

2021

VCE

Accounting

Units 3 and 4

Trial Examination



Kilbaha Education

Quality educational content

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VICTORIAN CERTIFICATE OF EDUCATION 2021

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Trial Written Examination Units 3 and 4

Reading time: 15 minutes

Writing time: 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 white out liquid/tape.

Materials supplied

- Question book of 14 pages.
- Answer book of 15 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.

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Question 1 (25 marks)

Suttons Sound Systems have a wide range of audio-visual equipment. They have provided you with the following information for the year ended 31 December 2021. All sales are made using a 200% markup.

Suttons Sound Systems
Trial Balance as at 31 December 2021

Account	Debit	Credit
Accounts Payable		22 000
Accounts Receivable	44 800	
Accumulated Depreciation – Motor Vehicle		14 000
Bank		4 200
Capital		82 620
Cost of Sales	66 000	
Discount Expense	700	
Drawings	9 000	
GST Clearing	2 100	
Interest Expense	420	
Interest Revenue		200
Inventory	78 000	
Loan – BMT		40 000
Motor Vehicle	65 000	
Prepaid Advertising Expense	8 000	
Prepaid Insurance Expense	2 000	
Sales		200 000
Sales Returns	2 000	
Wages	85 000	
Totals	363 020	363 020

Additional Information

- The owner recorded the withdrawal \$4 000 of cash on 31 December 2021 as well as inventory that he withdrew on 28 August 2021.
- On 17 July the owner recorded the contribution of \$7 500 cash into the business bank account.
- A sales return of \$3 000 from ABC Sound (plus GST) occurred on 31 December but was not recorded. (Credit Note 7)
- Motor Vehicles are depreciated using the reducing balance method at 20% per annum. No Motor Vehicles were purchased during the year.
- Insurance of \$3 300 (plus GST) is due on 1 January 2022. The current policy expired on 31 December 2021.
- The employees were owed \$5 000 for wages worked in the final week of December 2021.
- A payment of \$4 000 (plus GST) for a four-month advertising campaign was recorded on 1 December 2021. The balance of prepaid advertising remaining on 31 December 2021 is \$1 000.
- An inventory count on 31 December discovered that inventory on hand at 31 December 2021 was \$78 000. (Memo 6)

Required

- a. Record the General Journal entries required on 31 December 2021
Narrations are not required

12 marks

- b. Record the General Journal entries to close the revenue and expense accounts on 31 December 2021
Narrations are not required.

5 marks

- c. Complete the Profit and Loss Summary, Drawings and Capital general ledger accounts at 31 December 2021

5 marks

- d. Prepare the Income Statement (up to and including Other Income) for the Year ended 31 December 2021.

3 marks

Question 2 (14 marks)

Sleepy Nights is an online bedding store that commenced operations on 1 July 2021. To launch the business, they are selling the Mighty Mattress in July before launching their full range in August. The business reports on a monthly basis.

The following information has been provided.

Unearned Sales Revenue					
Date	Cross-Reference	Amount (\$)	Date	Cross-Reference	Amount (\$)
			15/7	Bank	4 000

The business will use a 100% markup and offer credit terms of 2/7 n30 to customers. Customers are required to pay a \$200 deposit for each mattress which represents 50% of the selling price.

On 21 July the owner delivered five mattresses to their first customer, Happy Hotels.

On 24 July the remaining mattresses were delivered to Happy Hotels.

On 27 July Happy Hotels paid the amount outstanding.

- a. Record the General Journal entries required for July 2021.

Narrations are not required

6 marks

- b. Complete the following General Ledger Accounts for July 2021.

- Account receivable – Happy Hotels
- Unearned Sales Revenue

5 marks

- c. Explain the impact on the accounting reports of the transaction on 15 July 2021.

3 marks

Question 3 (13 marks)

Comfy Toys have created the following extract of their General Ledger for June 2021

General Ledger**Bank**

Date	Cross-reference	Amount \$	Date	Cross-reference	Amount \$
June	GST Clearing	100	June	Balance	9 000
	Accounts Receivable	20 000		Delivery In/GST Clearing	1 100
	Sales/GST Clearing	44 000		Prepaid Rent/GST Clearing	4 400
	Capital	9 000		Drawings	3 000
	Loan – SME	10 000		Loan – SME	900
	Interest	200		Inventory/GST Clearing	2 200
				Accounts Payable	14 000
				Motor Vehicle/GST Clearing	33 000

Additional information

- Credit Sales for the month were \$33 000 (including GST)
- Accounts receivable were given a discount of \$100
- The business operates using a 100% markup
- Accounts Payable provided a \$400 discount
- A sales return of \$3 300 (including GST) occurred during June
- An inventory gain of \$100 was found after a stocktake
- The closing balance of inventory was 30 000 on 30 June 2021
- Credit purchases of inventory were \$20 000 (plus GST)
- Comfy Toys business reports on monthly basis.
- Comfy Toys generated a profit of \$22 000 during June 2021
- An inventory write-down of \$300 was recorded on 30 June 2021

Required

- a. **Prepare** the Cash Flow Statement for Comfy Toys for the month ended 30 June 2021.

8 marks

- b. **Reconstruct** the Inventory General Ledger Account for June 2021 to find the opening balance. (Ignore dates)

5 marks

Question 4 (9 marks)

Safety First are retailers of car seats for children. The business reports on a monthly basis with all sales being made on a credit basis. The business has provided you with the following information at 30 June 2021.

Accounts Receivable	\$100 000
Allowance for Doubtful Debts	(\$5 000)

Safety first recorded sales of \$125 000 during July 2021 and the following letter was received.

ABC Legal
111 Collins St
Collingwood. Vic 3000

15 July 2021

Dear Sam,

XYZ has been declared bankrupt. A payment of \$400 has been transferred to your bank account on 15 July 2021.
The remaining \$4 400 will not be paid.

Yours Sincerely

Nomore Cashforyou

Nomore Cashforyou

The owner has decided to report an allowance for doubtful debts of 3% of credit sales.

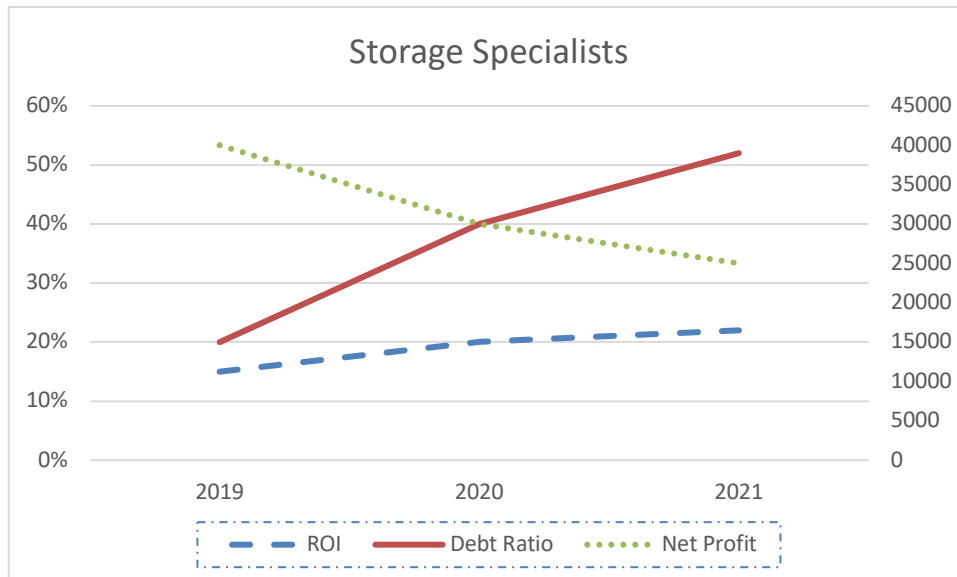
Required

- a. Prepare the General Journal entry required to record the Allowance for Doubtful Debts at 30 31 July 2021.
A narration is not required.**2 marks**
- b. Complete the Allowance for Doubtful Debts account would appear in the ledger after the adjustment has been made.**4 marks**
- c. Referring to an accounting assumption explain why the business would record bad debts.**3 marks**

Question 5 (8 marks)

Storage Specialists sell a range of storage solutions for apartment dwellers. The owner, Elise, has contacted you to discuss the profitability of her business.

The following information has been prepared for Storage Specialists.

**Required**

- a. Referring to a qualitative characteristic other than relevance, explain why a graph would be used by the owner of a business.

3 marks

- b. Discuss the profitability of Storage Specialists.

5 marks

Question 6 (11 marks)

Pipe Dreams is an online plumbing supplies store. The business purchased a delivery van on 1 July 2016 for \$30 000 (plus GST). An additional cost of \$2 000 (plus GST) was paid for signwriting on the delivery van which was painted in bright pink with the business' logo.

Pipe Dreams prepares its accounting reports on the 30th of June each year and uses the straight-line depreciation method.

The owner used the projected market value of the same model of delivery van (plus the \$2 000 of signwriting) to estimate the residual value of \$10 000 on 30 June 2021.

On 30 June 2021 Pipe Dreams sold the delivery van for \$5 000 (plus GST) (EFT 11).

Required

- a. Complete the Disposal of Delivery Van account in the General Ledger. **4 marks**
- b. Explain why a difference occurred between the sale price and the carrying value on 30 June 2021 **3 marks**
- c. Analyse the owner's decision to use the straight-line method of depreciation of the delivery van. **4 marks**

Question 7 (6 marks)

Time out is a sports store operating in Richmond. The business has one employee whose last pay was up to 26 June 2021.

The business reports annually on the 30th of June each year.

The following timesheet was provided on 4 July 2021.

Time Out			
Employee: Phil Inn			
<i>Date</i>	<i>Day</i>	<i>Hours</i>	<i>\$</i>
27 June	Sunday	4	120
30 June	Wednesday	8	240
1 July	Thursday	8	240
2 July	Friday	8	240
3 July	Saturday	8	240
4 July	Sunday	8	240
TOTAL		44	1 320

Employee	<i>Phil Inn</i>
Signature:	

Required

- a. Record the General Journal entry required on 30 June 2021 (Memo 5).
A narration is required.

3 marks

On 7 July 2021 Phil was paid \$2 100.

- b. Record the General Journal entry required on 7 July 2021 to record the payment (EFT 11).
A narration is not required.

3 marks

Question 8 (9 marks)

Lightning Lamps have provided details of their inventory holdings at 30 June 2021.

Inventory	Inventory Card Balance	Stocktake Balance	Supplier Price (\$) (Plus GST)	Modification cost (\$) (Plus GST)	Selling Price (\$ each) (Plus GST)
Bedroom Lamp	45	43	22	5	75
Lounge Lamp	19	19	24	5	50
Kitchen Lamp	12	12	30	5	65

Additional information:

- All lamps are modified by A1 electrical to comply with Australian Standards
- The Kitchen Lamp will be sold for \$25 (Plus GST).
- Lightning Lamps offers delivery to customers at an additional cost of \$10 (Plus GST)

Required

- a. Calculate the value of closing inventory as at 30 June 2021.

3 marks

- b. Explain your treatment of the Modification costs.

2 marks

- c. Prepare the General Journal entries required on 30 June 2021
Narrations are not required

4 marks

Question 9 (5 marks)

Close enough is a store that sells groceries that are close to their Use By date. The business has been very successful and the owner is considering expanding their business.

As part of the expansion to the business the owner is considering installing a self-checkout process that will result in a reduction in the number of staff needed overall.

The owner has provided the following budgeted Income Statements.

Option 1 is based on the current business

Option 2 is based on a new premises and a new self checkout system.

	Option 1	Option 2
Revenue		
Sales	100 000	150 000
Less Cost of Goods Sold		
Cost of Sales	40 000	60 000
Gross Profit	60 000	90 000
Inventory Loss	0	6 000
Inventory Write-down	5 000	5 000
Adjusted Gross Profit	55 000	79 000
Less Other Expenses		
Advertising	2 000	2 000
Insurance	4 000	4 000
Rent	12 000	36 000
Wages	26 000	18 000
Net Profit	11 000	19 000

Required

Analyse the two different options and make a recommendation to the owner.

End of questions

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