

VCE Accounting Unit 4: Nano Exam 6. Marks = 30. Time = 30 minutes.

Rose manages **AllFlags**, a business that trades in world flags 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 31/7/24, **AllFlags** provides the following Balance Sheet extract:

AllFlags: Balance Sheet extract at 31/7/24		
Non Current Assets	\$	\$
Delivery Van	40000	
Less accum. deprec. Del. Van	(18000)	22000

Depreciation rates (per year):
Delivery Van 15% using
reducing balance method.

During August, the following transactions occurred:

31/8/24, sold old delivery van for \$20000 cash, receipt #887 and purchased a new delivery van on credit from **Just Vans**, \$55000 including \$5000 GST, invoice #124.

On the same date, arranged delivery of the delivery van to the business premises, \$440, including \$40 GST, from **FastCouriers**, invoice #F556. Finally on 31/8, paid \$2200 cash, including \$200 GST, for a shelving unit to be installed inside the new delivery van, cheque #654.

1.1 Calculate any profit or loss on the disposal of the delivery van. **Show** workings.

2 marks

Proceeds of disposal = \$20000. Carrying-value of old delivery van = cost less accumulated depreciation. Cost = \$40000. Accum. Deprec = \$18000 + \$275 (1 months depreciation), thus carrying value = \$21725. Loss on disposal \$1725.

1.2 Record any necessary transactions for the disposal and purchase of the non current assets in the following journals for August. Narrations are not required.

8 marks

General Journal (GJ) extract					
2024		General Ledger		Subsidiary Ledger	
Date	Details	Dr. \$	Cr. \$	Dr. \$	Cr. \$
31/8	Depreciation delivery van	275			
	Accumulated depreciation del. van		275		
	Disposal delivery van	40000			
	Delivery van		40000		
	Accum depreciation delivery van	18275			
	Disposal delivery van		18275		
	Loss on disposal delivery van	1725			
	Disposal delivery van		1725		
	Delivery van	50000			
	GST clearing	5000			
	Sundry creditor: Just Vans		55000		
	Delivery van	400			
	GST clearing	40			
	Sundry creditor: FastCouriers		440		

Cash Receipts Journal (CRJ) extract							
Date	Details	Doc.	Bank	Cost of sales	Sales	Sundry	GST
2024							
31/8	Disposal delivery van	887	20000			20000	

Cash Payments Journal (CPJ) extract									
Date	Details	Doc.	Bank	Creditors	Interest	Stock	Office Exps.	Sundry	GST
2024									
31/8	Delivery van	654	2200					2000	200

1.3 Show how the Delivery Van ledger account would appear for the month ending 31/8/24. **Balance.**

4 marks

Delivery Van					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
1/8/24	Balance	40000	31/8/24	Disposal Del. Van	40000
31/8	Just Vans	50000		Balance	52400
	FastCouriers	400			
	Bank	2000			
		92400			92400
1/9	Balance	52400			

On 30/6/26, the following ledger accounts are provided by **AllFlags**.

Computer System					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
1/6/26	Balance	4600	30/6/26	Disposal compt. system	4600
30/6	S.Creditor OrangeWorks	2700		Balance	3000
	Bank	300			
		<u>7600</u>			<u>7600</u>
1/7	Balance	3000			

Accumulated Depreciation Computer System					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
30/6/26	Disposal compt. system	3820	1/6/26	Balance	3800
		<u>3820</u>	30/6	Deprec. compt. system	20
					<u>3820</u>

Disposal of Computer System					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
30/6/26	Computer system	4600	30/6/26	Accum. Deprec. c/syst.	3820
	Profit on disp. c/system	220		Bank	1000
		<u>4820</u>			<u>4820</u>

Sundry Creditor: OrangeWorks					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
30/6/26	Balance	2970	30/6/26	Comp.sys./GST clearing	2970
		<u>2970</u>			<u>2970</u>
			1/7	Balance	2970

Profit on disposal of Computer System					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
30/6/26	Profit/loss summary	<u>220</u>	30/6/26	Disposal compt. system	<u>220</u>

The computer system is depreciated at 30% per year using the reducing balance method. On 30/6/26 sold the old computer system for \$1000 cash, receipt #2876. Bought a new computer system from OrangeWorks, \$2970 including \$270 GST, invoice #76 and installation was done by Home Office Suppliers for cash, \$330 for including \$30 GST, cheque #7761.

1.4 Using the information provided, **complete** the ledger accounts provided above.
Close/balance at 30/6/26.

8 marks

1.5 On 3/7/26 the business paid OrangeWorks \$2000, cheque #7765. **Show** how this would be reported in the Cash Flow Statement for July 2026.

2 marks

AllFlags: Cash Flow Statement extract for July 2026		
Investing Activities	\$	\$
Computer system/SC-OrangeWorks	(2000)	

1.6 **Show** how Computer System would be reported in the Balance Sheet at 30/6/28.

3 marks

AllFlags: Balance Sheet extract at 30/6/28		
Non Current Assets	\$	\$
Computer system	3000	
Less accum. deprec. compt. system	(1530)	1470

1.7 In a past reporting period a loss on disposal of office furniture was reported. **Explain** how a loss on disposal occurs.

3 marks

A loss on disposal occurs when the proceeds of disposal are less than the carrying-value of the non current asset. This can occur due to under-depreciation of the non current asset due to overestimating estimated scrap-value life and/or estimated useful life.