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NAME: _____

VCE [®]ACCOUNTING

Unit 3 & 4: Practice Written Examination

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>
10	10	100

- Students are permitted to bring into the Examination Room: pencils, pens, highlighters, sharpeners, rulers, erasers 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 14 pages.
- Answer Book of 16 pages.

Instructions

- Write your name in the space provided on the front page of the Answer Book.
- Answer **ALL** questions in the space provided.
- All written responses should be in English.

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 (8 marks)

On 1 January 2024, Bailey Loetje started *Bailey's Backpacks*.

The following events took place on the same day.

- Bailey contributed \$15 000 to start her business.
 - Bailey's Backpacks borrowed \$30 000 from LEE Bank.
The first monthly loan repayment of \$500 will be made to LEE Bank on 15 January 2024.
 - Bailey's Backpacks also arranged a \$10 000 bank overdraft facility with LEE Bank.
 - Equipment of \$8 800 including GST was purchased with cheque 1.
 - Inventory of \$13 200 plus GST was purchased on credit.
- a.** Prepare the Current Assets and Current Liabilities extract from the classified Balance Sheet of *Bailey's Backpacks* as at 1 January 2024. 5 marks
- b.** With reference to **one** qualitative characteristic, explain why Assets and Liabilities are classified in the Balance Sheet. 3 marks

Question 2 (11 marks)

Rafe Rosenberg owns *Rafe's Refrigerators*, a small business that uses the Identified Cost assignment method.

The following transactions relate to the 'Arctic' refrigerator for January 2024.

04/01	Purchased 25 'Arctic' refrigerators from Psoma for \$22 000 (including GST). (Invoice 4031)
11/01	Sold 8 'Arctic' refrigerators to Rosa Retreat for \$2 640 (including GST) each. (Invoice 1372) 5 of the refrigerators had a cost price of \$775 and 3 had a cost price of \$800 each.
27/01	Rafe's Refrigerators donated 2 'Arctic' refrigerators to the local tennis club. Each of these refrigerators had a cost price of \$800. (Memo 78)
31/01	A physical inventory count determined there were 6 'Arctic' refrigerators on hand with a cost price of \$775 and 21 'Arctic' refrigerators on hand with a cost price of \$800 each. (Memo 81)

- a. Outline why *Rafe's Refrigerators* would be considered a trading business. 1 mark
- b. Record each transaction in the 'Arctic' refrigerator inventory card for January 2024. 4 marks
- c. Explain why *Rafe's Refrigerators* would choose to use the Identified Cost assignment method in preference to the First In, First Out cost assignment method. 3 marks
- d. Explain the effect on *Rafe's Refrigerators'* Income Statement for the month ended 31 January 2024, if Memo 78 was **not** recorded. 3 marks

Question 3 (15 marks)

Samantha Berr owns *Samantha's Sofas*, a small business that applies a fixed mark-up of 200%.

The following source documents are yet to be recorded in the General Journal of *Samantha's Sofas*.

SAMANTHA'S SOFAS			
Date 24/02/2024		Invoice: 705	
Charge to Yay Golf Club			
Item	Qty	Unit Cost	\$
'McKenzie' Sofa	20	600	12 000
		<u>GST</u>	1 200
			13 200
		<u>Less: Deposit (3 000)</u>	
2/10, n/30		Total Owing	10 200

Date	26 February 2024
To	Junior Primary
For	Daughter's School Fees
Amount	\$3 300
Cheque Number	412

Samantha's Sofas			
Date 29/02/2024		Credit Note: 78	
Credit to Samantha's Sofas			
Item	Qty	Unit Cost	\$
'Raso' Recliner	5	1 200	6 000
		<u>GST</u>	600
			Total Credit 6 600

SAMANTHA'S SOFAS	
Date 29/02/2024	Memo 127
Event Advertising owing to AMP Agency of \$1 540 including GST for final three weeks of February.	
Signature <i>Samantha Kerr</i>	

a.

Record each source document in *Samantha's Sofas'* General Journal. Narrations are **not** required. 9 marks

- b. With reference to **one** qualitative characteristic, explain the importance of source documents in the accounting process. 3 marks

Samantha has seen her inventory turnover increase from 62 days in 2022 to 81 days in 2023.

- c. Discuss **one** strategy Samantha could introduce to improve the inventory turnover in 2024. 3 marks

Question 4 (9 marks)

Jemma Potts owns *Jemma's Jackets*.

Jemma has provided you with the following information as at 31 March 2024.

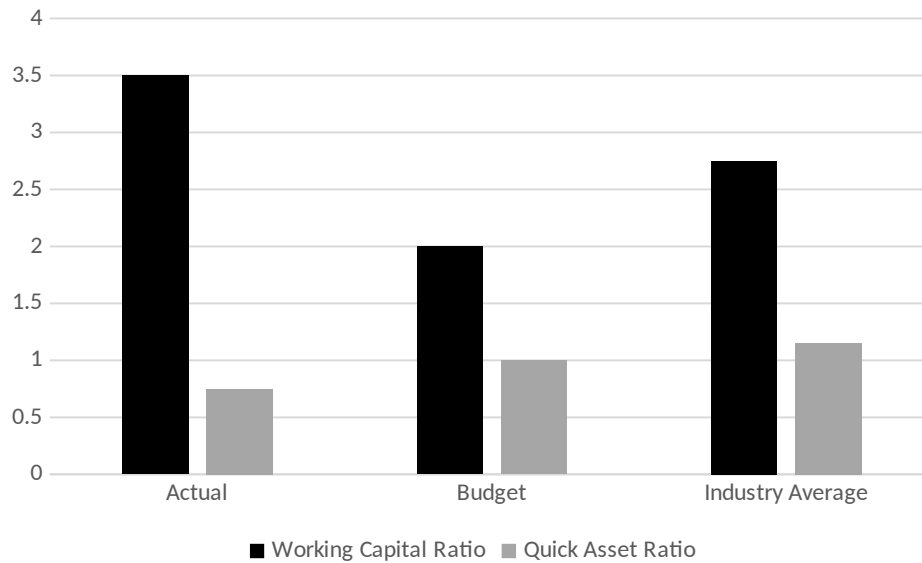
Item	Inventory Card Quantity	Inventory Count Quantity	Inventory Card Cost Price per unit	Net Realisable Value per unit
'Jerry' Jacket	9	9	\$240	\$620
'VIC' Jacket	12	12	\$360	\$275
'Winter' Jacket	15	14	\$530	\$1 200

- a. Define the term 'Net Realisable Value'. 1 mark
- b. Calculate the closing value of the Inventory to be reported on the Balance Sheet of *Jemma's Jackets* as at 31 March 2024. 3 marks
- c. Explain how the balance of Inventory on the Balance Sheet of *Jemma's Jackets* as at 31 March 2024, satisfies the definition of a Current Asset. 3 marks
- d. Prepare the General Journal entry required on 31 March 2024, as a result of applying the lower of cost and net realisable value rule.
A narration is **not** required. 2 marks

Question 5 (8 marks)

Abbey Mullen owns *Abbey's Air Conditioners*.

Abbey has been presented with the following results for 2024.



- a. Analyse the information presented and provide feedback to Abbey about the liquidity of her business. 6 marks
- b. Outline the purpose of a benchmark and state **one** other benchmark Abbey could use to assess the liquidity of her business. 2 marks

Question 6 (6 marks)

William Robinson owns *William's Washing Machines*, a small business that reports annually on 30 June.

On 1 January 2024, the business purchased a Delivery Van for \$40 000 plus GST.

- a. Calculate the depreciation expense for the year ended 30 June 2024, using the straight-line method having an estimated useful life of 4 years and a residual value of \$5 000. 2 marks

- b. Calculate the carrying value as at 30 June 2025, using the reducing balance method of 40% per annum. 2 marks

- c. Explain what the term 'carrying value' represents. 2 marks

Question 7 (5 marks)

Grahame Zhang, the owner of *Grahame's Gym Gear*, has been provided with the following information.

Indicator	2023	2024
Net Profit Margin	6 %	5 %
Return on Assets	9 %	10 %
Debt Ratio	50 %	75 %

- a.** Explain how it is possible for the Net Profit Margin to decline, even though the Return on Assets has increased. 2 marks
- b.** Explain how the trend in the Debt Ratio can negatively impact the stability of *Grahame's Gym Gear*. 3 marks

Question 8 (16 marks)

Lucas Riseley owns *Lucas' Lighting*.

Lucas has provided the following Post-Adjustment Trial Balance.

Lucas' Lighting**Post-Adjustment Trial Balance as at 30 June 2024**

Account	Debit	Credit
Accounts Payable		5 500
Accounts Receivable	27 500	
Accrued Interest Revenue	150	
Accumulated Depreciation - Equipment		13 860
Bank	14 422	
Capital		133 399
Cartage Inwards	1 640	
Cash Sales		24 930
Cost of Sales	26 155	
Credit Sales		28 600
Depreciation - Equipment	1 240	
Discount Expense	143	

Drawings	1 500	
Equipment	34 400	
GST Clearing	1 774	
Interest Revenue		225
Inventory	40 000	
Inventory Loss	2 090	
Prepaid Rent Expense	10 000	
Rent Expense	7 500	
Sales Returns	1 220	
Term Deposit	30 000	
Wages	6 780	
Totals	206 514	206 514

Question 8 - continued**Additional information**

- Reports are prepared quarterly.
- On 15 April 2024 Lucas contributed Equipment to the business. The Equipment was originally purchased for \$19 800 including GST in 2017. Lucas believes that the Equipment's fair value is \$8 000.
- The Term Deposit with LEE Bank earns 3% interest per annum, received half-yearly on 30 April and 31 October.

a. Prepare the Income Statement for the quarter ended 30 June 2024. 7 marks
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- b.** Complete the Interest Revenue and Capital accounts in *Lucas' Lighting's* General Ledger as at 30 June 2024. 6 marks
- c.** Explain, with the use of **one** specific reason, why the GST Clearing account had a debit balance as at 30 June 2024. 3 marks

Question 9 (18 marks)

Catherine Yang, the owner of *Catherine's Caps*, has asked you to complete the budgeting process for the year ended 30 June 2025.

Catherine has provided the following relevant account balances.

Account	Actual 30 June 2024	Budgeted 30 June 2025
Accounts Payable	17 600	15 400
Accounts Receivable	14 850	9 900
Accrued Wages	750	1 500
Accumulated Depreciation - Equipment	20 160	27 060
Bank	6 180	to be determined
Equipment	38 400	53 600
Inventory	31 000	25 000
Prepaid Rent Expense	20 000	25 000

Question 9 – continued

Catherine has asked you to use the following information to complete the budgeting process for the year ended 30 June 2025.

- Sales \$400 000 plus GST
- Credit Sales \$100 000
- Cost of Sales \$200 000
- Inventory Purchases all on credit
- Inventory Loss \$3 000
- All purchases of non-current assets involve cash
- Depreciation Expense – Equipment \$6 900
- Discount Expense \$2 000
- Discount Revenue \$6 000
- Drawings \$40 000 (includes \$500 of Inventory)
- General Expenses \$30 000 plus GST
- Loan Repayments \$1 600 per quarter
- Rent Expense \$55 000
- Wages \$3 500 per month
- GST Settlements \$18 500

a. Reconstruct the following accounts in order to calculate the budgeted Receipts from Accounts Receivable, and Payments to Accounts Payable for the year ended 30 June 2025:

- Accounts Receivable
- Inventory
- Accounts Payable

8 marks

b. Prepare the Budgeted Cash Flow Statement for the year ended 30 June 2025.

10 marks

Question 10 (4 marks)

Kevin Nguyen owns *Kevin's Kettles*.

Kevin has provided the following incomplete Variance Report extracts.

**Income Statement Variance Report (extract)
for the year ended 30 June 2024**

	Budget	Actual	Variance	Favourable / Unfavourable
Credit Sales	\$400 000	\$530 000	\$130 000	F
Bad Debts	\$3 500	\$12 500	\$9 000	U
Discount Expense	\$11 000		\$4 000	F

**Cash Budget Variance Report (extract)
for the year ended 30 June 2024**

	Budget	Actual	Variance	Favourable / Unfavourable
Cash Sales		\$525 000	\$75 000	U
Receipts from Accounts Receivable	\$375 000	\$380 000	\$5 000	F

- a. Complete the Variance Report extracts in the Answer Booklet. 2 marks
- b. Explain how the preparation of Variance Reports can help a business with control. 2 marks

END OF QUESTION BOOK



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NAME: _____

VCE®ACCOUNTING

Unit 3 & 4: Practice Written Examination

Reading time: 15 minutes

Writing time: 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 name** in the space provided above on this page.
- Refer to the Instructions on the front cover of the Question Book.

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Question 1 (8 marks)

a.

5 marks

Calculation Space

**Bailey’s Backpacks
Balance Sheet (extract) as at 1 January 2024**

	\$	\$		\$	\$
<i>Current Assets</i>			<i>Current Liabilities</i>		

b.

3 marks

Qualitative Characteristic

Explanation

Question 2 (11 marks)

a. 1 mark

Outline

b. 4 marks

ITEM: 'Arctic' refrigerators					Cost method: Identified Cost					
		IN			OUT			BALANCE		
Date	Document	Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
01/01	Balance							11	775	8525

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Question 2 – continued

c.

3 marks

Explanation

d.

3 marks

Explanation

b.

3 marks

Qualitative Characteristic
Explanation

c.

3 marks

Discuss

Question 4 (9 marks)

a. 1 mark

Definition

b. 3 marks

Closing Value of Inventory as at 31 March 2024	

c. 3 marks

Explanation

d. 2 marks

General Journal

Date	Details	Debit	Credit

Question 5 (8 marks)

Question 6 (6 marks)

a.

2 marks

Depreciation Expense for the year ended 30 June 2024	
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b.

2 marks

Carrying Value as at 30 June 2025	
--	--

c.

2 marks

Explanation	

Question 7 (5 marks)

a.

2 marks

Explanation

b.

3 marks

Explanation

b.

6 marks

Interest Revenue

Date	Cross-reference	Amount	Date	Cross-reference	Amount

Capital

Date	Cross-reference	Amount	Date	Cross-reference	Amount

c.

3 marks

Explanation

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Question 9 (18 marks)

a.

8 marks

Accounts Receivable

Date	Cross-reference	Amount	Date	Cross-reference	Amount

Inventory

Date	Cross-reference	Amount	Date	Cross-reference	Amount

Accounts Payable

Date	Cross-reference	Amount	Date	Cross-reference	Amount

Question 9 – continued

Question 10 (4 marks)

a.

2 marks

**Income Statement Variance Report (extract)
for the year ended 30 June 2024**

	Budget	Actual	Variance	Favourable / Unfavourable
Credit Sales	\$400 000	\$530 000	\$130 000	F
Bad Debts	\$3 500	\$12 500	\$9 000	U
Discount Expense	\$11 000		\$4 000	F

**Cash Budget Variance Report (extract)
for the year ended 30 June 2024**

	Budget	Actual	Variance	Favourable / Unfavourable
Cash Sales		\$525 000	\$75 000	U
Receipts from Accounts Receivable	\$375 000	\$380 000	\$5 000	F

b.

2 marks

Explanation

END OF ANSWER BOOK