7 (9 marks)**a.**

3 marks

Computers
Accumulated Depreciation of Computers
Bank

b.

3 marks

Explanation

DO NOT WRITE IN THIS AREA

c.

3 marks

Cash Flow Statement
Income Statement
Balance Sheet

TURN OVER

Question 8 (22 marks)

Working space

a.

6 marks

Rightfield Sports

General Ledger

Accounts Payable

Date 2020	Cross-reference	Amount	Date 2020	Cross-reference	Amount
			1 Sep.	Balance	13 200

GST Clearing

Date 2020	Cross-reference	Amount	Date 2020	Cross-reference	Amount
			1 Sep.	Balance	16 500

DO NOT WRITE IN THIS AREA

b.

5 marks

Rightfield Sports
Cash Flow Statement (extract) for the month ended 30 September 2020

	\$	\$
Cash Flow from Operating Activities		

c.

7 marks

Rightfield Sports
Income Statement for the month ended 30 September 2020

	\$	\$
Revenue		

d.

4 marks

Explanation

DO NOT WRITE IN THIS AREA

CONTINUES OVER PAGE

TURN OVER

Question 9 (9 marks)

a.

5 marks

Analysis

DO NOT WRITE IN THIS AREA

b.

4 marks

Advantage
Disadvantage

TURN OVER

Question 10 (5 marks)

a.

1 mark

Favourable variance

b.

4 marks

Explanation