



# Victorian Certificate of Education 2013

## ACCOUNTING

### Written examination

**Monday 11 November 2013**

**Reading time: 11.45 am to 12.00 noon (15 minutes)**

**Writing time: 12.00 noon to 2.00 pm (2 hours)**

### QUESTION BOOK

#### Structure of book

<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
10	10	100

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners, rulers and one scientific calculator.
- Students are NOT permitted to bring into the examination room: blank sheets of paper and/or white out liquid/tape.

#### Materials supplied

- Question book of 10 pages.
- Answer book of 16 pages.

#### Instructions

- Write your **student number** in the space provided on the front page of the answer book.
- Answer all questions in the answer book.
- All written responses must be in English.

#### At the end of the examination

- You may keep this question book.

**Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.**

**Question 1** (24 marks)

Eric's Electronics sells a wide range of MP3 players.

All stock is marked up by 50% on cost. All MP3 players are purchased for \$120 each plus GST.

The business prepares reports monthly.

The following journals summarise the transactions for April 2013, up to and including 22 April.

**Sales Journal (summary)**

Date 2013	Debtor	Invoice Number	Cost of Sales	Sales	GST	Debtors Control
22 April	Totals to date	–	20 000	30 000	3 000	33 000

**Purchases Journal (summary)**

Date 2013	Creditor	Invoice Number	Stock Control	GST	Creditors Control
22 April	Totals to date	–	25 000	2 500	27 500

**Cash Receipts Journal (summary)**

Date 2013	Details	Rec. No.	Bank	Disc. Exp.	Debtors Control	Cost of Sales	Sales	Sundries	GST
22 April	Totals to date	–	44 000		18 000	10 000	15 000	10 000	1 500

The items in the 'Sundries' column were

- Capital Contribution \$9 000
- Prepaid Sales Revenue \$1 000.

**Cash Payments Journal (summary)**

Date 2013	Details	Chq. No.	Bank	Disc. Rev.	Creditors Control	Stock Control	Wages	Insurance	Sundries	GST
22 April	Totals to date	–	46 800	1 000	19 000	–	12 000	4 000	12 400	400

The items in the 'Sundries' column were

- payment to the ATO for GST \$5 000
- drawings \$4 000
- loan repayment \$3 400 (including \$400 of interest).

The following documents have not yet been recorded.

<b>Eric's Electronics</b>	
<b>Date:</b>	24/04/13
<b>Credit Note No.:</b>	34
<b>Returned:</b>	8 MP3 players for credit
<b>Account:</b>	B Green
<b>Amount:</b>	\$1440
<b>plus GST</b>	144
	<b>\$1584</b>

<b>Eric's Electronics</b>	
<b>Date:</b>	25/04/13
<b>Invoice No.:</b>	201
<b>Supplied:</b>	10 MP3 players
<b>Account:</b>	Joe's Gym
<b>Amount:</b>	\$1800
<b>plus GST</b>	180
	<b>\$1980</b>
<i>Terms 5/10, n/30</i>	

<b>Eric's Electronics</b>	
<b>Memo</b>	
<b>Date:</b>	27/04/13
<b>Memo:</b>	44
Provided 5 MP3 players for a local school fundraiser. No GST on this transaction.	
<b>Signed:</b>	<i>E Tran</i>

<b>Eric's Electronics</b>	
<b>Date:</b>	28/04/13
<b>Receipt No.:</b>	430
<b>Supplied:</b>	25 MP3 players
<b>For:</b>	Cash sale
<b>Amount:</b>	\$4500
<b>plus GST</b>	450
	<b>\$4950</b>

<b>Date:</b>	29/04/13
<b>To:</b>	Mills Media
<b>For:</b>	Advertising for May and June
<b>This Cheque:</b>	\$2640 (GST included)
<b>Chq. No.:</b>	555

- a. Calculate the total of the 'Discount Expense' column in the Cash Receipts Journal at 22 April 2013. 1 mark
- b. Record the above documents in the journals provided.  
Narrations **are** required in the General Journal.  
Total the journal columns as required. 8 marks
- c. Complete the following General Ledger accounts at 30 April 2013 and prepare them for the next reporting period.
- Stock Control
  - GST Clearing 9 marks
- d. Prepare the Cash Flow from Operating Activities section of the Cash Flow Statement for the month ended 30 April 2013. 6 marks

**TURN OVER**

**Question 2** (7 marks)

Lana's Landscapes provides bulk deliveries of plants, mulch and garden supplies to a range of businesses, including Playgrounds Galore.

Lana's Landscapes sends a Statement of Account to each of its debtors every month. The Statement of Account sent to Playgrounds Galore at the end of May 2013 is shown below.

<b>Statement of Account</b>				
Lana's Landscapes				
4 Dutch Cottage Road				
Northbourne 3288				
				<b>Date:</b> 31 May 2013
Statement of Account for: Playgrounds Galore				
Date	Details	Debit \$	Credit \$	Balance \$
1 May	Balance			2 150 Dr
7 May	Inv. 244	5 500		7 650 Dr
8 May	Rec. 404: Cash Discount		2 043 107	5 500 Dr
18 May	CN 980		660	4 840 Dr
23 May	Inv. 267	2 200		7 040 Dr

Credit Terms 5/10, n/30

- a. With reference to **one** qualitative characteristic, explain how the Statement of Account could assist internal control for Playgrounds Galore. 3 marks
- b. Show how Playgrounds Galore's account would appear in the Debtors Subsidiary Ledger of Lana's Landscapes at 31 May 2013.  
You are **not** required to balance the account. 4 marks

**Question 3** (8 marks)

DAB Sports has recently added scooters to its product range. The scooters are imported from Indonesia along with several other stock items.

DAB Sports prepares reports annually on 30 June.

Details of the first shipment of scooters in May 2013 are shown below.

<b>Item</b>	<b>Quantity</b>	<b>Cost</b>	<b>Total</b>
trail bikes	60	\$130	\$7 800
soccer balls	100	\$16	\$1 600
scooters	50	\$60	<u>\$3 000</u>
		Total	\$12 400
Delivery charges			<u>\$ 2 100</u>
<b>Total invoiced amount</b>			<b><u>\$14 500</u></b>

**Additional information**

- Customs duty of 15% was paid on all goods.
- GST was paid based on cost plus customs duty.
- GST is not payable on the delivery charges.
- The scooters will be rebadged in Australia with DAB Sports logos at a cost of \$2 per scooter (plus GST) before being ready for sale.

- a. Calculate the unit cost at which the scooters should be recorded in the Stock Card. 2 marks
- b. Explain your treatment of the following items when determining the unit cost for the scooters. 3 marks
- rebadging cost
  - GST
- c. The owner of DAB Sports asked the accountant, 'Does it really matter how delivery charges are treated? Profit will be the same anyway'.  
Do you agree? Explain your answer, making reference to **one** accounting principle. 3 marks

**Question 4** (8 marks)

Cool Kitchens sells kitchen cookware and appliances. The business prepares reports annually on 30 June. The business uses the FIFO cost assignment method.

The Stock Card for the 25 cm crockpot showed the following data at 30 June 2013.

Product: 25 cm crockpot				Cost Assignment Method: FIFO						
Date 2013	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
30 June	Balance							12	55	
								30	50	2 160

**Additional information at 30 June 2013**

- A stocktake showed 39 units of the 25 cm crockpot on hand (Memo 24).
- Five units on hand were found to be damaged and will be written down to \$15 plus GST and sold at a local market (Memo 25).
- To make way for the new season's stock, the remaining 34 units of undamaged stock will have their selling price reduced from \$95 to \$40 plus GST (Memo 26).

a. Complete the Stock Card for the 25 cm crockpot. 5 marks

b. Prepare the General Journal entries that are required on 30 June 2013 to account for changes to the valuation of stock arising from the details above.

Narrations are **not** required.

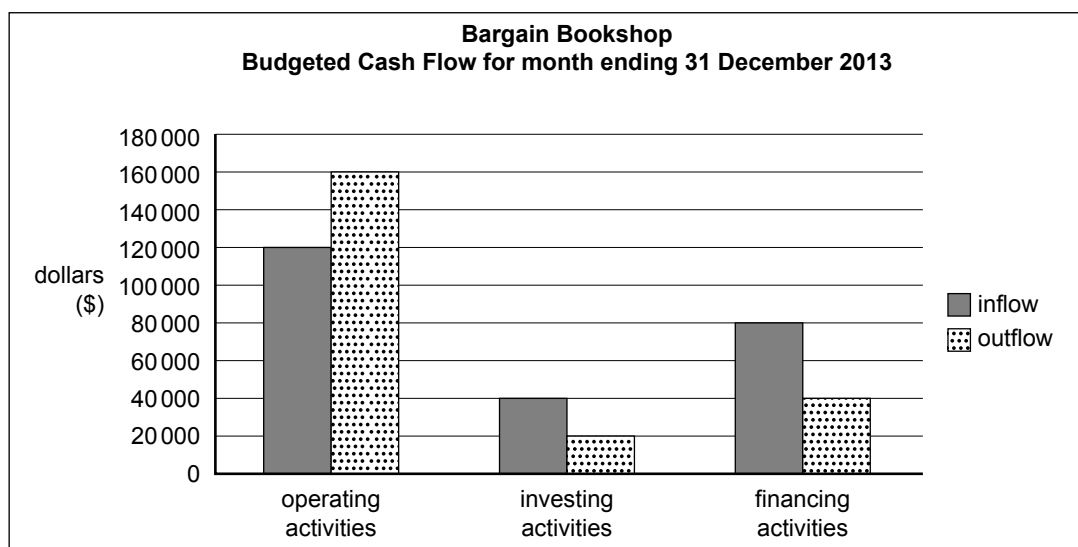
3 marks

**Question 5** (6 marks)

Bargain Bookshop has recently prepared its Budgeted Cash Flow for December 2013 and has presented a graphical representation of this below. The budget shows that the business's bank balance is predicted to increase from \$14 800 at the start of the month to \$34 800 by the end of December.

The owner believes this to be an indication of positive business performance.

Discuss, using the information from the graph below, the owner's assessment of Bargain Bookshop's performance.



**Question 6** (10 marks)

A business purchased equipment on 1 January 2011 for \$24 000 plus GST. The equipment had an estimated useful life of four years and a residual value of \$3 000. The business prepares reports annually on 30 June.

- a. Explain how the accountant should determine the appropriate method of depreciation for the equipment.  
Refer to alternative methods of depreciation in your answer. 4 marks
- b. Assuming the business used the reducing balance method at 30% per annum, calculate the depreciation expense for the year ended 30 June 2012. 2 marks
- c. On 30 June 2013, the Balance Sheet reported the equipment as follows.
- | Non-Current Assets (extract)               | \$     | \$    |
|--|--------|-------|
| Equipment                                  | 24 000 |       |
| Less Accumulated Depreciation of Equipment | 14 004 | 9 996 |
- Explain what the carrying value of \$9 996 in the Balance Sheet represents. 2 marks
- d. Calculate what the carrying value of the equipment would have been at 30 June 2013 if the straight line method of depreciation had been used each year. 2 marks

**Question 7** (8 marks)

Melbourne Wheels and Tyres purchased a generator in 2009 for \$15 000 plus GST.

On 30 June 2013, the Balance Sheet showed that the generator had a carrying value of \$6 200.

On 1 July 2013, the generator was traded in for a larger model that cost \$22 000 plus GST. The trade-in allowance was \$4 000, with the balance owing to the supplier, Tech Supplies Ltd, payable within 30 days.

On 10 July 2013, the business paid installation costs for the new generator of \$2 000 plus GST and 12 months' insurance on the new generator of \$450 plus GST (Cheque 710).

- a. Show how the following accounts would appear in the General Ledger on 31 July 2013 after all details had been recorded and posted.
- Disposal of Generator
  - Generator
- You are **not** required to balance the accounts. 6 marks
- b. The accountant stated, 'A profit or loss on disposal of a non-current asset is really just a depreciation adjustment'.  
Do you agree? Explain your answer. 2 marks

**Question 8** (15 marks)

Garden Gadgets sells gardening equipment. The business prepares reports annually on 30 June. The following Pre-adjustment Trial Balance was prepared on 30 June 2013.

**Garden Gadgets**  
**Pre-adjustment Trial Balance as at 30 June 2013**

Account	Debit	Credit
Accrued Wages		1 400
Bank	29 200	
Buying Expenses	1 000	
Capital		252 000
Cost of Sales	123 820	
Creditors Control		12 000
Debtors Control	24 500	
Drawings	42 800	
GST Clearing		16 700
Other Expenses	29 500	
Premises	226 400	
Prepaid Insurance Expense	2 280	
Prepaid Sales Revenue		1 000
Sales		278 650
Stock Control	34 250	
Wages Expense	48 000	
	<b>561 750</b>	<b>561 750</b>

On 30 June 2013, the accountant noted the following.

- On 1 June 2013, a customer, Rob Smith, paid a deposit of \$1 000 for a ride-on lawnmower with a selling price of \$5 000 plus GST (cost price \$3 000 plus GST). The lawnmower was delivered to the customer on 29 June 2013 (Invoice 44).
- On 13 July 2012, a cash payment for wages of \$3 100 included \$1 400 for wages owing from June 2012. The full amount of \$3 100 had been recorded in the wages column of the Cash Payments Journal.
- The owner had taken one lawnmower for personal use on 15 June 2013. (The lawnmower costs \$300 plus GST and sells for \$500 plus GST.) No entry had been made to record this transaction.
- The stocktake on 30 June 2013 showed \$34 500 stock on hand.

- a. Prepare General Journal entries to record the necessary adjustments and corrections at 30 June 2013.

Narrations are **not** required.

7 marks

- b. Prepare the General Journal entry needed to close the expense accounts at 30 June 2013.

Narrations are **not** required.

3 marks

- c. Assuming revenue accounts have also been closed, show how the Capital account would appear in the General Ledger after all closing and transfer entries had been completed at 30 June 2013.

You are **not** required to balance the account.

2 marks

- d. Prepare an extract of the classified Income Statement for the year ended 30 June 2013, up to and including Adjusted Gross Profit.

3 marks

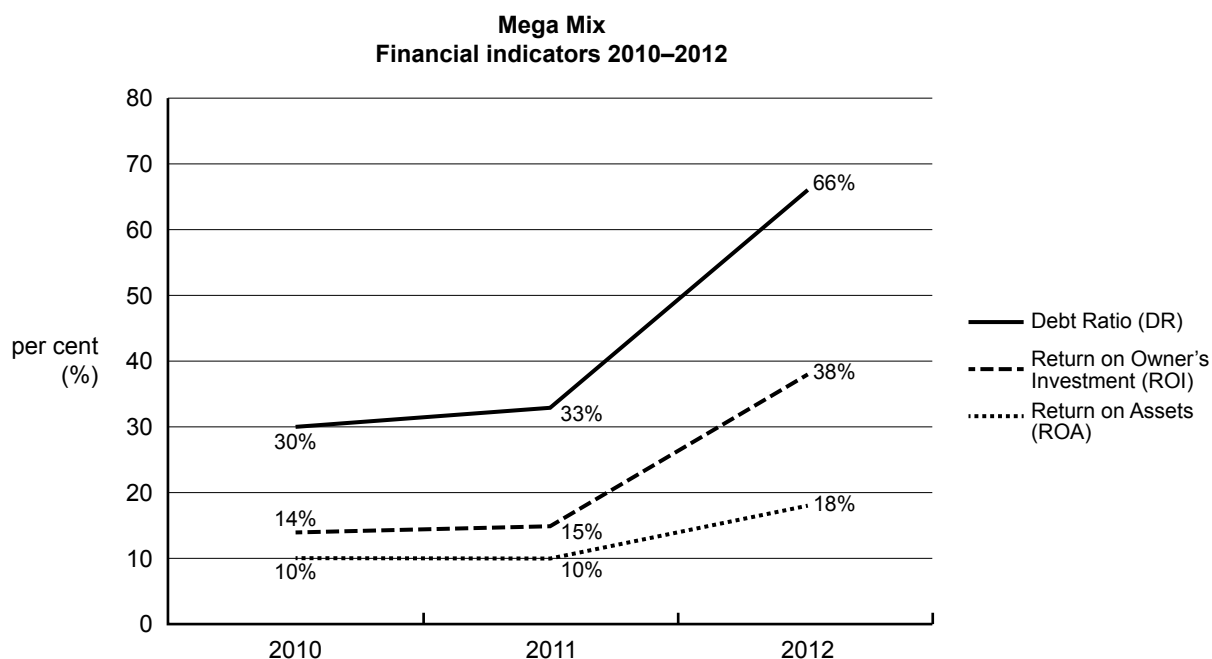


**Question 9** (10 marks)

Mega Mix operates in the retail music industry. It is now at the end of its third year of operation and seeks to evaluate performance.

Net Profit has remained constant over the three years of operation.

The accountant has provided the information below.



Industry averages for the financial indicators are provided below and are considered to be a reliable indication of comparative performance.

The industry averages have remained consistent over the past three years.

Industry averages	2010–2012
Debt Ratio	50% per annum
Return on Owner's Investment	41% per annum
Return on Assets	22% per annum

- State the purpose of the Return on Assets (ROA) indicator in evaluating business profitability. 1 mark
- Explain the implications of changes in the level of the Debt Ratio for Mega Mix. 3 marks
- Evaluate Mega Mix's profitability for the period 2010–2012. 4 marks
- State **two** items of non-financial information that Mega Mix could use to evaluate performance. 2 marks

**TURN OVER**

**Question 10** (4 marks)

Mallee Traders is preparing its cash budget for the month of December 2013.

Sales are estimated to be 20% cash and 80% credit.

Past experience has shown that debtors pay 50% in the month following a sale, 35% in the second month and 10% in the third month after the sale.

5% of debtors are written off as bad debts in the fourth month after the sale.

Actual and/or estimated sales data for August to December 2013 is provided below. Sales figures do not include GST.

<b>Month</b>	<b>Sales (\$)</b>
August (actual)	50 000
September (actual)	40 000
October (actual)	35 000
November (estimated)	24 000
December (estimated)	50 000

Calculate the estimated cash received from debtors for December 2013.



**Victorian Certificate of Education  
2013**

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**STUDENT NUMBER**

Figures

Words


Letter

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**ACCOUNTING**  
**Written examination**

**Monday 11 November 2013**

**Reading time: 11.45 am to 12.00 noon (15 minutes)**

**Writing time: 12.00 noon to 2.00 pm (2 hours)**

**ANSWER BOOK**

**Instructions**

- A question book is provided with this answer book.
- Answer all questions in the spaces provided in this book.
- Write your **student number** in the space provided above on this page.
- Refer to **Instructions** on the front cover of the question book.

**Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.**

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**Question 1** (24 marks)

a.

1 mark

<b>Calculation</b>
Total of the 'Discount Expense' column in the Cash Receipts Journal (below) \$

b.

8 marks

**Sales Journal (summary)**

Date 2013	Debtor	Invoice Number	Cost of Sales	Sales	GST	Debtors Control
22 April	Totals to date	–	20 000	30 000	3 000	33 000

**Purchases Journal (summary)**

Date 2013	Creditor	Invoice Number	Stock Control	GST	Creditors Control
22 April	Totals to date	–	25 000	2 500	27 500

**Cash Receipts Journal (summary)**

Date 2013	Details	Rec. No.	Bank	Disc. Exp.	Debtors Control	Cost of Sales	Sales	Sundries	GST
22 April	Totals to date	–	44 000		18 000	10 000	15 000	10 000	1 500

The items in the 'Sundries' column were

- Capital Contribution \$9 000
- Prepaid Sales Revenue \$1 000.



c.

9 marks

**Stock Control**

<b>Date 2013</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2013</b>	<b>Cross-reference</b>	<b>Amount</b>
1 April	Balance	31 000			

**GST Clearing**

<b>Date 2013</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2013</b>	<b>Cross-reference</b>	<b>Amount</b>
			1 April	Balance	5 000





**Question 2 (7 marks)****a.**

3 marks

<b>Qualitative characteristic</b>
<b>Explanation</b>

**b.**

4 marks

**Debtor – Playgrounds Galore**

<b>Date 2013</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2013</b>	<b>Cross-reference</b>	<b>Amount</b>

**TURN OVER**



**Question 4** (8 marks)

a.

5 marks

**Stock Card**

Product: 25 cm crockpot					Cost Assignment Method: FIFO					
Date 2013	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
30 June	Balance							12	55	
								30	50	2 160

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b.

3 marks

**General Journal**

Date 2013	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

**TURN OVER**





d.

2 marks

<b>Calculation</b>	
Carrying value of the equipment at 30 June 2013 if straight line method of depreciation had been used	\$

**Question 7 (8 marks)**

a.

6 marks

**Disposal of Generator**

Date 2013	Cross-reference	Amount	Date 2013	Cross-reference	Amount

**Generator**

Date 2013	Cross-reference	Amount	Date 2013	Cross-reference	Amount
1 July	Balance	15 000			



b.

3 marks

**General Journal**

Date 2013	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit
30 June					

c.

2 marks

<b>Working space</b>
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**Capital**

Date 2013	Cross-reference	Amount	Date 2013	Cross-reference	Amount
			30 June	Balance	252 000





