

# 2022

## VCE

# Accounting

# Units 3 and 4

# Trial Examination

# Suggested

# Answers



**Kilbaha Education**

Quality educational content

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**Question 1 (10 marks)****a.**

Type of Bike	Cost	NRV	Lower
Amateur	4 * (400 + 100) = \$2 000	4 * (800 - 90 - 50) = \$2 640	\$2 000
Professional	10 * (800 + 100) = \$9 000	10 * (1 600 - 50) = \$15 500	\$9 000
Elite	8 * (1 200 + 150) = \$10 800	8 * (800 - 50) = \$6 000	\$6 000
<b>Total Cost</b>			\$17 000

- 1 mark for each cost of inventory (must include total)

**3 marks****b.****General Journal**

Date	Details	Debit	Credit	
30/9	Inventory Write-down	4 800		1
	Inventory		4 800	1
30/9	Inventory Loss	900		1
	Inventory		900	1

**4 marks**

- c. An inventory loss was recorded on 30 September 2022. In the Balance Sheet there is a decrease in current assets of \$900 as inventory decreases by \$900 and owners' equity will decrease by \$900 as net profit will decrease by \$900 of inventory loss expense. In the Income Statement there will be a decrease in net profit of \$900 as there is an inventory loss of \$900.

There is no impact on the Cash Flow Statement.

- 1 mark for impact on the Balance Sheet
- 1 mark for impact on the Income Statement
- 1 mark for not impact on the Cash Flow Statement

**3 marks**

**Question 2 (32 marks)**

a.

**General Journal**

<b>Date</b>	<b>Details</b>	<b>Debit</b>	<b>Credit</b>	
30/6	Bank	440		1
	Capital		440	
	Sales	400		1
	GST Clearing	40		
	Accounts Receivable – ABC Hobby Store		440	1
	Inventory	200		1
	Cost of Sales		200	
	Sales Returns	1 000		1
	GST Clearing	100		
	Accounts Receivable – ABC Hobby Store		1 100	1
	Inventory	500		1
	Cost of Sales		500	
	Depreciation – Cabinets	3 600		1
	Accumulated Depreciation – Cabinets		3 600	
	Wages expense	2 000		1
	Accrued Wages Expense		2 000	
	Rent Expense	8 000		1
	Prepaid Rent Expense		8 000	1
	Inventory	700		1
	Inventory Gain		700	

**12 marks**

**Question 2 (continued)****b.****General Journal**

<b>Date</b>	<b>Details</b>	<b>Debit</b>	<b>Credit</b>	
30/6	Profit and Loss Summary	74 200		1 (Debit and Credit)
	Cost of Sales		59 300	1
	Wages Expense		2 000	
	Depreciation – Cabinets		3 600	
	Rent Expense		8 000	
	Discount Expense		400	1
	Interest Expense		900	
30/6	Discount Revenue	300		1
	Interest Revenue	640		
	Sales	139 600		
	Sales Returns		21 000	1
	Inventory Gain	700		
	Profit and Loss Summary		120 240	1

**5 marks**

**Question 2 (continued)**

c.

**Drawings**

<b>Date</b>	<b>Cross-Reference</b>	<b>Amount (\$)</b>	<b>Date</b>	<b>Cross-Reference</b>	<b>Amount (\$)</b>
17/5	Inventory	900	30/6	Capital	2 100
16/6	Bank	1 200			
		2 100			2 100

**Profit and Loss Summary**

<b>Date</b>	<b>Cross-Reference</b>	<b>Amount (\$)</b>	<b>Date</b>	<b>Cross-Reference</b>	<b>Amount (\$)</b>
30/6	Expenses	74 200	30/6	Revenues	120 240
30/6	Capital	46 040			
		120 240			120 240

**Capital**

<b>Date</b>	<b>Cross-Reference</b>	<b>Amount (\$)</b>	<b>Date</b>	<b>Cross-Reference</b>	<b>Amount (\$)</b>
30/6	Drawings	2 100	1/7	Balance	52 010
30/6	Balance	96 450	15/1	Bank	500
			30/6	Profit and Loss Summary	46 040
		98 500			98 500
			1/7	Balance	96 450

- **2 marks for Drawings**
- **1 mark for Profit and Loss Summary**
- **3 marks for Capital**

**6 marks**

**Question 2 (continued)**

d.

**Classic Kits**  
**Income Statement (extract) for the year ended 30 June 2022**

<b>Revenue</b>	<b>\$</b>	<b>\$</b>	
Sales	139 600		1
Less Sales Returns	21 000	118 600	
Less Cost of Goods Sold			
Cost of Sales	59 300		
Gross Profit		59 300	1
Add Inventory Gain	700		
Adjusted Gross Profit		60 000	1
Add Other Income			
Discount Revenue	300		1
Interest Revenue	640	60 940	1

**5 marks**

e.

<b>Current Liabilities</b>	<b>\$</b>	<b>\$</b>
Accounts Payable	14 000	
Loan – Davis Bank	6 000	20 000

- **1 mark for title and completed report**
- **1 mark for Accounts Payable \$14 000**
- **1 mark for Loan – Davis Bank \$6 000**

**3 marks**

**Question 3 (11 marks)****a.****Option 1****Current operations**

Sales = 2 500 \* \$80 = \$200 000

Cost of Sales = 2 500 \* \$60 = \$150 000

Gross Profit \$ 50 000

**Missing Deadline**

Sales = 2 500 \* \$64 = \$160 000

Cost of Sales = 2 500 \* \$60 = \$150 000

Gross Profit \$ 10 000

**Alternative Supplier**

Sales = 2 000 \* \$50 = \$100 000

Cost of Sales = 2 000 \* \$40 = \$ 80 000

Gross Profit \$ 20 000

- 2 marks for each alternative

**6 marks**

- b.** Elaine needs to consider to a variety of alternatives when making her decision. She offers schools a high quality VCE Polo Shirt that is produced using organic cotton and is fair trade accredited. This alternative is the most profitable alternative although using this supplier could result in the lowest gross profit if the supplier is unable to meet the deadline. Elaine is purchasing a significant amount of shirts and could make the supplier aware that she has an alternative supplier although the use of this supplier raises ethical concerns as her original shirt option is ethically produced. As schools may have committed to their purchase and may not be able to source an alternative supplier they may be force to use the non fair trade option despite this being their original choice. If Elaine chooses to remain with the original supplier she may end up with the lowest gross profit, as she would have been able to source the shorts from the alternative source.

**Mark this question globally.****5 marks**

**Question 4 (9 marks)**

a.

**General Journal**

Date	Details	Debit	Credit	
30/6	Disposal of Food Truck	40 000		1
	Food Truck		40 000	
	Accumulated Depreciation of Food Truck	26 000		1
	Disposal of Food Truck		26 000	
	Food Truck	18 000		1
	Disposal of Food Truck		18 000	
	Disposal of Food Truck	4 000		1
	Profit on Disposal of Food Truck		4 000	
	Bank	37 000		1
	Loan - HPY Bank		37 000	
	Food Truck	32 000		1
	GST Clearing	5 000		
	Bank		37 000	1

**7 marks**

b. A business can generate a profit on disposal if they over depreciate the non-current asset. If the business understates the useful life or the residual value of the non-current asset the business will over depreciate the non-current asset resulting in a profit on disposal.

- **1 mark for over depreciation**
- **1 mark for understating useful life or residual value**

**2 marks**



**Question 5 (10 marks)**

a.

Item:		BB200 Basketball Ring		Cost Assignment method:		FIFO				
Date 2022	Details	IN			OUT			BALANCE		
		Qty	Unit Cost	Value	Qty	Unit Cost	Value	Qty	Unit Cost	Value
1 June	Balance							3	200	600
5 June	Inv 92	7	210	1 470				3	200	600
								7	210	1 470
8 June	Inv 21				3	200	600			
					1	210	210	6	210	1 260
12 June	Inv 45	3	240	720				6	210	1 260
								3	240	720
18 June	Cr Note 23	1	210	210				7	210	1 470
								3	240	720
29 June	Cr Note 18				1	210	210	6	210	1 260
								3	240	720
30 June	Memo 19				1	210	210	5	210	1 050
								3	210	660

- **1 mark for each transaction**

**5 marks**

- b. The details column identifies the source document that is used to verify the transaction. Verifiability is supported by the use of a source document as it allows users independent observers to come to a consensus that an event is faithfully represented. The details column provides a source document that can be used to cross check the details of each transaction.

- **1 mark for verifiability**
- **1 mark for explanation**

**2 marks**

- c. The transaction on 8 June 2022 is a credit sale of four BB200 Basketball Rings. The credit sale will increase assets of \$2 710 as there is an increase of \$3 520 of accounts receivable and a decrease of inventory of \$810. There will be an increase in liabilities of GST Clearing of \$320.

There will be an increase of \$2 390 of net profit as sales will increase by \$3 200 and cost of sales of \$810 which will increase owners' equity.

- **1 mark for impact on assets**
- **1 mark for impact on liabilities**
- **1 mark for impact on owners' equity**

**3 marks**

**Question 6 (7 marks)**

a.

**Rent Expense**

<b>Date 2022</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2022</b>	<b>Cross-reference</b>	<b>Amount</b>
31/12	Prepaid Rent Expense	1 600	31/12	Profit and Loss Summary	1 600
		1 600			1 600

**Prepaid Rent Expense**

<b>Date 2022</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2022</b>	<b>Cross-reference</b>	<b>Amount</b>
1/10	Balance	500	31/12	Rent Expense	1 600
24/10	Bank	3 300	31/12	Balance	2 200
		3 800			3 800
1/1	Balance	2 200			

- **2 marks for Rent Expense**
- **3 marks for Prepaid Expense**

**5 marks**

b. Prepaid rent expense is treated as a prepayment as the outflow of economic benefit will not occur until future periods. The going concern assumption requires the business to assume that the business will continue indefinitely into the future and therefore it can be assumed that the prepaid rent will provide its benefit.

- **1 mark for Going Concern**
- **1 mark for the outflow of economic benefit will not occur until future periods.**

**2 marks**

**Question 7 (7 marks)****a.****General Journal**

<b>Date</b>	<b>Details</b>	<b>Debit</b>	<b>Credit</b>	
1 July	Bank	25 000		1
	Capital - Sam		25 000	
1 July	Van	45 000		1
	Prepaid Insurance Expense	600		1
	Loan – Aus Bank		44 000	1
	Capital – Sam		1 600	

**4 marks**

- b.** The van is contributed using the Fair Value at the date it was contributed to the business. The fair value represents that market value of the van on the day that it is contributed and will be the cost of the asset that is yet to be consumed by the business plus any residual value.

- **1 mark for Fair Value**
- **1 mark for market value**
- **1 mark for cost of the asset yet to be consumed plus any residual value**

**3 marks**

**Question 8 (6 marks)**

Tech IT Up have experienced slowing of accounts receivable turnover, accounts payable turnover and inventory turnover since 2020.

The slowing accounts receivable turnover would have a negative impact on liquidity as its is taking longer to generate cash which will make it difficult to meet their short-term debts as they fall due and will have minimal impact on profitability as the business does not offer discounts to customers. The impact of the slowing accounts receivable turnover would also impact accounts payable turnover, as there is less cash to pay their accounts payable. This could also impact profitability, as the business is unable to take advantage of discounts that would increase profit and potentially increase profits compared to a base such as sales, assets or owners' equity. The slowing accounts payable turnover does have a positive impact on liquidity as it allows the business to retain cash that will allow them to meet their short-term debts as they fall due. The slowing inventory turnover also creates an issue as the business is holding its inventory for more than 40 days on average. This is an issue as the business sells computers that would become obsolete when held for too long. If the computers are held for too long this could result in inventory write-downs and potential inventory losses which would have a negative impact on profitability although the business would be able to provide its customers with a wide range of computers as they are holding more inventory.

**Mark this question globally.**

**6 marks**

**Question 9 (8 marks)**

- a. The business reports on a monthly basis.
- **1 mark for monthly basis**
- 1 mark**
- b. The transaction is a purchase return of inventory that cost \$3 000 plus \$300 of GST.
- **1 mark for purchase return**
  - **1 mark of inventory of \$3 000 and GST of \$300**
- 2 marks**
- c. The transaction on the 7 July 2022 will result in a cash operating inflow of \$15 000.
- **1 mark for cash operating inflow**
  - **1 mark for \$15 000**
- 2 marks**
- d. Accounts Payable would be reported as a current liability of \$19 500 as it represents a present obligation of the business to transfer an economic resource as a result of a past event (credit purchase of inventory) that is reasonably expected to be settled within 12 months of the end of the reporting period.
- **1 mark for current liability of \$19 500**
  - **1 mark for present obligation of the business to transfer an economic resource as a result of a past event**
  - **1 mark for expected to be settled within 12 months of the end of the reporting period**
- 3 marks**

**End of suggested answers**  
**2022 Kilbaha VCE Accounting Trial Examination Units 3 and 4**

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