

VCE Accounting Unit 4: Nano Exam 4. Marks = 29. Time = 29 minutes.

Stephanie manages **Hot Bytes**, a business that trades in computer gear.

Hot Bytes: Income Statement extract For June 2030		
Revenue	\$	\$
Sales		45000
Less Cost of Goods Sold		
Cost of sales		18000
Gross Profit		27000

Hot Bytes: Income Statement extract For June 2030		
Revenue	\$	\$
Sales	45000	
Less Sales Returns	3000	42000
Less Cost of Goods Sold		
Cost of sales		16800
Gross Profit		25200

a. Stephanie did not record a sales return by a debtor, Mona, of \$3300 including GST in June. Hot Bytes uses a mark-up of 150%. Redraft the Income Statement with this new information.

2 marks

b. Record the sales return in the following general journal on 14/6/30. Credit note #3.

6 marks

General Journal (GJ)					
2030		General Ledger		Subsidiary Ledger	
Date	Details	Dr. \$	Cr. \$	Dr. \$	Cr. \$
14/6	Sales Returns	3000			
	GST Clearing	300			
	Stock Control	1200			
	Cost of Sales		1200		
	Debtors Control		3300		
	Debtor — Mona				3300
	Credit note #3. Return by Mona.				

c. Assume that the stock that was returned by Mona was then returned to the creditor, Jazz Traders, in June, credit note #87. Explain how this return to Jazz Traders would impact on June's Income Statement, 2030.

2 marks

No impact on the Income Statement since a purchases return (PR) is neither a revenue or an expense. A PR decreases stock control and creditors control and increases the GST liability but has no impact on owners equity thus it cannot be a revenue or expense.

d. Record credit note #87 in the general journal of Hot Bytes on 20/6/30.

3 marks

General Journal (GJ)					
2030		General Ledger		Subsidiary Ledger	
Date	Details	Dr. \$	Cr. \$	Dr. \$	Cr. \$
20/6	Creditors Control	1320			
	Creditor: Jazz Traders			1320	
	Stock Control		1200		
	GST Clearing		120		
	Credit note #87. Returns to Jazz Traders				

Debtors Control (extract)					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
30/11/31	Sales/GST Clearing	16940	30/11/31	Sales/GST Clearing	924

e. Identify the \$924 credit entry.

1 mark

Sales returns including GST from a debtor. Sales returns \$840 + \$84 GST.

f. Calculate the value of net sales using the data in the Debtors Control ledger extract.

2 marks

Net sales = sales less sales returns. Sales \$15400 less sales returns \$840 = \$14560.

Net sales = \$14560.

GST Clearing

Date	Cross-Reference	\$	Date	Cross-Reference	\$
31/12/32	Bank	1500	1/12/32	Balance	2000
	Creditors control (1)	2500	31/12	Bank	3000
	Debtors control	300		Debtors control	5000
	Balance	6400		Creditors control (2)	700
		10700			10700
			1/1/33	Balance	6400

No ATO refund/settlement occurred in December.

g. Distinguish between entry (1) and entry (2).

2 marks

Entry (1) is the GST on credit purchases for December, posted from Purchases Journal.

Entry (2) is the GST on purchase returns to creditors, posted from General Journal.

h. Calculate the value of net sales for December 2032.

3 marks

Net sales = sales less sales returns. Cash sales \$30000 + credit sales \$50000 = total sales \$80000. Sales returns = \$3000. Thus net sales = \$77000.

i. Stephanie is considering recording sales returns by debiting Sales rather than using a Sales Return account. Advise Stephanie.

3 marks

Both methods will lead to the same value of net sales hence gross and net profits. Using a separate sales returns account is preferred since this will be reported in the Income Statement as a separate value and provide stakeholders with more useful information. Stakeholders could track changes in sales returns overtime to assess performance. This would be impossible if no separate sales returns account was used.

STOCK CARD: Acer Tablet (extract) FIFO cost assignment										
2033		IN			OUT			BALANCE		
Date	Details	QTY.	COST	VALUE	QTY.	COST	VALUE	QTY.	COST	VALUE
1/4	Balance							10	400	4000
5/4	Invoice 61	8	420	3360				10	400	
								8	420	7360
11/4	Invoice S22				10	400				
					2	420	4840	6	420	2520
17/4	Memo 3				1	420	420	5	420	2100
20/4	Credit Note 5				1	420	420	4	420	1680
27/4	Credit Note 17	1	400					1	400	
		4	420	2080				8	420	3760

Memo 3 is for drawings.

j. Complete the following table.

3 marks

Date	Brief description of transaction
5/4	Credit purchase of 8 units of stock at \$420 per unit.
11/4	Credit sales of 12 units of stock for total cost of sales \$4840.
20/4	Return of 1 unit of stock to creditor/supplier. Cost price \$420.

k. On April 27th, a customer returned 5 Acer Tablets, credit note #17. Record this transaction in the above stock card.

2 marks