

# 2020

# VCE

# Accounting

# Units 3 and 4

# Trial Examination



**Kilbaha Education**

Quality educational content

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**VICTORIAN CERTIFICATE OF EDUCATION  
2020**

**ACCOUNTING**

**Trial Written Examination Units 3 and 4**

Reading time: 15 minutes

Writing time: 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 white out liquid/tape.

**Materials supplied**

- Question book of 11 pages.
- Answer book of 15 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 (16 marks)**

Sports Warehouse purchased a computer for its sales representative on 1 October 2018. The computer cost \$1 000 (plus GST) and came with anti-virus software that cost an additional \$220 (including GST).

Sports Warehouse depreciates using the reducing balance method at a depreciation rate of 20%.

The computer was traded in on 30 June 2020 for \$150 (plus GST). The new computer purchased on 30 June 2020 cost \$3 000 (plus GST)

**a.** Referring to an accounting assumption, explain why the business would have chosen to use the reducing balance method of depreciation.

**3 marks**

**b.** Calculate depreciation expense for the year ended 30 June 2020

**3 marks**

**c.** Prepare the General Journal entry to record the disposal and purchase of the computer on 30 June 2020 (A narration is not required)

**6 marks**

**d.** Complete the Disposal of Computer General Ledger Account for the year ended 30 June 2020.

**4 marks**

**Question 2 (10 marks)**

Peter is the owner of Boulos Bikes which have recently invested surplus cash into a Term Deposit.

On 31 July 2020 Peter invested \$30 000 into a Term Deposit with interest received quarterly at 4%.

Boulos Bikes prepares its accounts annually on 31 December 2020.

- a. Prepare the General Journal entry required on 31 October 2020 (A narration is not required)

**2 marks**

- b. Prepare the General Journal entry required on 31 December 2020 (A narration is not required)

**2 marks**

- c. Referring to a qualitative, explain why the General Journal entry was recorded on 31 December 2020

**3 marks**

- d. Explain how Boulos Bikes would record the amount owed in its Balance Sheet on 31 December 2020.

**3 marks**

**Question 3 (10 marks)**

Michelle commenced a business, Work at Home which specialises in computer desks on 1 July 2020. The business will use the FIFO inventory valuation method. All sales are made using a 50% markup.

The following transactions occurred in July.

- 1 July Michelle contributed her Van. It was originally purchased on 1 August 2017 for \$30 000 and was valued at \$15 000 on 1 July 2020 (Memo 1)
- 1 July Michelle contributed \$25 000 cash to the business
- 1 July paid rent of \$5 000 (plus GST) for July and August (EFT 1)
- 3 July the business organised an overdraft of \$25 000 from ABC Bank
- 7 July purchased shop fittings for \$15 000 which will be delivered on 31 July (plus GST) (EFT 2)
- 16 July purchased 14 desks for \$500 (plus GST) each from Furniture World (Inv 99)
- 19 July sold 3 desks (Rec 1)
- 22 July ordered 10 desks from Furniture World (Memo 3)
- 31 July the business took out a loan from EZE Bank of \$40 000 repayable at \$1 000 a month with the first payment due on 31 December 2020.
- Motor Vehicles will be depreciated at 10% straight line

a. Prepare a fully classified Balance Sheet on 31 July 2020

**7 marks**

b. Referring to a qualitative characteristic explain why a business prepares a fully classified Balance Sheet.

**3 marks**

**Question 4 (14 marks)**

Camera Planet are experts in cameras for travellers. They have provided you with the following:

**Camera Planet****Pre-adjustment Trial Balance as at 30 June 2020**

Account	Debit	Credit
Bank	82 000	
Capital		62 600
Cost of Sales	43 000	
Accounts Payable		21 200
Accounts Receivable	17 800	
Drawings	900	
Office expenses	1 200	
GST Clearing		2 300
Loan – ABC Bank		40 500
Prepaid Rent	5 700	
Sales		92 000
Sales Returns	6 000	
Inventory	41 000	
Wages	21 000	
<b>Totals</b>	<b>218 600</b>	<b>218 600</b>

**Additional information**

- All sales are made using a 100% markup.
  - A credit sale of \$500 (plus GST) was recorded as the only capital contribution of \$550 cash made by business on 1 June 2020.
  - Six months rent of \$3 600 (plus GST) was paid on 24 March for the period ended 30 September 2020.
  - Employees are owed \$1 000 of wages for the final week of June 2020
  - The business reports on a six monthly basis.
- a. Prepare the General Journal entries necessary to record the balance day adjustments on 30 June 2020. (Narrations are not required)

**7 marks**

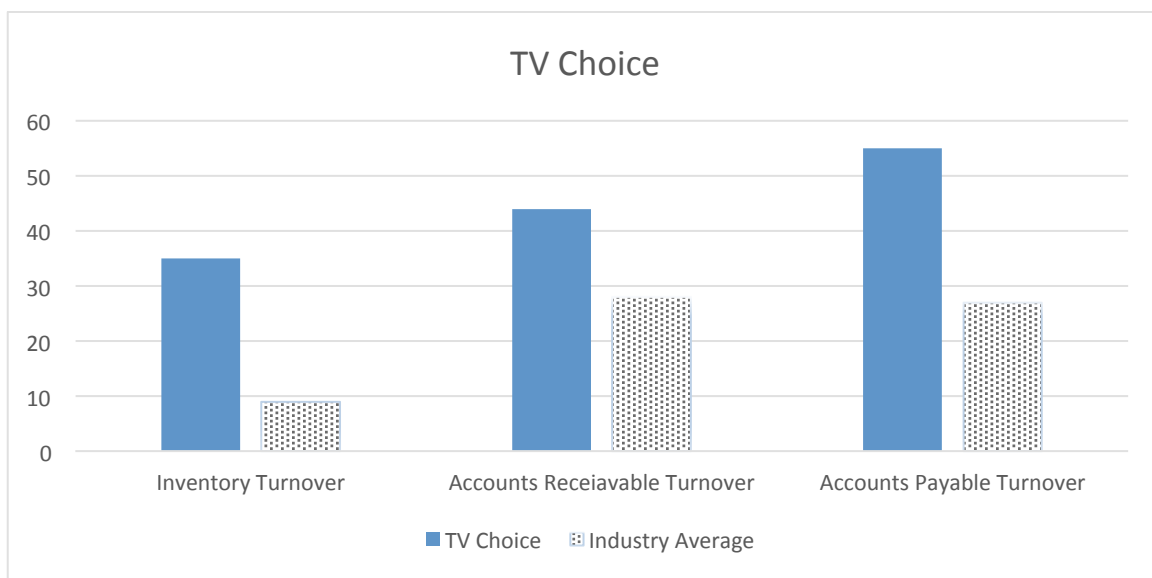
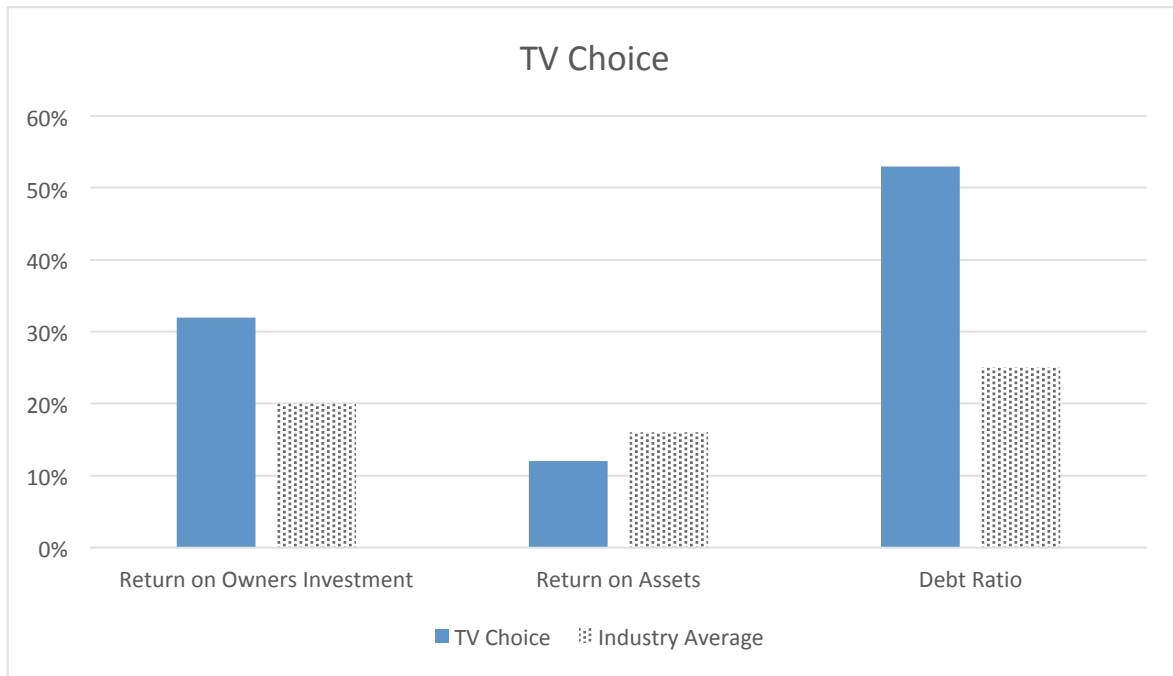
- b. Complete the Profit and Loss Summary and Capital accounts after balancing and closing entries have been completed on 30 June 2020.

**7 marks**

**Question 5 (12 marks)**

TV Choice are a small retailer in Hawthorn that specialise in Premium Television brands.

The owner Ted has provided you with the following information for the year ended 30 June 2020.



a. Discuss the profitability of TV Choice using the graphs provided.

**6 marks**

b. Outline two non-financial indicators that Ted could use to review the performance of TV Choice.

**2 marks**

c. Referring to the liquidity of TV Choice, explain the relationship between the accounts receivable turnover and the accounts payable turnover.

**4 marks**



**Question 6 (18 marks)**

'Cash me if you can' sell Cash Registers to businesses around Australia. The business uses the FIFO cost assignment method. The owner Josh has provided the following information relating to Elite Register as at 31 December 2020.

<b>Item:</b> Elite Register		<b>Location:</b> Row 19								
<b>Code:</b> ER1		<b>Supplier:</b> Techsperts								
Date	Details	IN			OUT			BALANCE		
		Qty	Unit Cost	Value	Qty	Unit Cost	Value	Qty	Unit Cost	Value
2020										
31 Dec	Balance							9	200	1 800
								20	250	5 000

<i>Memo No. 5</i>	
<b>Date:</b>	31 December 2020
A stocktake on 31 December 2020 found 28 Elite Cash Registers on hand.	
<b>Signed:</b>	<i>JDavis</i>

**Additional information:**

- The most recent transaction recorded was a drawing of an elite cash register by the owner on 29 December Memo 4
- On 31 December 2020, 2 of the elite registers were damaged and will be sold for \$200 (plus GST each) with a \$50 (plus GST) Cash Register ink supplied with each of the Elite Registers.(Memo 6)

a. Complete the Inventory Card for the Elite Cash Register for the transactions for the year ended 31 December 2020.

**6 marks**

b. Prepare the General Journal entries required on 31 December 2020 (A narration is not required)

**4 marks**

Josh is considering selling the damaged Cash Registers at their original price as he believes that the customers are usually interstate and he will blame the delivery company.

c. Explain the impact on the accounting equation if he did not make an adjustment for the damaged Elite Cash Register.

**3 marks**

d. Referring to accounting assumptions and qualitative characteristics, explain the ethical considerations that should be considered when deciding whether to inform the customers about the damaged goods.

**5 marks**

**Question 7 (14 marks)**

Laura owns a clothing store, Boutique Bags, which sells bags from its online store with all bags sold at a 100% markup and offers its customers 2/7 n30 credit terms.

The following transactions occurred in September 2020.

On 1 September 2020 Laura received an order for 20 bags from Peraltas Boutique for \$100 each (plus GST)

Peraltas Boutiques paid a \$500 deposit (Rec 99)

On 10 September 2020 Boutique Bags delivered 15 bags to Peraltas Boutique. (Inv 76)

On 14 September 2020 Boutique Bags Delivered the remaining bags. (Inv 79)

On 20 September 2020 Peraltas Boutique paid the amounts owing. (Rec 104)

a. Prepare the General Journal entries for the above transactions (A narration is not required)

**8 marks**

b. Explain the accounting element that is used to classify the account Unearned Sales Revenue.

**3 marks**

c. Explain the impact on the accounting equation of the transaction on 20 September 2020

**3 marks**

**Question 8 (6 marks)**

Deluxe Desks have experienced a boom in home office sales during 2020. The owner Derek has provided you with the following invoice for the purchase of desks from his supplier Brooklyn Furniture.

Tax Invoice		Brooklyn Furniture		Terms:
Invoice: 23		ABN: 22 345 338 495		2/7, n 20
Deluxe Desks				
Date	Details	Qty	Unit Cost	Total \$
2020				
Aug 17	Office Desks	50	100	5 000
	Student Desks	50	60	3 000
	Freight			100
	GST			810
	<b>Sub Total</b>			<b>8 910</b>
	<b>Balance</b>			<b>8 910</b>

All desks are sold at a 100% markup

- Student Desks have additional laminate added by Deluxe desks at \$10 (plus GST) cost per desk paid by Deluxe Desks. This is a requirement for the desk to meet Australian Standards.
- Each desk sold comes with a free desk lamp valued at \$20 (plus GST) each.

a. Explain how the freight cost would be recorded by Deluxe Desks

**2 marks**

b. Calculate the cost price of a Student Desk

**2 marks**

c. Explain your treatment of the desk lamp when determining the cost price of the Office Desks.

**2 marks**

**End of questions**

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