

**Victorian Certificate of Education
2016**

ACCOUNTING
Written examination

Friday 4 November 2016

Reading time: 3.00 pm to 3.15 pm (15 minutes)

Writing time: 3.15 pm to 5.15 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>
9	9	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 correction fluid/tape.

Materials supplied

- Question book of 10 pages.
- Answer book of 17 pages.

Instructions

- Write your **student number** in the space provided on the front cover 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 (13 marks)

MME Sports sells a wide range of sporting goods to schools and recreation centres. Goods are sold on credit, with a mark-up of 50% on cost.

Schedule of Debtors as at 1 January 2016

Mainville Council	\$54 000
Bates Primary School	2 800
REC Sports	4 400
Balance as per Debtors Control	\$61 200

Sales Journal (summary)

Date 2016	Debtor	Invoice No.	Cost of Sales	Sales	GST	Debtors Control
31 Jan.	Totals to date	–	36 000	54 000	5 400	59 400

Cash Receipts Journal (summary)

Date 2016	Details	Rec. No.	Bank	Disc. Exp.	Debtors Control	Cost of Sales	Sales	Sundries	GST
31 Jan.	Totals to date	–	49 520	2 450	49 000	1 800	2 700	–	270

Additional information

- 14 Jan. Bates Primary School returned \$600 (plus GST) of sporting equipment (Credit Note 435).
- 25 Jan. MME Sports received legal advice that REC Sports would be able to pay only 25 cents for every dollar owed. The outstanding account is \$4 400.

- Record the additional information in the General Journal provided.
Narrations are **not** required. 5 marks
- Complete the Debtors Control account provided.
You are required to balance this account. 5 marks
- With reference to **one** qualitative characteristic, explain the importance of preparing a Schedule of Debtors. 3 marks

Question 2 (8 marks)

DM Designs sells a range of framed pictures. It has received the following document. Some of the amounts have been removed.

Statement of Account

Aust Imports				
PO Box 340 Middle Town 3243 Ph: 03 8320 2456			Date: 31 Mar. 2016	
Statement of Account for: DM Designs				
Date	Details	Debit	Credit	Balance
Mar. 1	Balance			12 500 dr
13	Rec. 940 – cash			
	Rec. 940 – discount		250	6 050 dr
15	Inv. 2560			15 950 dr
19	CrN. 356		550	
Credit terms: 2/14, n/30				

- a. Complete the Statement of Account provided. 2 marks
- b. Show how the Aust Imports account would appear in the Creditors Subsidiary Ledger of DM Designs for March 2016.
You are **not** required to balance the account. 4 marks
- c. Explain how the Statement of Account assists internal control for DM Designs. 2 marks

Question 3 (10 marks)

Busnext pays insurance in advance in March each year for the 12-month period 1 April to 31 March. The business reports annually on 30 June.

On 1 July 2015, the balance in the Prepaid Insurance Expense account was \$2 700. On 27 March 2016, the business paid the next premium of \$4 356 including GST. This amount included a price increase.

- a. Prepare the General Journal entries required to adjust and close the relevant accounts on 30 June 2016.
Narrations are **not** required. 4 marks
- b. Show how the Prepaid Insurance Expense account would appear in the General Ledger at 30 June 2016 after all entries have been posted.
You are required to balance the account. 3 marks
- c. With reference to **one** accounting principle, explain the purpose of closing the General Ledger. 3 marks

Question 4 (16 marks)

MixM Games sells electronic games. All stock is marked up by 100% on cost. The business prepares reports every six months, in June and December.

Pre-adjustment Trial Balance (extract) as at 30 June 2016

	Debit	Credit
Sales		210 000
Prepaid Sales Revenue		4 100
Wages	67 000	
Advertising Expense	45 000	
Cost of Sales	105 000	
Cartage In	3 200	
Delivery Expense	560	
Discount Revenue		340
Sales Returns	1 340	
Loan		7 200
Stock Control	35 000	

Additional information

- Wages of \$2 300 are owing at 30 June.
 - The loan (interest only) was taken out on 1 February 2016 at 8% per annum. No interest has been paid to date.
 - Prepaid Sales Revenue at 30 June is \$1 600.
 - Vehicles costing \$120 000 (plus GST) were purchased on 1 June 2015. They have an estimated useful life of eight years and an estimated residual value of \$24 750. The vehicles are depreciated at a rate of 20% per annum using the reducing balance method.
- a. Prepare the General Journal entries required to record the additional information.
Narrations are **not** required. 8 marks
- b. Complete the memo, describing a transaction on 3 June 2016 that would result in the Stock Control account balance decreasing by \$250. 1 mark
- c. Prepare the Income Statement for the six months ended 30 June 2016. 7 marks

Question 5 (10 marks)

Olde Worlde Traders is seeking to value its stock on hand at 30 June 2016. The owner has asked for advice on valuing the following two items:

Stock item 43: An antique chair was purchased in October 2015 for \$420 (plus GST). It was then re-covered in a high-quality material for \$250 (plus GST). The estimated selling price is \$1 800 (plus GST). Delivery is an extra \$50 (plus GST), to be paid by the customer.

Stock item 57: A dining setting, including one table and six chairs, was purchased in September 2015 for \$1 200 (plus GST). Restoration costs of the setting totalled \$800 (plus GST). Two of the chairs were unable to be completely restored and the selling price of the dining setting will be reduced from \$2 500 (plus GST) to \$1 750 (plus GST). Delivery to the customer is \$100 (plus GST) and will be paid by Olde Worlde Traders.

- a. Complete the table provided to determine the correct valuation for each item. 4 marks

- b. Prepare the General Journal entry arising from the valuation process on 30 June 2016.
A narration is **not** required. 2 marks

- c. Explain the valuation of stock item 57 and the effect that the valuation has on the Income Statement and the Balance Sheet. 4 marks

Question 6 (14 marks)

The following information has been extracted from the financial reports of XYZ Traders. The business reports on an annual basis.

XYZ Traders**Balance Sheet (extract) as at**

	30 June 2015	30 June 2016
Bank	–	26 000
Stock Control	38 300	45 200
Machinery	125 000	140 000
Accumulated Depreciation of Machinery	(85 000)	(80 000)
Bank (Overdraft)	17 500	–
Loan	55 000	45 000
Capital	155 000	220 000

Income Statement (extract) for the year ended 30 June 2016

Gain on Disposal of Machinery	5 000
Depreciation of Machinery	18 500
Net Profit	45 000

Additional information

- On 1 July 2015, the business traded-in old machinery with a carrying value of \$14 000.
- The business paid cash for the balance of the new machinery.

a. Show how the following accounts would appear in the General Ledger after all details of the sale and purchase of machinery have been posted:

- Machinery
- Accumulated Depreciation of Machinery
- Disposal of Machinery

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

7 marks

b. Explain how a Gain on Disposal of an asset occurs.

2 marks

c. Calculate the Net Cash Flow that would be reported in the Cash Flow Statement for the year ended 30 June 2016.

1 mark

d. The owner told the accountant that they were pleased to see the improvement in the cash balance. The accountant replied that the most important concern was to have a positive Cash Flow from Operations.

Justify the accountant's statement.

4 marks

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Question 7 (10 marks)

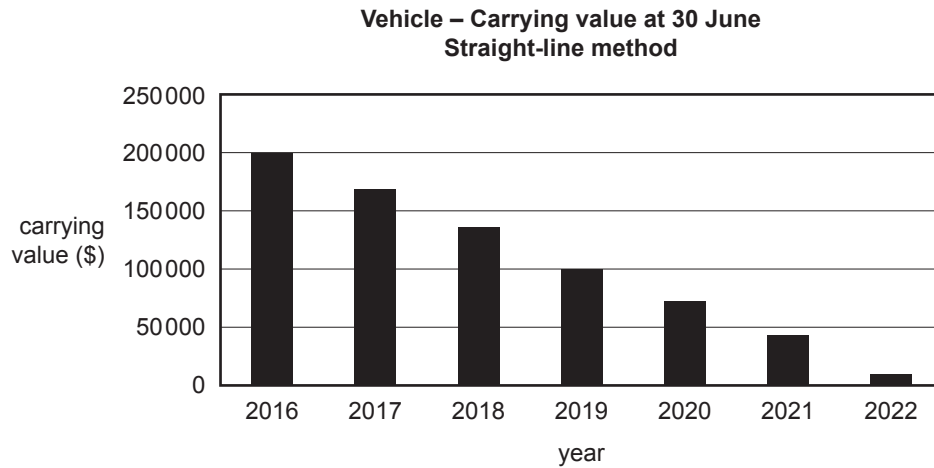
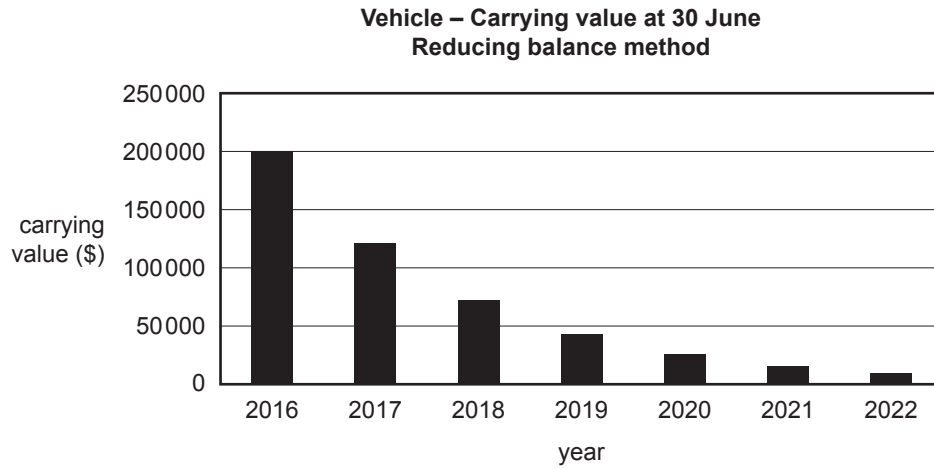
The accountant of Aime Traders obtained industry average data relating to key financial ratios for the year ended 30 June 2016. The following table compares Aime Traders' ratios with the industry average.

Key indicator	Aime Traders	Industry average
Return on Owner's Investment	15.7%	14.9%
Return on Assets	9.9%	12.6%
Asset Turnover	1.9 times	2.2 times
Debt Ratio	54%	34%
Gross Profit Margin	45%	40%
Net Profit Margin	5.2%	5.7%

- a. Discuss the profitability of Aime Traders, as shown by the data above. 6 marks
- b. Explain the implications for Aime Traders of having a Debt Ratio that is significantly higher than the industry average. 4 marks

Question 8 (4 marks)

Greens Garden Centre has purchased a new vehicle. In determining the appropriate depreciation method for the vehicle, the accountant has provided the following estimates.



Select and justify the most appropriate depreciation method for the vehicle. In your response, consider the effect of the chosen depreciation method on the Budgeted Income Statement for the year ending 30 June 2018 and the Budgeted Balance Sheet as at 30 June 2018.

Question 9 (15 marks)

Abcon Air is preparing its Budgeted Cash Flow Statement for the three months ending 30 September 2016. The business provided the following information.

Balance Sheet (extract) as at

	30 June 2016 (actual)	30 September 2016 (budgeted)
Current assets		
Debtors Control	71 000	63 000
Stock Control	45 000	47 000
Current liabilities		
Creditors Control	25 000	26 000
GST Clearing	16 000	7 300
Accrued Wages	750	890

Estimated Income Statement items for the three months ending 30 September 2016

• Credit Sales	200 000
• Cost of Sales	110 000
• Discount Revenue	750
• Bad Debts	2 000
• Discount Expense	1 000
• Wages	38 000
• Advertising	10 000
• Delivery Expense	4 000

Additional information

- All sales and purchases of stock are on credit.
- A payment of \$16 000 will be made to the Australian Taxation Office (ATO) in September 2016.
- Payments will be made for wages, advertising and delivery expenses.

a. Calculate the following for the three months ending 30 September 2016.

- | | |
|---------------------------------------|---------|
| i. Cash received from debtors | 3 marks |
| ii. Payments to creditors | 5 marks |
| iii. GST paid on cash payments | 2 marks |

b. Using the information above, complete the Operating section of the Budgeted Cash Flow Statement for the three months ending 30 September 2016. 5 marks

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SUPERVISOR TO ATTACH PROCESSING LABEL HERE

STUDENT NUMBER

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ACCOUNTING
Written examination

Friday 4 November 2016

Reading time: 3.00 pm to 3.15 pm (15 minutes)

Writing time: 3.15 pm to 5.15 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.

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c.

3 marks

Qualitative characteristic
Explanation

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Question 2 (8 marks)

a.

2 marks

Statement of Account

Aust Imports				
PO Box 340 Middle Town 3243 Ph: 03 8320 2456			Date: 31 Mar. 2016	
Statement of Account for: DM Designs				
Date	Details	Debit	Credit	Balance
Mar. 1	Balance			12 500 dr
13	Rec. 940 – cash			
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15	Inv. 2560			15 950 dr
19	CrN. 356		550	
Credit terms: 2/14, n/30				

b.

4 marks

DM Designs

Creditors Subsidiary Ledger (extract)

Creditor – Aust Imports

Date 2016	Cross-reference	Amount	Date 2016	Cross-reference	Amount

c.

2 marks

Explanation

Question 3 (10 marks)

a.

4 marks

Busnext**General Journal**

Date 2016	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

b.

3 marks

Prepaid Insurance Expense

Date	Cross-reference	Amount	Date	Cross-reference	Amount
2015 1 July	Balance	2 700			

c.

3 marks

Accounting principle
Explanation

TURN OVER

Question 4 (16 marks)

a.

8 marks

Working space

MixM Games

General Journal

Date 2016	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

b.

1 mark

MixM Games	
Memo: 44	3 June 2016
Signed:	Amount: \$

c.

7 marks

MixM Games
Income Statement for the six months ended 30 June 2016

	\$	\$
Revenue		

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Question 5 (10 marks)**a.**

4 marks

Stock item	Calculation	Value (\$)
43		
57		

b.

2 marks

Olde Worlde Traders**General Journal**

Date 2016	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

c.

4 marks

Explanation

TURN OVER

Question 6 (14 marks)

a.

7 marks

Working space

XYZ Traders**General Ledger****Machinery**

Date	Cross-reference	Amount	Date	Cross-reference	Amount

Accumulated Depreciation of Machinery

Date	Cross-reference	Amount	Date	Cross-reference	Amount

Disposal of Machinery

Date	Cross-reference	Amount	Date	Cross-reference	Amount

b. 2 marks

Explanation

c. 1 mark

Working space	
Net Cash Flow for the year ended 30 June 2016	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>

d. 4 marks

Justification

Question 9 (15 marks)**a.****i.**

3 marks

Working space	
Cash received from debtors	\$

ii.

5 marks

Working space	
Payments to creditors	\$

iii.

2 marks

Working space	
GST paid on cash payments	\$

b.

5 marks

Working space

Abcon Air

Budgeted Cash Flow Statement (extract) for the three months ending 30 September 2016

	\$	\$
Estimated Cash Flows from Operating Activities		
Estimated Net Cash Flows from Operating Activities		