

Trial Examination 2020

## VCE Accounting Units 3&4

Written Examination

### Question Booklet

Reading time: 15 minutes

Writing time: 2 hours

Student's Name: \_\_\_\_\_

Teacher's Name: \_\_\_\_\_

#### Structure of booklet

<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 booklet of 12 pages

Answer booklet of 12 pages

#### Instructions

Write your **name** and your **teacher's name** in the space provided on the front cover of the answer booklet.

Answer all questions in the answer booklet.

All written responses must be in English.

#### At the end of the examination

You may keep this question booklet.

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

Students are advised that this is a trial examination only and cannot in any way guarantee the content or the format of the 2020 VCE Accounting Units 3&4 Written Examination.

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**Question 1** (17 marks)

Collin's Computers commenced business on 1 June 2020. During the first month of operations the following transactions occurred:

- On 1 June 2020, there was a cash contribution of \$50 000.
  - On 1 June 2020, the owner purchased a vehicle costing \$50 000 (plus GST) for the business, paying a \$10 000 deposit and taking out a loan from Savings Co. for the balance. The loan is to be repaid in three equal instalments of \$15 000 per annum plus interest, with the first instalment payable on 1 August 2020.
  - On 5 June 2020, personal assets including a desk, computer and printer were contributed. These items will be reported as Office Furniture and have a fair value of \$3 500.
  - On 10 June 2020, inventory was purchased on credit from Ajax Ltd. for \$9 000 (plus GST).
  - On 15 June 2020, inventory that was purchased for \$900 (plus GST) was sold on credit to M Robson at a mark-up of 100%.
  - On 15 June 2020, the owner withdrew \$100 of inventory for his own use.
  - On 20 June 2020, M Robson returned inventory with a selling price of \$100 (plus GST) for a full credit. This inventory was returned to the supplier for a full credit.
- a. Complete the Inventory account at 30 June 2020. 5 marks
- b. Record the purchase of the vehicle in the General Journal.  
A narration is **not** required. 4 marks
- c. Prepare an extract of the Balance Sheet at 30 June 2020 to show Current Assets and Current Liabilities. 5 marks
- d. With reference to **one** accounting element, explain your treatment of the loan. 3 marks

**Question 2** (14 marks)

The following Inventory Card was provided at 17 August 2020 for Halibut Stores.

**Halibut Stores****Inventory Card**

<b>Item: Pike Paper Plate</b>		<b>Cost Assignment Method: Identified Cost</b>								
<b>Code: P76</b>										
<b>Supplier: Ace Traders</b>										
<b>Date 2020</b>	<b>Document</b>	<b>IN</b>			<b>OUT</b>			<b>BALANCE</b>		
		<b>Qty</b>	<b>Cost</b>	<b>Total</b>	<b>Qty</b>	<b>Cost</b>	<b>Total</b>	<b>Qty</b>	<b>Cost</b>	<b>Total</b>
Aug. 1	Balance							8	30	240
9	Rec. 241				2	30	60	6	30	180

The following were the only other transactions for this item in August 2020:

- 22 August – Twenty units were purchased on credit from Ace Traders for \$33 each including GST (Inv. AT97) and \$2 per unit (plus GST) was paid to have the inventory re-badged with the business name (Chq. 483).
  - 27 August – Eight units were sold on credit to Dunbarton Ltd. (Inv. AS25). Inventory was sold at a mark-up of 100% on cost. Five of the units sold were from the purchase on 22 August 2020.
  - 31 August – A physical stocktake revealed seventeen units on hand (Memo 9) with fifteen of the units being from the purchase on 22 August.
- a. Record the transactions above in the Inventory Card provided. 4 marks
  - b. Explain your treatment of the re-badging cost. 3 marks
  - c. Prepare the General Journal entry required to record Inv. AS25.  
A narration is required. 4 marks
  - d. With reference to **one** qualitative characteristic, explain why a narration is important. 3 marks

**Question 3** (8 marks)

The following information was provided relating to wages for McCulloch Mowers.

Wages owing 1 July 2020	\$2 300
Wages paid 11 July 2020	\$4 000 (including the amount owing at 1 July 2020)
Wages paid 25 July 2020	\$4 200
Wages owing 31 July 2020	\$2 200

- a.** Complete the Wages ledger account at 31 July 2020. 3 marks
- b.** Prepare the General Journal entry required on 11 July 2020.  
A narration is **not** required. 2 marks
- c.** With reference to **one** accounting assumption, explain why there may be a difference between the amount paid for wages in July 2020 and the wages expense for July 2020. 3 marks

**Question 4** (12 marks)

On 31 March 2020, the following extract was taken from the Balance Sheet of OfficeStuff, a paper supply business owned and operated by Michael Jones.

**OfficeStuff**  
**Balance Sheet (extract) as at 31 March 2020**

Assets	\$	\$
<b>Non-current Assets</b>		
Delivery Van	40 000	
Less Accumulated Depreciation	32 000	8 000

The owner, in line with business policy, will replace the delivery van on 1 April 2020. He is considering two options:

- **Option A:**
  - Dispose of the existing delivery van for \$6 000 cash.
  - Purchase a new delivery van for \$45 000 (plus GST), which will have a residual value of \$15 000.
  - Finance the purchase with a \$10 500 cash deposit and the balance via a loan from AZ Loans for the balance. The loan would be repaid in three equal yearly instalments to which an additional \$6 000 interest would be paid each year.
  - The delivery van would be depreciated in five equal instalments.
- **Option B:**
  - Dispose of the existing delivery van for \$6 000 cash.
  - Lease/hire a new delivery van from Lease Express.
  - The lease/hire would be for five years and would require the business to pay \$12 000 as a deposit and five yearly payments of \$8 000.

The owner is considering his options and has asked for your advice.

- a. State how the proceeds from the disposal of the delivery van would be reported in the Cash Flow Statement of the business. 1 mark
- b. Complete the General Ledger account for the disposal of the delivery van. 4 marks
- c. State how the Loss on Disposal of Delivery Van would be classified in the:
  - Income Statement for the quarter ended 30 June 2020
  - Cash Flow Statement for the quarter ended 30 June 2020. 2 marks

- d. The owner has considered both options for the acquisition of the new delivery van. He has presented his findings in the following table.

	Option A		Option B	
	Cash Flows	Expenses	Cash Flows	Expenses
Proceeds from Disposal	6 000		6 000	
Deposit	(10 500)		(12 000)	
Loan/Lease Repayments	(39 000)		(40 000)	(40 000)
Interest Expense	(18 000)	(18 000)		
Depreciation		(30 000)		
<b>Total Net Cash Flow</b>	(61 500)		(46 000)	
<b>Total Expenses</b>		(48 000)		(40 000)

Analyse the data in the table above and make a recommendation to the owner about which option is best, considering cash flow and profit.

5 marks

**Question 5** (18 marks)

Baronettes sells women's clothes, shoes and accessories and commenced operating on 1 March 2020. The business maintains financial records using the Identified Cost inventory cost assignment method, and all inventory is sold at a 100% mark-up. Inventory is bought and sold on both cash and credit terms. Reports will be prepared annually at 30 June each year.

The owner has prepared the following Trial Balance but is unsure how to prepare balance day adjustments and is unclear about their importance to the business.

The following information has been provided.

<b>Baronettes</b>		
<b>Pre-adjusted Trial Balance as at 30 June 2020</b>		
	<b>Debit</b>	<b>Credit</b>
Cash at Bank		6 000
GST Clearing	6 400	
Accounts Payable		34 500
Prepaid Rent	18 000	
Discount Expense	2 500	
Discount Revenue		1 600
Accounts Receivable	16 900	
Sales Revenue		105 000
Freight In	2 300	
Wages	32 000	
Equipment	72 000	
Loan – Scatter Finance (repayable \$4 000 per quarter)		54 000
Advertising	14 000	
Drawings	16 000	
Office Expenses	4 500	
Interest Expense	4 000	
Vehicle	25 000	
Inventory	34 000	
Cost of Sales	51 500	
Sales Returns	2 000	
Capital		100 000
	<b>\$301 100</b>	<b>\$301 100</b>

**Additional information**

- Sales were 60% on a cash basis.
- Rent for 12 months was paid on 1 March 2020.
- The equipment will be depreciated at a rate of 10% per annum on cost.
- Wages of \$1 200 were owing at 30 June 2020.
- The vehicle was contributed by the owner on 1 March 2020 when the owner started the business. As it was purchased for \$42 000 (plus GST) and was recorded as now being worth \$25 000, the owner decides not to depreciate it further.
- The owner has been advised to create an Allowance for Doubtful Debts account at a rate of 1% of net credit sales.
- Drawings of inventory, worth \$800, occurred on 29 June 2020 but were not recorded in the business records.
- A physical stocktake on 30 June 2020 provided a balance of \$34 200 of inventory on hand.

- a.** Prepare the General Journal entries required on 30 June 2020 to record the additional information.  
 Narrations are **not** required. 10 marks
- b.** Prepare an extract of the Income Statement for the year ended 30 June 2020 to show Adjusted Gross Profit. 5 marks
- c.** Explain why the owner’s decision not to depreciate the vehicle is **incorrect**. 3 marks



**Question 6** (6 marks)

The owner of the business Hammerhead is reviewing his business performance from the last two years in an effort to improve business performance.

The following information was provided.

	<b>2019</b>	<b>2020</b>
<b>Inventory Turnover</b>	34 days	48 days
<b>Working Capital Ratio</b>	1.7 : 1	2.4 : 1
<b>Quick Asset Ratio</b>	1.1 : 1	1.1 : 1
<b>Accounts Receivable Turnover</b>	28 days	36 days
<b>Accounts Payable Turnover</b>	28 days	21 days

Analyse the performance of the business. In your response, provide links between the indicators shown above.

**Question 7** (7 marks)

Lighting Paradise sells lights and accessories to customers on a cash basis. In recent years it has negotiated arrangements with a number of hotels and building companies to provide them with bulk items on a credit basis with terms being 1/14, n45. The business prepares reports monthly.

The following information relates to the customer Norwood Hotels:

14 May 2020	Norwood Hotels ordered 60 Executive Desk lamps. The inventory would be sold for \$100 each (plus GST). The inventory had a cost price of \$75 each (plus GST) (Order No. PO084).
17 May 2020	Norwood Hotels paid a \$500 deposit (Rec. 482).
3 June 2020	Lighting Paradise delivered the inventory to Norwood Hotels. Invoice G93 was raised, which included the balance owing.

**a.** Prepare the General Journal entries required for this information.

Narrations are **not** required.

4 marks

**b.** Lighting Paradise paid a courier \$100 (plus GST) to have the inventory delivered to Norwood Hotels. This amount was not added to the invoice, as the business offers this service to regular customers free of charge.

Explain how the delivery costs would be reported by Lighting Paradise.

3 marks

**Question 8** (5 marks)

The owner of GForces has become concerned about the cash flow of her business. She has asked her accountant to provide an indicator that relates to the issue she is facing.

The following information was provided.

	<b>March quarter</b>	<b>June quarter</b>	<b>September quarter</b>
<b>Cash Flow Cover</b>	5 times	7 times	12 times

Analyse the performance of the business in terms of the indicator provided. In your response, outline the issue the business may be having and provide **one** strategy that the owner could implement to deal with the issue.

**Question 9** (13 marks)

Jungle Jim sells children's play equipment. The owner has never been a good record keeper and at 31 December 2020 his accountant asked to see the financial records of the business to begin the preparation of financial reports.

The owner advised the accountant that two ledger accounts had been water damaged during a small fire and had to be thrown out – Accounts Receivable and GST Clearing. The owner does not use computerised accounting software for his records.

The accountant has been supplied with the following information.

**Jungle Jim****Data for the year ended 31 December 2020**

Cash Sales	\$107 800
Credit Sales	\$150 000
Sales Returns	\$6 000
Bad Debts	\$1 000
Discount Expense	\$3 000
Cash Purchases of Inventory	\$40 000
Credit Purchases of Inventory	\$90 000
Purchase Returns	\$3 000
Inventory Loss	\$1 500
Inventory Write Down	\$5 000
Payments to Accounts Payable	\$101 500
Discount Revenue	\$5 000
GST Settlement	\$5 600
Wages	\$50 400
Interest on Loan	\$2 000
Advertising	\$12 000
Prepaid Rent Expense	\$18 000
Office Expenses	\$3 000
Insurance	\$1 200
Customs Duty	\$5 000

The owner was able to determine that the balance of Accounts Receivable at 31 December 2020 was \$18 500.

GST has not yet been applied to any of the amounts shown above.

Reconstruct the following ledger accounts:

- Accounts Receivable to determine Receipts from Accounts Receivable
- GST Clearing, including the calculation of GST Paid (do **not** balance this account).

**END OF QUESTION BOOKLET**



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## Answer Booklet

Reading time: 15 minutes

Writing time: 2 hours

Student's Name: \_\_\_\_\_

Teacher's Name: \_\_\_\_\_

### Instructions

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Answer all questions in the spaces provided in this booklet.

Write your **name** and your **teacher's name** in the space provided above on this page.

Refer to **Instructions** on the front cover of the question booklet.

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**Question 1** (17 marks)

**a.**

5 marks

**Collin’s Computers  
General Ledger**

**Inventory**

<b>Date 2020</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2020</b>	<b>Cross-reference</b>	<b>Amount</b>

**b.**

4 marks

**Collin’s Computers  
General Journal**

<b>Date 2020</b>	<b>Details</b>	<b>Debit</b>	<b>Credit</b>

c.

5 marks

**Working space**

**Collin's Computers  
Balance Sheet (extract) as at 30 June 2020**

Assets			Equities		
Current Assets	\$	\$	Current Liabilities	\$	\$

d.

3 marks

<b>Accounting assumption</b>
<b>Explanation</b>

**Question 2** (14 marks)

**a.**

4 marks

**Inventory Card**

Item: Pike Paper Plate Code: P76 Supplier: Ace Traders		Cost Assignment Method: Identified Cost								
Date 2020	Document	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
Aug. 1	Balance							8	30	240
9	Rec. 241				2	30	60	6	30	180

**b.**

3 marks

Explanation



c.

4 marks

**Halibut Stores  
General Journal**

Date 2020	Details	Debit	Credit

d.

3 marks

Qualitative characteristic
Explanation

**Question 3 (8 marks)**

a.

3 marks

**McCulloch Mowers  
General Ledger**

**Wages**

Date 2020	Cross-reference	Amount	Date 2020	Cross-reference	Amount

**b.**

2 marks

**McCulloch Mowers**

**General Journal**

Date 2020	Details	Debit	Credit

**c.**

3 marks

<b>Accounting assumption</b>
<b>Explanation</b>

**Question 4 (12 marks)**

**a.**

1 mark

<b>Classification</b>
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**b.**

4 marks

**OfficeStuff**

**General Ledger**

Date 2020	Cross-reference	Amount	Date 2020	Cross-reference	Amount

**c.**

2 marks

	<b>Income Statement</b>	<b>Cash Flow Statement</b>
<b>Classification of the Loss on Disposal of Delivery Van</b>		

**d.**

**5 marks**

<b>Analysis</b>







**b.**

**3 marks**

<b>Explanation</b>

**Question 8 (5 marks)**

<b>Analysis</b>

**Question 9** (13 marks)

**Working space**

**Jungle Jim  
General Ledger**

**Accounts Receivable**

Date 2020	Cross-reference	Amount	Date 2020	Cross-reference	Amount
1 Jan.	Balance	17 200			

**GST Clearing**

Date 2020	Cross-reference	Amount	Date 2020	Cross-reference	Amount
			1 Jan.	Balance	5 600

**END OF ANSWER BOOKLET**