

VCE Accounting Unit 4: Nano Exam 14. Marks = 30 Time = 30 minutes.

Emily manages **Solar Vision**, a business that trades in telescopes 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.

On 1/5/33 the business invested \$36000 in a five month ANZ term deposit at 7.5% per annum interest. Interest is paid at the end of the term with the principal. Memo #22.

1.1 Record any adjusting entry at 30/6/33 in the following General Journal. Memo #44.

2 marks

General Journal (GJ) extract					
2033		General Ledger		Subsidiary Ledger	
Date	Details	Dr. \$	Cr. \$	Dr. \$	Cr. \$
30/6/33	Accrued interest revenue	450			
	Interest revenue		450		
	Memo #44. 2 months interest				

1.2 Explain the impact of this adjusting entry on the accounting equation.

2 marks

Assets	Liabilities	Owners Equity
Increase \$450 due to accrued interest revenue	No impact	Increase \$450 due to interest revenue.

1.3 Explain how the adjusting entry, memo #44, links with the definition of revenue.

3 marks

Revenue is an increase in an asset, such as the accrued interest revenue of \$450 in this example, or a decrease in a liability that leads to an increase in owners equity, excluding capital contribution.

On 1/10/33 the business received a cash transfer from the ANZ bank as per the terms of the 5 month term deposit. Memo #77.

1.4 Record memo #77 in the Cash Receipts Journal.

3 marks

Cash Receipts Journal (CRJ) extract									
Date	Details	Doc.	Bank	Cost of sales	Prepaid sales	Sales	Debtors	Sundry	GST
2033									
1/10/33	Accrued interest rev.	77	37121					450	
	Interest revenue							675	
	Term deposit							36000	

1.5 Prepare the accrued interest account from 1/7/33 to 1/10/33. **Balance/close.** Post = 1/10.

2 marks

Accrued interest					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
1/7/33	Balance	450	1/10/33	Bank	450

1.6 Explain how memo #77 would impact on the Cash Flow Statement for the 6 months ending 31/12/33.

3 marks

Operating activities: positive. Accrued revenue \$450, interest revenue \$675 and term deposit \$36000.

Solar Vision: Trial Balance extract at 31/12/35		
Account	Dr. \$	Cr. \$
Sales		120000
Office furniture	24000	
Accum. Deprec Off Furn		12000
Prepaid sales (fully paid)		12000
Forklift	60000	
Accum. Deprec Forklift		44000
Prepaid rent rev. (top floor)		10000
Stock control	72000	
Investment account	20000	
Interest revenue		100
Cost of sales	36000	
Sales returns	4000	
Stock transit insurance	900	

Additional information at 31/12/35:

The business closes its accounts twice a year on 30/6 and 31/12.

- Rent revenue (top floor) for 12 months was received on 1/5/35.
- The investment account was taken out on 1/10/35 at an interest rate of 12% per annum.
- 40% of the prepaid sales have been supplied by 30/6/35. The business used a mark-up of 300% on the prepaid sales.
- Depreciation rates: office furniture 10% p.a. (straight line method) and forklift 20% p.a. (reducing balance method).
- Office furniture which had an historical cost of \$6000 and accumulated depreciation of \$3600 at 30/6/35 was sold for \$800 cash on 31/12/35.
- Sales returns, by High Hikers, of \$1650, inc. \$150 GST, has not been recorded. This stock had a mark-up of 200%.
- Accrued stock transit insurance: \$220 including \$20 GST.
- Some of the stock with an historical cost of \$3000 is damaged and the owner estimates the net realisable value is around \$1400.

1.7 Record General Journal entries following the additional information provided. Narrations are not required.
15 marks

General Journal (GJ) extract					
2033		General Ledger		Subsidiary Ledger	
Date	Details	Dr. \$	Cr. \$	Dr. \$	Cr. \$
31/12	Prepaid rent revenue	6000			
	Rent revenue		6000		
	Accrued revenue	500			
	Interest revenue		500		
	Prepaid sales	4800			
	Sales		4800		
	Cost of sales	1200			
	Stock control		1200		
	Depreciation office furniture	1200			
	Accum. Depreciation off. Furn.		1200		
	Depreciation forklift	1600			
	Accum. Depreciation Forklift		1600		
	Disposal Office Furniture	6000			
	Office furniture		6000		
	Accum. Depreciation office furn.	3900			
	Disposal Office Furniture		3900		
	Loss on disposal office furniture	1300			
	Disposal office furniture		1300		
	Sales returns	1500			
	GST clearing	150			
	Stock control	500			
	Debtors control		1650		
	High Hikers				1650
	Cost of sales		500		
	Stock transit insurance	200			
	Accrued stock transit insurance		200		
	Stock write down	1600			
	Stock control		1600		

Do not account for \$20 GST