

VCE Accounting Unit 4: Nano Exam 11. Marks = 33 Time = 33 minutes.

Anika manages **Boat World**, a business that trades in boats and boating equipment for cash and on credit. The business uses control accounts, the perpetual stock system using the FIFO method of cost assignment and the accrual accounting system.

Boat World rents out a spare room to Collingwood Fan Club who pay rent in advance. The rent per month is \$660 including \$60 GST. **Boat World** balances its books on 30/6 and 31/12.

Prepaid Rent (Collingwood Fan Club)					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
BDA → 30/6	Rent revenue	3800	1/1/38	Balance	1200
	Balance	1900	30/6	Bank	4500
		5700			5700
			1/7	Balance	1900

1.1 Explain how would you classify the above ledger account?

2 marks

Prepaid rent would be classified as a current liability since it represents a current obligation, as a result of past events, to the Collingwood Fan Club. The business must provide occupancy of the spare room to earn the revenue and reduce the current liability.

1.2 Explain what the \$1200 balance at 1/1/38 represents.

1 mark

Two months prepaid rent: 2 X \$600 per month = \$1200. A current liability.

During the 6 months ending 30/6/38 the business received \$4950 including \$450 GST from the Collingwood Fan Club. Rent increased to \$700 + \$70 GST per month from May 1st.

1.3 Complete the above Prepaid Rent ledger for the 6 months ending 30/6/38. Balance/close.

3 marks

1.4 Record any adjusting entry and closing entry in the following General Journal at 30/6/38. Memo #22. No narrations.

4 marks

General Journal (GJ) extract					
Date	Details	General Ledger		Subsidiary Ledger	
		Dr. \$	Cr. \$	Dr. \$	Cr. \$
30/6	Prepaid rent	3800			
	Rent revenue		3800		
	Rent revenue	3800			
	Profit/Loss Summary		3800		

1.5 Describe how you would report the rent revenue in the Income Statement for the 6 months ending 30/6/38.

1 mark

As 'Other Revenue' after gross or adjusted gross profit since Boat World is a trading business.

1.6 Explain how the definition of revenue links with the adjusting entry re memo #22.

3 marks

Revenue is an increase in an asset or decrease in a liability, such as this \$3800 decrease in prepaid rent, which leads to an increase in owners equity excluding capital contribution.

1.7 Complete the following Cash Flow Statement extract for 1/1/38 to 30/6/38 based on the information given above.

2 marks

Boat World: Cash Flow Statement extract 1/1/38 to 30/6/38		
Operating Activities	\$	\$
Prepaid rent revenue	4500	
GST collections	450	

Boat World. Trial Balance extract at 30/6/41		
Account	Dr. \$	Cr. \$
Cost of sales	20400	
Sales		68000
GST clearing		8300
Sales returns	6000	
Stock control	56000	
Creditors control		32000
Profit on disposal forklift		1300
Office expenses	17000	
Wages	28000	
Prepaid rent revenue		7400

Additional information at 30/6/41:

1. Stock take = \$53000.
2. Some of the stock is obsolete. Cost price is \$5000 and net realisable value \$2100.
3. Rent for the spare room was \$800 + \$80 GST per month for 1/1 to 31/3 and then increased to \$900 + \$90 GST per month.
4. Accrued wages \$500.
5. One sale return from a debtor, (ACE) \$2310 including \$210 GST has not been recorded. Mark-up on this stock was 400%. This stock was returned to the supplier/creditor (ZBoats).
6. When calculating the profit on disposal of forklift the carrying value used was \$3000: it should have been \$3200.

1.8 Record any adjusting entries for numbers 1 to 5 in the following General Journal.
No narrations required.

10 marks

General Journal (GJ) extract						General Journal (GJ) extract					
2041		Gen. Ledger		Sub. Ledger		2041		Gen. Ledger		Sub. Ledger	
Date	Details	Dr. \$	Cr. \$	Dr. \$	Cr. \$	Date	Details	Dr. \$	Cr. \$	Dr. \$	Cr. \$
30/6	Stock loss	3000				30/6	Sales returns	2100			
	Stock control		3000				Stock control	420			
	Stock write down	2900					GST clearing	210			
	Stock control		2900				Debtors control		2310		
	Prepaid rent revenue	5100					Ace				2310
	Rent revenue		5100				Cost of sales		420		
	Wages	500					Creditors control	462			
	Accrued wages		500				ZBoats			462	
							GST clearing		42		
							Stock control		420		

Working space if required

Sales returns \$2100 divided by 500% (400% + 100%) = \$420 cost price of stock returned.
Cost of sales = \$20400 less \$420 cost price of sales returns = \$19980.
Stock loss = \$56000 — \$53000 = \$3000.
Stock write down = \$5000 — \$2100 = \$2900.
Rent revenue = (3 X 800) + (3 X \$900) = \$5100.

1.9 Calculate net profit or loss for the six months ending 30/6/41. Depreciation expense is \$9200 for the reporting period.

6 marks

Note: A normal income loss statement is not required.

Revenue:

Sales \$68000 + profit on disposal \$1100 + rent revenue \$5100 = \$74200.

Less expenses/negative revenue:

Sales returns \$8100, cost of sales \$19980, stock loss \$3000, stock write-down \$2900, office expenses \$17000, wages \$28500, depreciation \$9200 = \$88680.

(Net loss = \$14480)

1.10 Prepare the Current Liability section of the Balance Sheet at 30/6/41.

4 marks

Boat World: Balance Sheet extract at 30/6/41		
Current liabilities	\$	\$
Prepaid rent	2300	
Creditors control	31538	
GST clearing	8132	
Accrued wages	500	