

**Victorian Certificate of Education  
2023**

**ACCOUNTING**  
**Written examination**

**Wednesday 24 May 2023**

**Reading time: 10.30 am to 10.45 am (15 minutes)**

**Writing time: 10.45 am to 12.45 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 8 pages
- Answer book of 18 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.**

### Instructions

Answer **all** questions in the answer book provided.

#### Question 1 (13 marks)

NX Bikes sells a range of mountain bikes. It reports monthly and uses Identified Cost as its inventory cost assignment method. The Extremez Bike sells for \$420 (plus GST).

#### Inventory Card

Item: Extremez Bike		Cost Assignment Method: Identified Cost								
Supplier: Pedals		IN			OUT			BALANCE		
Date 2023	Document	Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
Jan. 1	Balance							3	240	720

Transactions in January 2023 were:

- 4 Jan. The business purchased five Extremez Bikes on credit for \$220 each (plus GST) (Inv. 123).
- 7 Jan. The business sold two Extremez Bikes on credit to P Smith from the inventory purchased on 4 January (Inv. 067).
- 10 Jan. P Smith returned one Extremez Bike (CrN. 12).
- 18 Jan. The business sold four Extremez Bikes for cash. This included two from the original inventory and two from the inventory purchased on 4 January (Rec. 876).
- 31 Jan. A physical inventory count revealed that there were four Extremez Bikes on hand comprising one from the original inventory and three from the inventory purchased on 4 January (Memo 13).

- a. Complete the Inventory Card for January. 5 marks
- b. Record the transaction for 18 January in the General Journal.  
A narration is **not** required. 3 marks
- c. Calculate the Net Sales of Extremez Bikes for January 2023. 2 marks
- d. Explain why NX Bikes uses Identified Cost instead of First In, First Out (FIFO) as the inventory cost assignment method. 3 marks

**Question 2** (8 marks)

Brite Goods reports monthly.

The following ledger account shows details of Accounts Receivable for March 2023.

**Accounts Receivable**

<b>Date 2023</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2023</b>	<b>Cross-reference</b>	<b>Amount</b>
Mar. 1	Balance	45 100	Mar. 19	Sales Returns/GST Clearing	1 650
16	Sales/GST Clearing	96 800	25	Bank/Discount Expense	101 310
			28	Allowance for Doubtful Debts/GST Clearing	880
			31	Balance	38 060
		<b>141 900</b>			<b>141 900</b>

a. Identify the source document used to verify the entries on:

- 25 March
- 28 March.

2 marks

b. Prepare the General Journal entry to record the transaction on 28 March.

A narration is **not** required.

3 marks

c. When preparing the Budgeted Cash Flow Statement for April, the following information was provided:

- Credit sales for April were estimated to be \$88 000 (including GST).
- It was estimated that 60% of Accounts Receivable pay in the month of sale and receive a 3% discount. The other 40% pay in the following month.
- No bad debts or sales returns were expected in April.

Calculate the estimated cash to be collected from Accounts Receivable in April 2023.

3 marks

**TURN OVER**

**Question 3** (16 marks)

GKP Bytes sells computer equipment. The business reports monthly and uses the First In, First Out (FIFO) inventory cost assignment method. All purchases are on credit and all sales are for cash.

Following a physical inventory count on 30 April 2023, the table below was provided (Memo 32). All dollar figures are per unit and do not include GST.

Inventory item	Purchase price	Delivery from supplier	Estimated selling price	Estimated selling cost	Quantity as per inventory card	Quantity as per physical inventory count
Tablet	\$195	\$5	\$350	nil	62	60
Desktop computer	\$490	\$10	\$800	nil	20	20
Printer	\$196	\$4	\$160	\$5	30	30

- a. Prepare the General Journal entries for 30 April arising from the information in the table. Narrations are **not** required. 4 marks
- b. Explain how the printers should be valued at 30 April. Include the amount in your response. 4 marks
- c. Calculate the total value of inventory to be reported in the Balance Sheet as at 30 April. 2 marks
- d. When preparing budgets for May, it is estimated that:
- purchases will be:  
30 tablets @ \$185 each (plus GST) with a total delivery cost of \$150 (plus GST)
  - sales will be:
    - tablets            80 @ \$350 each (plus GST)
    - printers         20 @ \$160 each (plus GST)
  - there will be no sales returns, inventory losses or gains
  - no desktop computers will be sold in May so they will be written down to \$400 each (plus GST) (Memo 35).
- Calculate the budgeted Cost of Sales for May. 3 marks
- e. Prepare the Budgeted Income Statement, up to and including Adjusted Gross Profit, for the month of May. 3 marks

**Question 4** (16 marks)

Drivers Auto Spares reports every six months. The accountant is preparing the Cash Flow Statement for the six months ended 31 December 2022.

The Income Statement for the six months ended 31 December 2022 included the following items:

- Gain on Disposal of Equipment                      \$4 000
- Depreciation – Equipment                              \$72 000

Extracts from the Balance Sheet show:

	<b>30 June 2022</b>	<b>31 December 2022</b>
	\$	\$
Equipment	350 000	390 000
Accumulated Depreciation – Equipment	<u>(135 000)</u>	<u>(147 000)</u>
	215 000	243 000

**Additional information**

- Equipment costing \$90 000 (plus GST) was sold for cash on 18 August.
  - New equipment was purchased for cash on 13 September.
- a. Prepare the following ledger accounts for the six months ended 31 December 2022:
- Equipment
  - Accumulated Depreciation – Equipment
  - Disposal of Equipment 9 marks
- b. Prepare the Investing Activities section of the Cash Flow Statement for the six months ended 31 December 2022. 3 marks
- c. Explain why Cash Flow Statements are classified into Operating, Investing and Financing activities. 4 marks

**Question 5** (5 marks)

The reporting of both depreciation and doubtful debts causes a conflict between the qualitative characteristics of relevance and verifiability.

Discuss.

**Question 6** (19 marks)

Done DIY is a regional hardware store. The business has just purchased the building next door to expand and become a larger store. The larger store will require a major upgrade of the electrical system. The business currently uses 25 000 units (kilowatt hours) of electricity per year and this is expected to double. The upgrade options are:

- Option 1 – Install new wiring to link both buildings and upgrade the electrical meter box on 1 January 2024 at a total cost of \$8 000 (plus GST). Cost of electricity from the electricity grid is budgeted to be 25 cents per unit (kilowatt hour) plus an administration supply charge of \$500 (plus GST) per year.
- Option 2 – Install a solar panel system, including battery storage, for \$36 000 (plus GST), which would meet 85% of the business's electricity needs. The other 15% would come from the electricity grid with the same costs as in Option 1. New wiring and an upgraded electrical meter box would be required, as in Option 1. A maintenance contract would cost \$1 625 (plus GST) per year for the first five years. The solar panel system would be operational from 1 January 2024 and would have an estimated useful life of 15 years.

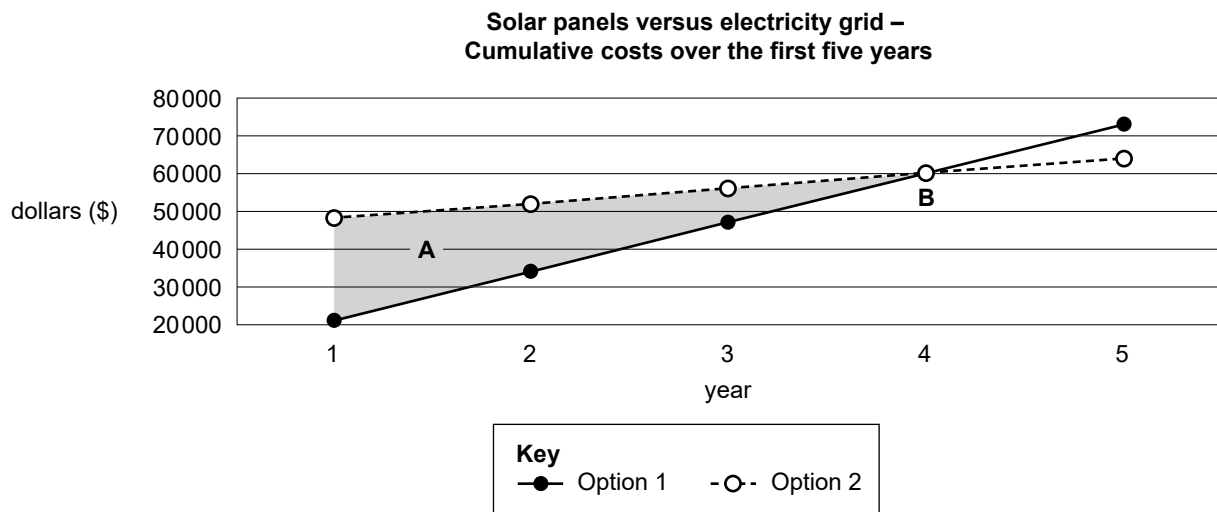
a. Complete the table provided to determine the total cost of each option for the first two years. 6 marks

b. The following chart shows cumulative costs for both options over the first five years.

Explain:

- what shaded area A represents
- what point B represents.

4 marks



c. Discuss which option Done DIY should choose after considering the financial and ethical issues involved. 6 marks

d. If Option 2 is chosen, the solar panel system will be depreciated using the reducing balance method at 25% per annum.

Show how the solar panel system will appear in the Balance Sheet at the end of the second year on 31 December 2025. 3 marks

**Question 7** (6 marks)

Furniturez buys and sells furniture on credit with terms n/30 for both. It reports quarterly.

After a decline in the cash balance in recent months, the accountant emailed the following data to the business owner and said, 'I've just had a look at these financial indicators and I can see some worrying signs. Take a look at the figures and we will discuss them when we meet next week.'

<b>Financial indicator</b>	<b>December quarter 2022</b>	<b>March quarter 2023</b>
Working capital ratio	2.3 : 1	2.5 : 1
Quick asset ratio	1.3 : 1	0.89 : 1
Inventory turnover	113 days	151 days
Accounts Receivable turnover	36 days	34 days
Accounts Payable turnover	26 days	22 days

Explain what the 'worrying signs' are and provide two strategies that the accountant might suggest to the business owner when they meet.

**Question 8** (17 marks)

BriQBats reports annually on 31 December.

**Pre-adjustment Trial Balance as at 31 December 2022**

	<b>Debit \$</b>	<b>Credit \$</b>
Accounts Payable		32 000
Accounts Receivable	27 000	
Accumulated Depreciation – Shop Fittings		22 000
Bank	7 340	
Capital		109 340
Cost of Sales	260 000	
GST Clearing		5 000
Inventory	80 000	
Prepaid Rent Expense	39 000	
Sales		520 000
Shop Fittings	150 000	
Wages Expense	125 000	
	<b>688 340</b>	<b>688 340</b>

**Additional information**

- Rent is paid three months in advance. A payment of \$9 000 (plus GST) was made on 1 November 2022 for the three months to 31 January 2023.
  - Shop fittings costing \$40 000 (plus GST) were purchased on 1 July 2022. All shop fittings are depreciated using the straight-line method at 12% per annum on cost.
  - Wages owing to employees at 31 December 2022 totalled \$2 000.
- a. Prepare the necessary adjusting entries in the General Journal on 31 December 2022. 6 marks
  - b. Referring to an accounting assumption, explain why an adjustment is required for prepaid rent. 3 marks
  - c. Justify the use of straight-line depreciation for the shop fittings. 3 marks
  - d. Calculate the total expenses for the year. 2 marks
  - e. Show how the Profit and Loss Summary account would appear in the General Ledger after all closing and transfer entries have been recorded. 3 marks





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SUPERVISOR TO ATTACH PROCESSING LABEL HERE

STUDENT NUMBER 

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**ACCOUNTING**  
**Written examination**

**Wednesday 24 May 2023**

**Reading time: 10.30 am to 10.45 am (15 minutes)**

**Writing time: 10.45 am to 12.45 pm (2 hours)**

**ANSWER BOOK**

**Instructions**

- A question book is provided with this answer book.
- 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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c.

2 marks

<b>Working space</b>	
<b>Net Sales of Extremez Bikes for January 2023</b>	<b>\$</b>

d.

3 marks

<b>Explanation</b>

**Question 2** (8 marks)

a.

2 marks

25 March
28 March

b.

3 marks

**Brite Goods****General Journal**

Date 2023	Accounts	Debit	Credit

c.

3 marks

<b>Working space</b>	
Estimated cash to be collected from Accounts Receivable in April 2023	\$

**TURN OVER**

**Question 3** (16 marks)

a.

4 marks

**Working space****GKP Bytes****General Journal**

<b>Date 2023</b>	<b>Accounts</b>	<b>Debit</b>	<b>Credit</b>

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e.

3 marks

<b>Working space</b>
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**GKP Bytes****Budgeted Income Statement (extract) for the month ending 31 May 2023**

	\$	\$
<b>Revenue</b>		

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**Question 4** (16 marks)

a.

9 marks

**Equipment**

<b>Date 2022</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2022</b>	<b>Cross-reference</b>	<b>Amount</b>

**Accumulated Depreciation – Equipment**

<b>Date 2022</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2022</b>	<b>Cross-reference</b>	<b>Amount</b>

**Disposal of Equipment**

<b>Date 2022</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2022</b>	<b>Cross-reference</b>	<b>Amount</b>

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**Question 6** (19 marks)

a.

6 marks

	Option 1		Option 2	
	Year 1	Year 2	Year 1	Year 2
<b>New wiring and electrical meter box</b>				
<b>Electricity grid cost at 25 cents per unit</b>				
<b>Supply charges</b>				
<b>Solar panel system cost</b>				
<b>Maintenance contract</b>				
<b>Total cost</b>				

b.

4 marks

<b>Shaded area A</b>
<b>Point B</b>

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**Question 8** (17 marks)

a.

6 marks

<b>Working space</b>
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**BriQBats****General Journal**

Date 2022	Accounts	Debit	Credit

b.

3 marks

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

c.

3 marks

<b>Justification</b>

d.

2 marks

<b>Working space</b>	
<b>Total expenses for the year</b>	<b>\$</b>

e.

3 marks

**Profit and Loss Summary**

Date 2022	Cross-reference	Amount	Date 2022	Cross-reference	Amount