

2022

VCE

Accounting

Units 3 and 4

Trial Examination



Kilbaha Education

Quality educational content

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**VICTORIAN CERTIFICATE OF EDUCATION
2022**

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>
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 white out liquid/tape.

Materials supplied

- Question book of 11 pages.
- Answer book of 13 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.

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Question 1 (10 marks)

Brenda is the owner of Cycled, a small business that sells racing bikes. Inventory cards for all lines are maintained using the FIFO cost assignment method and inventory is valued according to the Lower of Cost and Net Realisable Value rule where appropriate.

The business reports on a quarterly basis with the previous reports being completed on 30 June 2022.

As at 30 June 2022, the business' records revealed the following inventory on hand:

Type of Bike	Quantity as per Stocktake	Quantity as per Inventory Card	Invoice Price per bike (excl. GST) (\$)	Delivery In (excl. GST) (\$)	Delivery Out (excl. GST) (\$)	Selling Price per bike (excl. GST) (\$)
Amateur	7	7	400	100	90	800
Professional	10	11	800	100	90	1 600
Elite	8	8	1 200	150	120	2 000

Additional Information

- The Elite Bikes have been discounted to \$800 (plus GST) due to bad publicity after the recent world cycling championships.
- Cycled offer free delivery for the Amateur Bike.
- Every Bike sold comes with a \$50 (plus GST) Bike Pump.

a. **Calculate** the value of closing inventory of the bikes as at 30 September 2022.

3 marks

b. **Show** the General Journal entries necessary required on 30 September 2022
Narrations are not required.

4 marks

c. **Explain** the impact on the accounting reports of the transaction involving the Professional Bikes on 30 September 2022.

3 marks

Question 2 (32 marks)

Charlie is the owner of Classic Kits, a business that specialises in model cars. The business uses the First In First out cost assignment method and prepares its reports on an annual basis. The business uses a consistent markup for all sales.

Classic Kits
Trial Balance as at 30 June 2022

Account	Debit	Credit
Accounts Payable		14 000
Accounts Receivable	16 200	
Accumulated Depreciation – Cabinets		4 000
Bank	24 250	
Cabinets	22 000	
Capital		52 510
Cost of Sales	60 000	
Delivery In	400	
Discount Revenue		300
Drawings	2 100	
GST Clearing		1 400
Interest Expense	900	
Interest Revenue		640
Inventory	45 000	
Loan – Davis Bank		32 000
Prepaid Rent Expense	18 000	
Sales		140 000
Sales Returns	20 000	
Wages	36 000	
Totals	244 850	244 850

Additional Information

- Charlie discovered that he had recorded a cash capital contribution of \$440 as a credit sale to ABC Hobby Store.
- ABC Hobby Store returned inventory that they purchased for \$500 (plus GST) on 25 June 2022. The transaction was not recorded.
- Cabinets are depreciated using the reducing balance method at 10% per year. No cabinets were purchased during the year.
- The employees were owed \$2 000 for wages earned in the final week of June 2022. \$1 000 of wages were owed to employees on 30 June 2021.
- Rent is paid on a six-monthly basis. Rent of \$12 000 (plus GST) was paid on 15 May 2022 for the period ended 30 November 2022.
- A stocktake on 30 June 2022 recorded inventory on hand at 30 June 2022 of \$45 000 (Memo 6)
- The loan is repayable at \$500 per month.
- The Trial Balance includes:
 - Charlie took home a model car that cost \$900 (plus GST) on 27 May 2022.
 - Charlie withdrew \$1 200 of cash on 16 June 2022 to pay his personal credit card.
 - Charlie contributed \$500 cash on 15 January 2022.

Required

- a. **Record** the General Journal entries required on 30 June 2022
Narrations are not required **12 marks**
- b. **Record** the General Journal entries to close the revenue and expense accounts on 30 June 2022
Narrations are not required. **6 marks**
- c. **Complete** the Profit and Loss Summary, Drawings and Capital general ledger accounts at 30 June 2022 **5 marks**
- d. **Prepare** the Income Statement (up to and including Other Income) for the Year ended 30 June 2022. **6 marks**
- e. **Prepare** the Current Liabilities section of the Balance Sheet as at 30 June 2022. **3 marks**

Question 3 (11 marks)

Elaine operates a small business selling school VCE Polo Shirts. She has developed a reputation for having the best quality shirts made from organic cotton and are fair trade accreditation.

She sells the shirts for \$88 each (including GST) each. Schools can have up to ten words printed on their shirt included in that price.

She has 2500 shirts on order from schools.

The shirts cost the following to produce:

- \$40 (plus GST) for each shirt
- \$20 (plus GST) for printing

Elaine is concerned that her suppliers have missed recent deadlines and that may not be able to arrive in time to meet school deadlines.

She has managed to source another supplier who has guaranteed that they can meet the deadlines although they will charge \$40 (plus GST) for each shirt and will not be able to provide printing. The supplier has not been able to comply with fair trade accreditation as they source cheap labour to produce their shirts.

Elaine has had discussions with schools and has determined the following:

- If they miss the deadline they will have to offer the schools a 20% reduction in selling price.
- If they use the alternative supplier they will sell the shirts for \$50 although 20% of schools will seek an alternative supplier.

a. **Complete** the tables below showing the gross profit from each of the alternatives.

6 marks

b. **Discuss** the ethical and financial considerations that arise from Elaine's potential decision.

5 marks

Question 4 (9 marks)

Blitzin Burgers operate food trucks at music festivals. On 30 June 2022 the business traded in a food truck that it purchased for \$40 000 (plus GST) in 2017.

The old food truck had a carrying value of \$14 000 on 30 June 2022 when it was traded in for \$18 000.

On 30 June 2022, Blitzin Burgers have purchased a new Food Truck for their store. The Food Truck cost \$55 000 (plus GST). The funds were borrowed from HPY Bank.

- a. **Record** the necessary entries in the General Journal of Blitzin Burgers on 30 June 2022

Narrations are not required

7 marks

- b. **Explain** how it is possible for a business to incur a profit on disposal of a non-current asset.

2 marks

Question 5 (10 marks)

Slam Dunk sell portable basketball rings. The owner has prepared the following inventory card up to 5 June 2022 for the BB200 Basketball Ring.

The business operates with a credit GST Clearing balance.

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

Additional information

- 8 June - Sold four BB200 Basketball Rings for \$800 (plus GST) each (Inv 21)
- 12 June - Purchased three BB200 Basketball Rings for \$264 each (including GST) (Inv 45)
- 18 June - A customer returned (A Jones) returned a BB 200 Basketball Ring (Credit Note 23)
- 29 June – Slam Dunk returned the BB200 Basketball Ring that was returned on the 18th of June (Credit Note 18)
- 30 June – Slam Dunk found eight BB200 Basketball Rings on hand (Memo 19)

- Complete** the inventory card provided by Slam Dunk using the additional information provided.
5 marks
- Referring** to a qualitative characteristic, explain why the inventory card includes a details column.
2 marks
- Explain** the impact on the accounting equation of the transaction on 8 June 2022.
3 marks

Question 6 (7 marks)

Bounce Trampolines have provided you with the following information. The business prepares its reports on a quarterly basis.

The business paid its rent six monthly in advance on 24 October 2022 for the period ended 30 April 2023. The amount paid was \$3 300 (plus GST).

When it last prepared its reports on 30 September 2022 the balance of the Prepaid Rent Expense account was \$500.

- a. **Complete** the Rent Expense and Prepaid Rent Expense accounts at 30 September 2022 **5 marks**

- b. Referring to an accounting assumption, **explain** why the payment is treated as a prepayment. **2 marks**

Question 7 (7 marks)

Sam started Sort It, a business selling filing cabinets, on 1 July 2022.

On 1 July 2022 Sam contributed the following:

- \$25 000 cash
- His van that he purchased for \$50 000 (plus GST) on 31 December 2021. The van was valued at \$45 000 when it was contributed to the business. Sam paid the annual insurance policy of \$1 200 (plus GST) when she purchased the vehicle.
- The business will take over the loan from Aus Bank that Sam borrowed to purchase the vehicle. \$38 000 was owing on the loan on 1 July 2022.

- a. Record the transactions in the General Journal of Sort It on 1 July 2022.

Narrations are not required

4 marks

- b. Referring to an accounting assumption, **explain** your treatment of the van that was contributed to the business

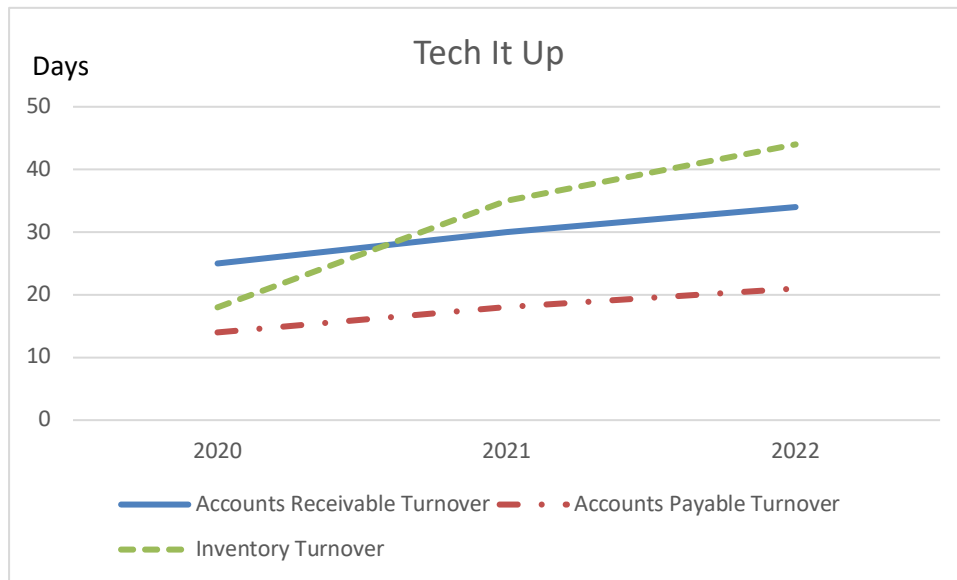
3 marks

Question 8 (6 marks)

Tech IT Up sell the latest computer equipment to tech savvy customers. The business operates on a credit basis for all sales and purchases.

Suppliers offer terms of 2/7, 30 and customers are offered terms of n30.

The following graph was prepared on 30 June 2022.

**Required**

Referring to the information provided, **discuss** the profitability and liquidity of Tech IT Up.

Question 9 (8 marks)

The following General Ledger account was prepared Harry's Heaters.

Accounts Payable

Date 2022	Cross-reference	Amount	Date 2022	Cross-reference	Amount
5/7	Inventory/GST Clearing	3 300	1/7	Balance	20 000
7/7	Bank	15 000	21/7	Inventory/GST Clearing	18 000
	Discount Revenue	200			
31/7	Balance	19 500			
		38 000			38 000
			1/8	Balance	19 500

- a. **Identify** the length of the reporting period used by the business. **1 mark**
- b. **Explain** the transaction that occurred on 5 July 2022. **2 marks**
- c. **Outline** the impact on the Cash Flow Statement of the transaction that occurred on 7 July 2022. **2 marks**
- d. **Explain** how the Accounts Payable would be reported in the Balance Sheet of Harry's Heaters on 31 July 2022. **3 marks**

End of questions

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