

2021 VCE Accounting Units 3 and 4 Trial Examination Suggested Answers



Kilbaha Education

Quality educational content

Kilbaha Education
PO Box 2227
Kew Vic 3101
Australia

Tel: (03) 9018 5376

kilbaha@gmail.com
<https://kilbaha.com.au>

! "#\$%&'()*+, -) . /01\$2)

/3)

4 / % #	4 # % / & 5 \$)	4 # 6 & %	7 0 # 8 & %)	
31/12	Sales Return	3 000		1
	GST Clearing	300		
	Accounts Receivable – ABC Sound		3 300	
	Inventory	1 000		1
	Cost of Sales		1 000	
	Depreciation – Motor Vehicle	10 200		1
	Accumulated Depreciation – Motor Vehicle		10 200	1
	Insurance Expense	2 000		1
	Prepaid Insurance Expense		2 000	1
	Wages Expense	5 000		1
	Accrued Wages Expense		5 000	1
	Advertising Expense	7 000		1
	Prepaid Advertising Expense		7 000	1
	Inventory Loss	1 000		1
	Inventory		1 000	1

12 marks

63)

4 / % #	4 # % / & 5 \$)	4 # 6 & %	7 0 # 8 & %)	
31/12	Sales	200 000		1
	Interest Revenue	200		
	Sales Returns		5 000	
	Profit and Loss Summary		195 200	1
	Profit and Loss Summary	176 320		1
	Depreciation Expense – Motor Vehicle		10 200	
	Cost of Sales		65 000	2
	Discount Expense		700	
	Interest Expense		420	
	Wages		90 000	
	Insurance Expense		2 000	
	Advertising Expense		7 000	
	Inventory Loss		1 000	

-) . /01\$)

)

Question 1 (continued)

c.

Profit and Loss Summary

Date	Cross-Reference	Amount (\$)	Date	Cross-Reference	Amount (\$)
31/12	Expenses	176 320	31/12	Revenues	195 200
31/12	Capital	18 880			
		195 200			195 200

Drawings

Date	Cross-Reference	Amount (\$)	Date	Cross-Reference	Amount (\$)
28/8	Inventory	5 000	31/12	Capital	9 000
31/12	Bank	4 000			
		9 000			9 000

Capital

Date	Cross-Reference	Amount (\$)	Date	Cross-Reference	Amount (\$)
31/12	Drawings	9 000	1/1	Balance	75 120
31/12	Balance	92 500	17/7	Bank	7 500
			31/12	Profit and Loss Summary	18 880
		101 500			101 500

5 marks

d.

Suttons Sound Systems**Income Statement (extract) for the year ended 31 December 2021**

Revenue		
Sales	200 000	
Less Sales Returns	5 000	195 000
Less Cost of Goods Sold		
Cost of Sales	65 000	
Gross Profit		130 000
Less Inventory Loss	1 000	
Adjusted Gross Profit		129 000
Add Other Income		
Interest Revenue	200	129 200

3 marks

Question 2 (14 marks)**a.**

Date	Details	Debit	Credit	
21/7	Unearned Sales Revenue	2 200		2
	Sales Revenue		2 000	
	GST Clearing		200	
	Cost of Sales	1 000		
	Inventory		1 000	
24/7	Unearned Sales Revenue	1 800		2
	Accounts Receivable – Happy Hotels	4 800		
	Sales		6 000	
	GST Clearing		600	
	Cost of Sales	3 000		
	Inventory		3 000	
27/7	Bank	4 704		2
	Discount revenue	96		
	Accounts Receivable – Happy Hotels		4 800	

6 marks**b.****Account Receivable – Happy Hotels**

Date	Cross-Reference	Amount (\$)	Date	Cross-Reference	Amount (\$)
24/7	Sales/GST Clearing	4 800	22/7	Bank	4 704
			22/7	Discount Revenue	96
		4 800			4 800

Unearned Sales Revenue

Date	Cross-Reference	Amount (\$)	Date	Cross-Reference	Amount (\$)
21/7	Sales/GST Clearing	2 200	15/7	Bank	4 000
24/7	Sales/GST Clearing	1 800			
		4 000			4 000

5 marks

- c. The receipt will result in an operating cash inflow of \$4 000 in the Cash Flow Statement. It will result in an increase in bank of \$4 000 which will increase assets and an increase in the unearned sales liability of \$4 000 while there is no impact on owners' equity in the Balance Sheet. There will be no impact on the Income Statement.

1 mark for impact on each report**3 marks**

Question 3 (13 marks)**a.****Comfy Toys****Cash Flow Statement for the month ended 30 June 2021**

Cash Flows from Operating Activities			
Cash Sales	40 000		4
GST Clearing	4 000		
Accounts Receivable	20 000		
Interest received	200		
GST Refund	100	64 300	
Delivery	(1 000)		
Prepaid Rent	(4 000)		
Inventory	(2 000)		
Accounts Payable	(14 000)		
GST Paid	(3 700)	(24 700)	
Net Cash flows from Operating Activities		39 600	
Cash Flows from Investing Activities			1
Motor Vehicle	(30 000)		
Net Cash Flows from Investing Activities		(30 000)	
Cash Flows from Financing Activities			2
Loan received from SME	10 000		
Capital Contribution	9 000	19 000	
Loan repayment to SME	(900)		
Drawings	(3 000)	(3 900)	
Net Cash Flows from Financing Activities		15 100	
Cash Surplus		24 700	
Balance as at 1 June 2021		(9 000)	
Balance as at 30 June 2021		15 700	1 mark for formatting

8 marks

Question 3 (continued)**b.****Inventory**

Date	Cross-Reference	Amount (\$)	Date	Cross-Reference	Amount (\$)
	Balance	41 700		Cost of Sales	20 000
	Cost of Sales	1 500		Cost of Sales	15 000
	Inventory Gain	100		Inventory Write-down	300
	Accounts Payable	20 000		Balance	30 000
	Bank	2 000			
		65 300			65 300
	Balance	30 000			

1 mark for Balances**1 mark for Sales return****1 mark for Accounts Payable and Inventory Return****1 mark for Cost of Sales****1 mark for Inventory Write-down****5 marks****Question 4 (9 marks)****a.**

Date	Details	Debit	Credit
31/7	Bad Debts	2 750	
	Allowance for Doubtful Debts		2 750

1 mark for each line**2 marks****b.****Allowance for Doubtful Debts**

Date	Cross-Reference	Amount (\$)	Date	Cross-Reference	Amount (\$)
15/7	Accounts Receivable - XYZ	4 000	1/7	Balance	5 000
31/7	Balance	3 750	31/7	Bad Debts	2 750
		7 750			7 750
			1/8	Balance	3 750

1 mark for Accounts Receivable**1 mark for Bad Debts****1 mark for Opening Balance****1 mark for Closing Balance****4 marks**

- c. Bad debts are recorded to allow the business to recognise expenses when they are incurred according to the accrual basis assumption. This allows the business to match the expense incurred against the revenue earned in order to calculate an accurate net profit. The bad debt is recognised in the period in which the sale was earned.

1 mark for accrual basis**2 marks for explanation****3 marks**

Question 5 (8 marks)

- a. Understandability requires financial information to be comprehensible to users with reasonable knowledge of business and economic activities. To be understandable, information should be presented clearly and concisely. Using graphs to present information allows the information to be more understandable.

1 mark for Understandability

2 marks for explanation

3 marks

- b. Profitability refers to the ability of a business to earn profit compared to a base such as assets, sales or owners' equity. *Storage Specialists* have experienced a decline in net profit over the period which would generally indicate a decline in profitability, however, the business has experienced an increased return on owner's investment. While this would be considered a positive, the improved return on investment has been due to the business increasing its debt which would result in the business potentially becoming higher risk. It is difficult to provide a more detailed discussion of the profitability of the business without information such as the assets of the business which would allow for the analysis of the return on assets.

Mark this question globally

5 marks

Question 6 (11 marks)**a.****Disposal of Delivery Van**

Date	Cross-Reference	Amount (\$)	Date	Cross-Reference	Amount (\$)
30/6	Delivery Van	32 000	30/6	Accumulated Depreciation – Delivery Van	22 000
				Bank	5 000
			30/6	Loss on Disposal of Delivery Van	5 000
		32 000			32 000

1 mark for each entry**4 marks**

- b.** The residual value was based on the same model although the delivery van has unique signwriting that might make it less attractive to a prospective buyer. This would result in the residual value having been overstated resulting in the business under depreciating the delivery van.

1 mark for reason**1 mark for overstating residual value****1 mark for under depreciation****3 marks**

- c.** Depreciation refers to the allocation of the cost of a non-current asset over its useful life. When determining the method of depreciation, the owner needs to consider the revenue earning pattern of the vehicle. The owner has used the straight-line method of depreciation which assumes that the delivery van would generate revenue evenly over its useful life which is not necessarily the most appropriate method for a motor vehicle as it is more likely to generate more revenue earlier in its life than as it ages and requires repairs.

1 mark for depreciation refers to the allocation of the cost of a non-current asset over its useful life**Mark this question globally****4 marks**

Question 7 (6 marks)**a.**

Date	Details	Debit	Credit
30/6	Wages expense	360	
	Accrued Wages expense		360
	Record wages owing to Phil In at 30 June 2021(Memo 5)		

1 mark for each line**3 marks****b.**

Date	Details	Debit	Credit
7/7	Accrued Wages expense	360	
	Wages expense	1740	
	Bank		2 100

1 mark for each line**3 marks****Question 8 (9 marks)****a.**

Bedroom Lamp = $43 * 27 = \$1\ 161$
 Lounge Lamp = $19 * 29 = \$\ 551$
 Kitchen Lamp = $12 * 25 = \$\ 300$
 Total = $\$2\ 012$

1 mark for each lamp**3 marks**

- b.** The modification costs are considered a product cost as they are a cost incurred to get the lamps into condition ready for sale as the modification is required to comply with the Australian Standards.

2 marks

Question 8 (continued)**c.**

Date	Details	Debit	Credit
30/6	Inventory Loss	54	
	Inventory		54
	Inventory Write-down	120	
	Inventory		120

1 mark for each line**4 marks****Question 9 (5 marks)**

Students can choose either method. They will need to justify their decision and there will be a wide variety of potential responses.

For example.

I would recommend Option 2 as it provides a larger net profit and more potential growth for the business. The move to the new premises and new self-checkout system will allow the business to grow while reducing wages costs. The business may need to take into account the ethical considerations of the move to self-checkout and reduction in employment as well as the increased likelihood of theft as opposed to when staff are working on cash registers.

The information provided is limited and the move may reap further rewards as more customers become aware of the new premises and the increase in sales may be greater in future years.

Mark this question globally

End of suggested answers

2021 Kilbaha VCE Accounting Trial Examination Units 3 and 4

Kilbaha Education PO Box 2227 Kew Vic 3101 Australia	Tel: (03) 9018 5376 kilbaha@gmail.com https://kilbaha.com.au
---	---