

**Victorian Certificate of Education
2018**

ACCOUNTING
Written examination

Friday 1 June 2018

Reading time: 10.00 am to 10.15 am (15 minutes)

Writing time: 10.15 am to 12.15 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>
8	8	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 13 pages
- Answer book of 19 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 (16 marks)

Wang's Emporium sells a range of electrical goods. The business uses a mark-up of 50% on cost and it reports monthly.

Balances at 1 May 2018

Stock Control \$31 500 dr

Creditors Control \$13 200 cr

The following journals summarise the business's May transactions up to 31 May.

Cash Payments Journal (summary)

Date 2018	Details	Cheq. No.	Bank	Disc. Rev.	Creditors Control	Stock Control	Wages	Sundries	GST
31 May	Totals to date	–	19 420	–	7 800	4 000	4 500	2 800	320

The items in the 'Sundries' column were:

- Prepaid Insurance \$1 600
- Drawings \$1 200.

Cash Receipts Journal (summary)

Date 2018	Details	Rec. No.	Bank	Disc. Exp.	Debtors Control	Cost of Sales	Sales	Sundries	GST
31 May	Totals to date	–		250	12 000	2 000	3 000	7 000	300

The items in the 'Sundries' column were:

- Capital \$5 000
- Prepaid Sales \$2 000.

Sales Journal (summary)

Date 2018	Debtor	Invoice No.	Cost of Sales	Sales	GST	Debtors Control
31 May	Totals to date	–	15 000			

Purchases Journal (summary)

Date 2018	Creditor	Invoice No.	Stock Control	GST	Creditors Control
31 May	Totals to date	–	9 000	900	9 900

The following transactions have not yet been recorded.

Simsong Electrics	Credit Note: 888	
	30 May 2018	
To: Wang's Emporium		
For: Credit for faulty goods returned		\$1 200
	GST	\$ 120
	Total	\$1 320

Wang's Emporium	
Memo: 61	31 May 2018
Write down each of the 11 superseded digital radios from \$125 to \$65.	<i>T Wang</i>

- a. Complete the four missing figures in the Cash Receipts Journal and the Sales Journal. 2 marks
- b. Prepare General Journal entries to record the two source documents above. Narrations are **not** required. 4 marks
- c. Show how the following accounts would appear in the General Ledger after all transactions from the journals have been posted:
- Stock Control
 - Creditors Control
- You are **not** required to balance the accounts. 7 marks
- d. With reference to **one** qualitative characteristic, explain the need to report the information in Memo 61. 3 marks

TURN OVER

Question 2 (9 marks)

Aldotto sells a range of high-quality imported leather bags. The bestselling bag is the Milano. The Stock Card for the Milano bag for June 2018 is shown below.

Product: Milano bag					Cost Assignment Method: FIFO					
Date 2018	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
June 1	Balance							195	120	23 400
8	Rec. 158				80	120	9 600	115	120	13 800
14	Chq. 67	5	120	600				120	120	14 400
22	CrN. 521				20	120	2 400	100	120	12 000

The following transactions have not yet been entered into the Stock Card for the Milano bag:

- 28 June 100 Milano bags were purchased at a cost of \$128 (plus GST) each and Aldotto paid delivery of \$400 (plus GST) (Invoice V465).
- 29 June 130 Milano bags were sold at a selling price of \$240 (plus GST) each (Receipts 298–427).
- 30 June A stocktake showed 73 Milano bags on hand (Memo 125).

- State the transaction that gave rise to the entry in the Stock Card on 22 June. 1 mark
- Complete the Stock Card for the Milano bag for June. 3 marks
- Prepare the General Journal entry to record the transaction on 30 June.
A narration is **not** required. 2 marks
- The owner believes the Milano bags on hand at 30 June should all be valued at their expected selling price because ‘that is what they are worth to the business’.

With reference to **one** accounting principle, explain why the Milano bags should **not** be valued at their expected selling price.

3 marks

Question 3 (15 marks)

Fiona had been producing a range of hand-decorated chocolates at home as a hobby before she established a small business called ChocBlocs. The business uses special journals and the General Journal, and reports monthly.

The business commenced on 1 June 2018, when Fiona deposited \$8 000 into a business bank account (Receipt 001).

A site at a city market was obtained by paying \$1 200 (plus GST) for rent for a three-month period commencing 1 June 2018 (Cheque 4511).

Fittings costing \$4 800 (plus GST) were purchased from ShopFit (Invoice 898) and installed on 1 June 2018.

Stock purchases during June totalled \$3 550 (plus GST) (Cheque 4512).

Sales during June totalled \$8 000 (plus GST) (cost \$2 300, plus GST) (Receipts 2–8).

A payment of \$1 000 was made to ShopFit on 29 June 2018 (Cheque 4513).

Additional information

- The fittings are to be depreciated at 25% per annum on cost.
- Stock on hand at 30 June 2018 was \$1 250.

a. Prepare the appropriate General Journal entries required for the June 2018 transactions.

Narrations are **not** required.

6 marks

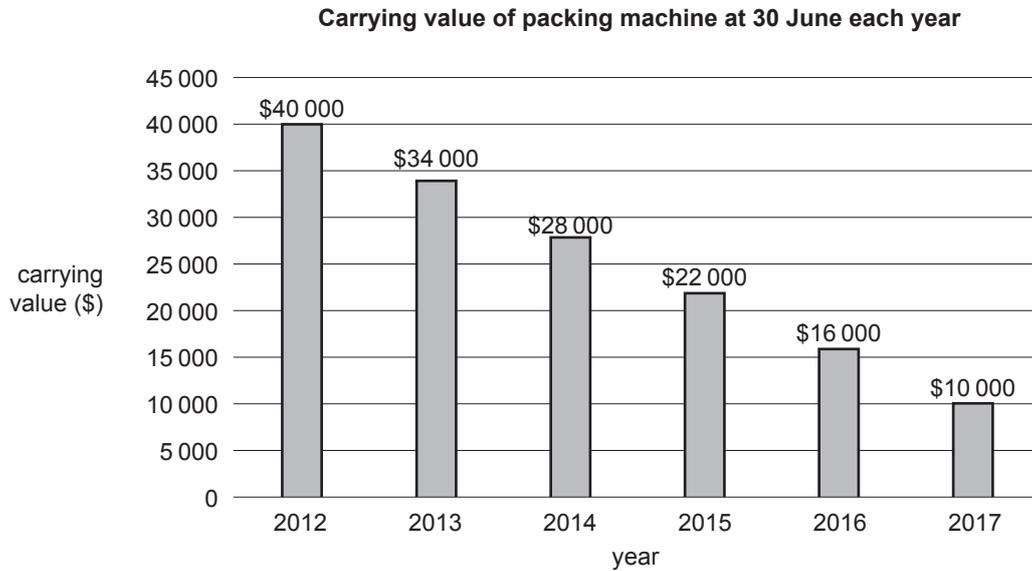
b. Prepare the Balance Sheet for ChocBlocs as at 30 June 2018.

9 marks

TURN OVER

Question 4 (9 marks)

HPGF reports annually on 30 June. It purchased a large packing machine on 30 June 2012. The following graph shows the carrying value of the packing machine at 30 June each year.



- a. With reference to **one** accounting principle, explain the depreciation method used for the packing machine. 3 marks
- b. Explain what the carrying value of \$28 000 at 30 June 2014 represents. 2 marks
- c. On 1 July 2017 the packing machine was traded in for an allowance of \$8 500 on a new machine from XT Packers.

Prepare the Disposal of Packing Machine ledger account to determine the profit or loss on the disposal of the packing machine. 4 marks

Question 5 (18 marks)

JBSport sells sporting goods to clubs and to the public. It prepares reports at the end of each month.

On 24 June 2018, Bay FC ordered 40 footballs. The footballs sell for \$75 each (plus GST) (cost price is \$50 each, plus GST). Bay FC provided a cash deposit of \$500 (Receipt 524). The footballs were delivered to Bay FC on 16 July 2018 and Bay FC was invoiced for the balance owing (Invoice 2134).

- a. Explain how the deposit of \$500 would be treated in JBSport's financial reports on 30 June 2018. 3 marks
- b. Prepare the journal entries required by JBSport to record the transaction on 16 July 2018 and the balance day adjustment on 31 July 2018. 4 marks
A narration is **not** required.

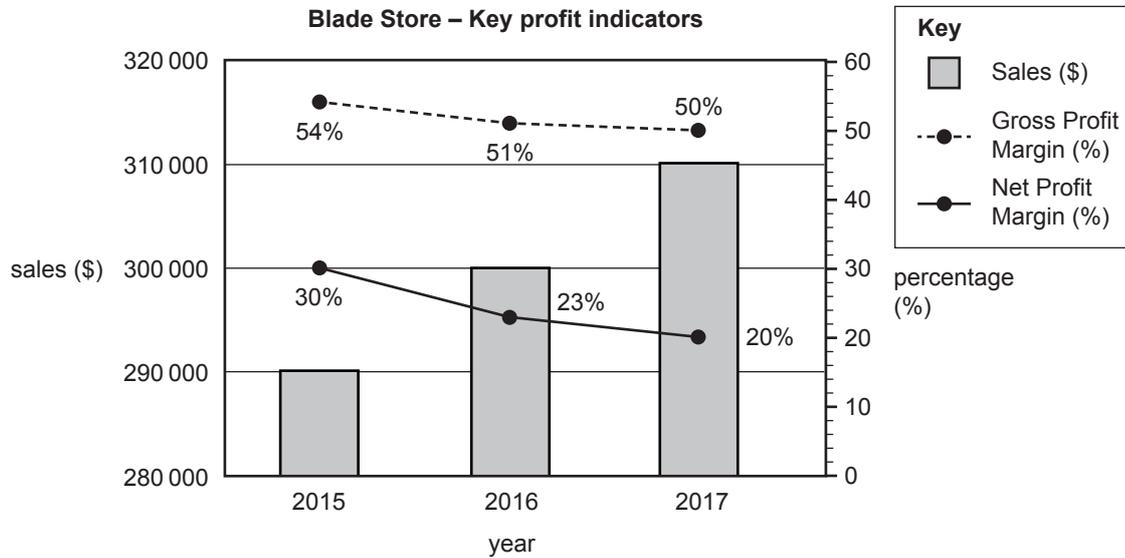
Relevant account balances from JBSport's adjusted Trial Balance at 31 July 2018 were:

	\$
Depreciation of Fittings	4 000
Sales	285 000
Cost of Sales	109 000
Wages	68 000
Rent	13 000
Discount Revenue	2 000
Capital	350 000
Drawings	38 000

- c. Using the information provided, prepare the General Journal entry to close expense accounts. Narrations are **not** required. 3 marks
- d. Show how the Profit and Loss Summary account and the Capital account would appear in the General Ledger after the closing entries were posted. No additional capital was contributed during the period. You are **not** required to balance the accounts. 6 marks
- e. Explain the purpose of closing entries in the accounting process. 2 marks

Question 6 (10 marks)

The owner of Blade Store has been reviewing business performance and has recently commented that ‘business has really picked up in the last couple of years’. The accountant has produced the following graph to use as the basis for a discussion.



- a. Using the data in the graph above, discuss trends in Blade Store’s profitability. 6 marks

- b. Provide **two** examples of non-financial information that the business could also use to assess profitability and explain how the business could use each example. 4 marks

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Question 7 (11 marks)

Vesco Taps reports annually on 31 December and also budgets on an annual basis. It has prepared the Budgeted Income Statement and Budgeted Balance Sheet for the year ending 31 December 2018, and now it needs to prepare the Budgeted Cash Flow Statement for the same period. The following information is provided.

Vesco Taps**Budgeted Income Statement for the year ending 31 December 2018**

	\$	\$
Revenue		
Sales		820 000
Less Sales Returns		<u>10 000</u>
Net Sales		810 000
Less Cost of Sales		<u>380 000</u>
Gross Profit		430 000
Plus Other Revenue		
Discount Revenue		<u>8 000</u>
		438 000
Less Expenses		
Wages	137 000	
Rent Expense	26 000	
Bad Debts Expense	2 000	
Depreciation of Equipment	36 000	
Interest Expense	<u>12 000</u>	<u>213 000</u>
Net Profit		225 000

Vesco Taps**Budgeted Balance Sheet as at 31 December**

	2017 Actual	2018 Budgeted
Current Assets		
Cash	21 600	41 600
Debtors Control	110 600	122 000
Prepaid Rent Expense	20 000	30 000
Stock Control	148 800	134 400
Non-Current Assets		
Equipment	417 000	479 000
Less Accumulated Depreciation of Equipment	(180 000)	(189 000)
Total Assets	538 000	618 000
Current Liabilities		
GST Clearing	3 800	2 600
Creditors Control	115 200	125 600
Accrued Wages	3 000	4 800
Loan – Bank XYZ	56 000	56 000
Non-Current Liabilities		
Loan – Bank XYZ	131 000	75 000
Owner's Equity		
Capital	229 000	354 000
Total Equities	538 000	618 000

Additional information (budgeted) for the year

- All sales and purchases of stock will be on credit.
- Vesco Taps will sell old equipment that originally cost \$45 000 for \$6 200. It will also purchase new equipment for cash.
- The owner will take drawings during the year including \$5 000 stock for a home renovation.
- There will be no capital contributions during the year.

- a. Calculate the budgeted cash to be paid for wages. 2 marks
- b. With reference to **one** qualitative characteristic, explain why there is a difference between the budgeted cash paid for wages and the budgeted wages expense for the year. 3 marks
- c. Prepare the investing and financing sections of the Budgeted Cash Flow Statement for the year ending 31 December 2018. 6 marks

TURN OVER

Question 8 (12 marks)

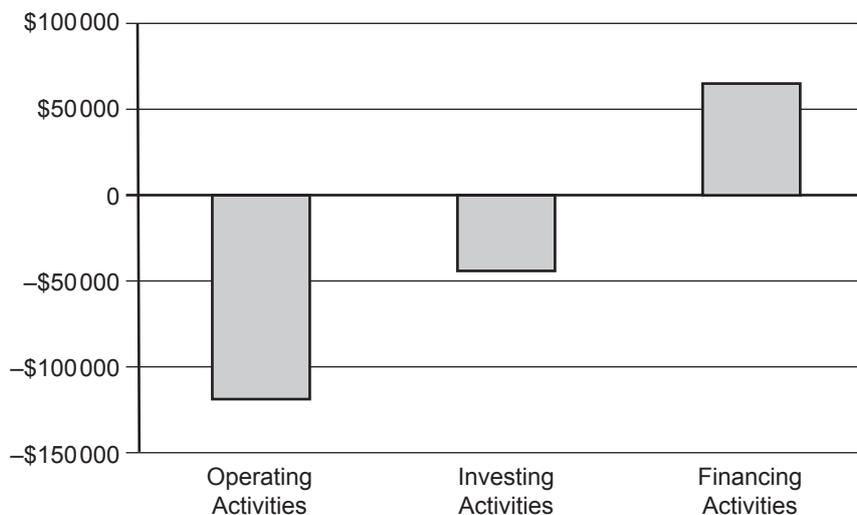
Macs Media sells a range of IT products. Sales to other businesses are on credit (terms 5/10, n/30) and sales to individual customers who come into the store are cash sales. Stock is purchased on credit, with many products being imported directly from overseas (credit terms 3/10, n/45). The business has focused on upgrading its shopfront over the past six months, including installing additional security measures in an attempt to reduce stock loss. Some financial information for the year ended 30 June 2018 is provided below.

**Revenue for the year ended
30 June 2018**

Credit Sales	70%
Cash Sales	25%
Other Revenue	5%

**Expenses for the year ended
30 June 2018**

Cost of Sales	50%
Wages	25%
Advertising	10%
Stock Loss	7%
Bad Debts	5%
Interest	3%

Cash Flow Activities for the year ended 30 June 2018

Financial indicator	2017	2018
Debtors Turnover	61 days	65 days
Creditors Turnover	42 days	33 days
Stock Turnover	59 days	57 days
Debt Ratio	26%	40%

- a. Identify **two** types of revenue, other than Discount Revenue, that could appear in the Other Revenue section of Macs Media's Income Statement. 2 marks
- b. Macs Media's accountant is concerned about the liquidity of the business.
Using the information provided, identify and discuss the issues the accountant may be referring to. 6 marks
- c. Explain **two** strategies that the owner of Macs Media could implement in order to improve liquidity. 4 marks

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STUDENT NUMBER

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 Letter

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ACCOUNTING
Written examination

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ANSWER BOOK

Instructions

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- 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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Question 1 (16 marks)

a.

2 marks

Cash Receipts Journal (summary)

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31 May	Totals to date	–		250	12 000	2 000	3 000	7 000	300

The items in the ‘Sundries’ column were:

- Capital \$5 000
- Prepaid Sales \$2 000.

Sales Journal (summary)

Date 2018	Debtor	Invoice No.	Cost of Sales	Sales	GST	Debtors Control
31 May	Totals to date	–	15 000			

b.

4 marks

Wang’s Emporium**General Journal**

Date 2018	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

c.

7 marks

Stock Control

Date 2018	Cross-reference	Amount	Date 2018	Cross-reference	Amount
1 May	Balance	31 500			

Creditors Control

Date 2018	Cross-reference	Amount	Date 2018	Cross-reference	Amount
			1 May	Balance	13 200

d.

3 marks

Qualitative characteristic
Explanation

TURN OVER

Question 2 (9 marks)

a.

1 mark

Transaction

b.

3 marks

Stock Card

Product: Milano bag		Cost Assignment Method: FIFO								
Date 2018	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
June 1	Balance							195	120	23 400
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22	CrN. 521				20	120	2 400	100	120	12 000

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c.

2 marks

Aldotto

General Journal

Date 2018	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

d.

3 marks

Accounting principle
Explanation

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Question 4 (9 marks)

a.

3 marks

Accounting principle
Explanation

b.

2 marks

Explanation

c.

4 marks

Disposal of Packing Machine

Date 2017	Cross-reference	Amount	Date 2017	Cross-reference	Amount

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Question 5 (18 marks)

a.

3 marks

Cash Flow Statement
Income Statement
Balance Sheet

b.

4 marks

JBSport**Sales Journal**

Date 2018	Debtor	Invoice No.	Cost of Sales	Sales	GST	Debtors Control

JBSport**General Journal**

Date 2018	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

c.

3 marks

JBSport

General Journal

Date 2018	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

d.

6 marks

Profit and Loss Summary

Date 2018	Cross-reference	Amount	Date 2018	Cross-reference	Amount

Capital

Date 2018	Cross-reference	Amount	Date 2018	Cross-reference	Amount

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e.

2 marks

Explanation

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b.

4 marks

Example 1
Example 2

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c.

4 marks

Strategy 1
Strategy 2

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