

VCE Accounting Unit 4: Nano SAC 1. Marks = 32. Time = 32 minutes.

Taarika manages **OfficeWorks**, a business that trades in office materials 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.

Just Furniture Credit Note #14	
Date:	20/1/30
To:	OfficeWorks
For:	Return of 3 damaged chairs at \$880 each including \$80 GST.
\$:	\$2640.00
Sorry for any inconvenience	

1.1 Refer to credit note #14. **Who** is returning stock to whom?

1 mark

OFFICEWORKS IS RETURNING STOCK TO JUST FURNITURE.

1.2 **Explain** what would have happened before the credit note was issued by **Just Furniture**.

1 mark

OFFICEWORKS WOULD HAVE COMMUNICATED TO JUST FURNITURE ABOUT THE DAMAGE. JUST FURNITURE AGREED TO CREDIT NOTE.

1.3 **Show** the impact of credit note #14 on **OfficeWork's** accounting equation.

3 marks

Assets	Liabilities	Owners Equity
DECREASE STOCK CONTROL \$2400.	INCREASE GST CLEARING \$240. DECREASE CREDITORS CONTROL \$2640. NET DECREASE \$2400.	NO IMPACT.

1.4 **Describe** what type of transaction credit note #14 is for **Just Furniture** and **indicate** which journal would be used by **Just Furniture** to record this transaction.

2 marks

SALES RETURNS (CREDIT). GENERAL JOURNAL.

1.5 **Record** credit note #14 in the following stock card extract of **OfficeWorks**.

2 marks

STOCK CARD: Chairs (extract)										
2030		IN			OUT			BALANCE		
Date	Details	QTY.	COST	VALUE	QTY.	COST	VALUE	QTY.	COST	VALUE
20/1	Balance							12	800	9600
	C.NOTE 14				3	800	2400	9	800	7200

1.6 **Explain** the impact of FIFO on credit note #14 for **OfficeWorks**.

2 marks

NO IMPACT. THE VALUE OF THE PURCHASE RETURN IS DETERMINED BY THE CREDITOR/SUPPLIER, IN THIS CASE JUST FURNITURE, NOT OFFICEWORKS.

1.7 **Record** credit note #14 in the General Journal of **OfficeWorks**.

3 marks

General Journal (GJ)					
Date	Details	General Ledger		Subsidiary Ledger	
		Dr. \$	Cr. \$	Dr. \$	Cr. \$
20/1/30	CREDITORS CONTROL	2640			
	JUST FURNITURE			2640	
	STOCK CONTROL		2400		
	GST CLEARING		240		
	CREDIT NOTE #14. RETURN OF				
	3 DAMAGED CHAIRS				

1.8 Explain the impact of credit note #14 on **OfficeWork's** profit determination.

2 marks

NO IMPACT AS THE TRANSACTION DOES NOT IMPACT ON OWNERS EQUITY (SEE 1.3) AND THUS CANNOT BE A REVENUE OR EXPENSE TRANSACTION.

1.9 Assuming **Just Furniture** has a mark-up of 200%, **calculate** the profit impact of credit note #14 for **Just Furniture**.

2 marks

SALES RETURN FOR JUST FURNITURE. SALES RETURNS = \$2400. COST OF SALES = \$2400/3 = \$800. THUS \$1600 NET DECREASE ON PROFIT.

1.10 The manager of **Just Furniture** is certain the stock (chairs) arrived at **Just Furniture** in good condition. **Suggest** possible reasons for the damage to the chairs.

3 marks

- 1. DAMAGE IN WAREHOUSE OF OFFICEWORKS.**
- 2. DAMAGE IN DELIVERY OF CHAIRS TO OFFICEWORKS.**
- 3. DAMAGE BY OFFICEWORKS BUT BLAME SHIFTED TO OFFICEWORKS!**

1.11 Record the following transactions in the ledger of **OfficeWorks**. **Balance** at 31/1/30.

4 marks

5/1, received invoice #677 from **Just Furniture**, \$3300 including \$300 GST.

10/1, paid **Just Furniture** \$3200 cash, discount \$100, cheque #887.

14/1, credit purchase from **Just Furniture**, \$6820 including \$620 GST, invoice #695.

20/1, credit note #14 (see previous page).

Just Furniture					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
10/1/30	BANK/DISCOUNT REV.	3300	1/1/30	Balance	950
20/1	STOCK CONT./GST CLEAR.	2640	5/1	STOCK CONT./GST CLEAR.	3300
31/1	BALANCE	5130	14/1	STOCK CONT./GST CLEAR	6820
		<u>11070</u>			<u>11070</u>
			1/2	BALANCE	5130

1.12 Using the data from 1.11, **complete** the following Statement. Use 1 line per transaction.

3 marks

Just Furniture Statement for OfficeWorks at 31/1/30			
Date	Details	Amount	Balance
1/1/30	Balance		950
5/1	INVOICE #677	3300	4250
10/1	CHEQUE #887	(3300)	950
14/1	INVOICE #695	6820	7770
20/1	CREDIT NOTE #14	(2640)	5130

**THE BALANCE AT
END MUST EQUAL
FINAL BALANCE IN
LEDGER IN 1.11.**

Consider the following ledger account.

GST Clearing					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
1/7/30	Balance	700	31/7/30	Bank	700
31/7	Bank	1700		Bank	2800
	Creditors control (1)	2600		Debtors control (3)	4500
	Debtors control (2)	500		Creditors control (4)	300

1.13 Briefly **explain** the following numbered transactions:

4 marks

- (1) **GST ON CREDIT PURCHASES. SOURCE JOURNAL = PURCHASES JOURNAL.**
- (2) **GST ON SALES RETURNS BY DEBTORS. SOURCE JOURNAL = GENERAL JOURNAL.**
- (3) **GST ON CREDIT SALES. SOURCE JOURNAL = SALES JOURNAL.**
- (4) **GST ON PURCH. RETURNS TO CREDITORS. SOURCE JOURNAL = GENERAL JOURNAL.**