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# Accounting

## Question Book

VCE (NHT) Examination – Wednesday 22 May 2024

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- Reading time is **15 minutes**: 10.30 am to 10.45 am
- Writing time is **2 hours**: 10.45 am to 12.45 pm

### Approved materials

- One scientific calculator

### Materials supplied

- Question Book of 12 pages
- Answer Book of 20 pages

### Instructions

- Answer all questions in the Answer Book.

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

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Contents	pages
8 questions (100 marks)	2–9

## Instructions

- Answer **all** questions in the Answer Book provided.
- Write your responses in English.

### Question 1 (16 marks)

VimZound sells audio equipment and reports monthly. All sales and purchases are made on credit with terms of 5/15, n/30. The business uses the First In, First Out (FIFO) inventory cost assignment method. During April 2024, transactions for a popular soundbar speaker were as shown below.

### Inventory Card

Item: Soundbar 507		Cost assignment method: FIFO								
Supplier: DMC Audio Supplies		IN			OUT			BALANCE		
Date 2024	Document	Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
Apr. 1								38	190	7 220
19	Inv. 4214	20	200	4 000				38	190	
								20	200	11 220
22	Inv. 11657				30	190	5 700	8	190	
								20	200	5 520

On 30 April, it was found that the following two documents had not been entered in the Inventory Card.

DMC Audio Supplies			
<b>Credit Note:</b> D63			
<b>Date:</b> 24 April 2024			
<b>To:</b> VimZound			
Item	Qty	Cost	Amount
Soundbar 507	2	\$200.00	\$400.00
		GST	\$40.00
		<b>TOTAL</b>	<b>\$440.00</b>

VIMZOUND MEMO	
	Number: 177
	30 April 2024
Re: Inventory count	
1.	No inventory gains or losses were detected.
2.	Soundbar 507: Three of these were slightly damaged and have been written down to \$120 each.
Signed: <i>N. Nguyen</i>	

- a. Using the documents provided, complete the Inventory Card for April. 2 marks
- b. With reference to **one** accounting assumption, explain why the three damaged soundbar speakers should be written down on 30 April rather than on the date they are sold, when the actual loss can be determined. 3 marks
- c. On 30 April, VimZound settled their account with DMC Audio Supplies (EFT 3956). There was no outstanding balance from March 2024.  
Prepare the General Journal entry to record the settlement.  
A narration is **not** required. 3 marks

**The following information is also provided.**

- On 1 April, the balance in the Allowance for Doubtful Debts ledger account was \$1 450 cr.
  - On 20 April, one customer's account totalling \$1 320 was written off as a bad debt.
  - Credit Sales for April were \$58 000 and Sales Returns were \$1 000.
  - On 30 April, it was decided to make the Allowance for Doubtful Debts 3% of net credit sales.
- d. Prepare the General Journal entry to record the bad debt written off on 20 April.  
A narration is **not** required. 2 marks
- e. Calculate the Bad Debts expense to be reported for April. 2 marks
- f. Complete the Allowance for Doubtful Debts ledger account at 30 April. 4 marks

**Question 2** (14 marks)

Cynus is a small, specialty business selling high-quality gardening equipment mainly to garden centres and professional gardeners. All sales are on credit with terms of 3/7, n/30. The business reports every month.

The new accountant at Cynus informs the owner that most similar small businesses she knows of work with an Accounts Receivable Turnover of approximately 34 days. Cynus's Accounts Receivable Turnover is currently averaging 44 days.

The accountant says that one of Cynus's competitors has an excellent customer database that she could access as she still has the login details. She suggests that the customers with the best credit ratings be approached and offered slightly better credit terms and prices by Cynus to win their business. This would both improve its Accounts Receivable Turnover and increase sales.

- a. Discuss, with reference to ethical and financial considerations, how Cynus should try to improve its Accounts Receivable Turnover.

6 marks

**The following information is also provided.**

The accountant has been preparing the budgeted financial statements for April. In determining budgeted receipts from Accounts Receivable, she prepared the following information:

Month	Credit Sales
February (actual)	\$55 000 (including GST)
March (actual)	\$49 500 (including GST)
April (budgeted)	\$33 000 (including GST)

Accounts Receivable are estimated to pay:

- 10% in the month of the sale with each customer taking advantage of the discount
- 60% in the month after the sale without any discount being taken
- 30% in the next month.

- b. Complete the table to determine the budgeted cash collected from Accounts Receivable for April.

4 marks

- c. Using the information above, show the item(s) that would appear in the following financial statements for April:

- Budgeted Cash Flow Statement
- Budgeted Income Statement
- Budgeted Balance Sheet

4 marks

**Question 3** (16 marks)

ElexBikes sells a range of electric bicycles. It reports monthly. After reviewing its sales data for the past six months, the business has identified several issues with the EB40 model, which it sells as a low cost, entry-level option.

Sales returns for the EB40 are higher than for other models. Customers who have purchased the EB40 have made many complaints about its short battery life and poor tyre quality. The owner is worried that this could have a negative effect on the reputation of the business and sales in the future. After considering this, the owner has decided to discount all remaining EB40s and will consider selling other, more reliable, models of bicycle in the future.

On 31 March 2024, ElexBikes has 25 EB40s on hand with a cost price of \$350 each (plus GST). The business will reduce its selling price from \$520 each (plus GST) to \$370 each (plus GST) and will include a free helmet costing \$55 each (plus GST) (Memo 342).

- a. Record Memo 342 in the General Journal.  
A narration is **not** required. 3 marks
- b. Describe the effects this entry will have on the financial reports. 4 marks

After doing some research, ElexBikes is considering two potential new models of bicycle to replace the EB40.

**Option 1 – Electro 45**

This bicycle is available from one of the business's current suppliers at a cost of \$375 each (plus GST). This bicycle is superior to the EB40 model although its battery life is no better than the EB40's.

ElexBikes receives regular deliveries from this supplier, including various models of bicycles and parts, at a delivery cost of \$800 (plus GST) per month. The supplier has offered to provide even better quality tyres and battery for an additional \$80 (plus GST) per bicycle.

**Option 2 – Elex 50**

This bicycle would be imported from overseas and ElexBikes would then rebrand it and prepare it for sale to better ensure the quality of the bicycles. The owner feels that launching its own brand will be well received by customers.

ElexBikes has found an overseas supplier with bicycles that would cost \$310 each (plus GST) and import duties of \$800 (plus GST) for each order of 20 bicycles. Each bicycle would then need an electronic conversion kit for the battery, which would cost \$25 per bicycle (plus GST). Rebranding with ElexBikes's logo would cost \$10 per bicycle (plus GST). The business would need to train two of its staff to do the conversions at a one-off cost of \$1 400.

Additional advertising would be needed to raise awareness of the business's own brand.

- c. Calculate the cost price of one Elex 50 (Option 2). 2 marks
- d. Using the information provided, distinguish between a product cost and a period cost, and provide an example of each. 3 marks
- e. Recommend and justify which option ElexBikes should choose. 4 marks

**Question 4** (9 marks)

DyBolts reports annually and is completing the Cash Flow Statement for the year ended 31 December 2023. The following information is provided.

<b>Balance Sheet (extracts) as at</b>	<b>31 December 2022</b>	<b>31 December 2023</b>
	<b>\$</b>	<b>\$</b>
<b>Current Liabilities</b>		
Loan – TW Bank	15 000	17 000
<b>Non-Current Liabilities</b>		
Loan – TW Bank	125 000	150 000
<b>Owner's Equity</b>		
Capital	345 000	421 000

**Additional information for the year ended 31 December 2023**

- Net Profit was \$106 000.
  - Loan repayments were \$23 000, including \$7 000 interest.
  - The loan was increased in August.
  - The owner contributed an additional \$50 000 cash on 18 June.
  - All drawings during the year were cash.
- a. Prepare the Capital ledger account to determine cash drawings for the year ended 31 December 2023. 4 marks
- b. Prepare the Financing Activities section of the Cash Flow Statement for the year ended 31 December 2023. 5 marks

**Question 5** (9 marks)

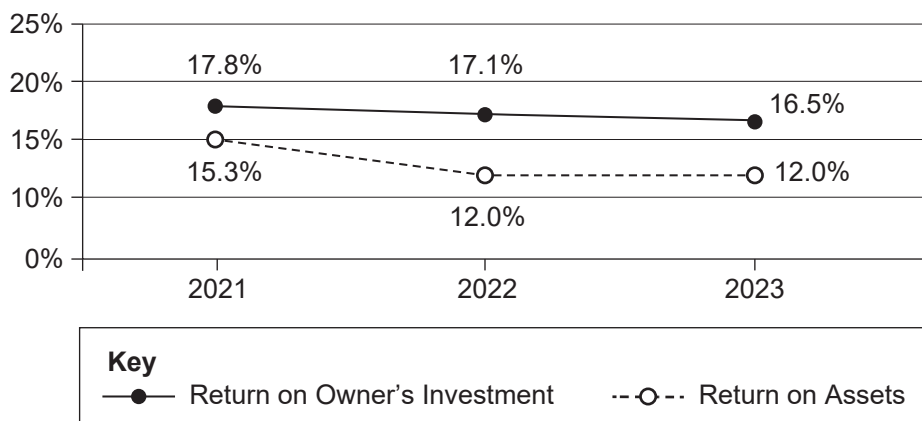
Naylon Flooring sells floor coverings. It reports annually on 31 December. In early 2022, it expanded its range of products and replaced the fittings and displays to give the showroom a more exclusive appearance. The business also commenced a radio advertising campaign on a two-year contract. A five-year loan of \$300 000 was obtained to finance the changes.

The owner is disappointed that, despite increasing sales each year, net profit has not risen as much as expected. The accountant provides the following data.

	2021 \$	2022 \$	2023 \$
Sales	800 000	1 000 000	1 050 000
Net Profit	230 000	240 000	250 000
Gross Profit Margin	58.0%	60.0%	61.0%
Net Profit Margin	28.8%	24.0%	23.8%
Debt Ratio	14.0%	30.0%	28.0%

- a. Using the information provided, discuss the likely reasons why net profit has not risen more over the last two years. 5 marks
- b. In the same period, the Return on Owner’s Investment has been consistently higher than the Return on Assets, as shown in the chart below.

**Naylon Flooring**  
**Return on Owner’s Investment and Return on Assets**  
**2021–2023**



Explain how the Return on Owner’s Investment can be consistently higher than the Return on Assets. 2 marks

- c. Explain the importance of the Return on Assets as a financial performance indicator. 2 marks

**Question 6** (16 marks)

CookWare4U sells kitchen appliances. All sales are on credit with a 100% mark-up on cost. The business reports every six months.

Balances on 1 July 2023 included:

	Debit \$	Credit \$
Accounts Receivable	12 400	
Motor Vehicles	44 000	
Accumulated Depreciation of Motor Vehicles		25 600
Accrued Wages		1 800

**Additional information for the six months to 31 December 2023**

- On 1 July 2023, a five-year loan of \$60 000 was taken out. The principal is to be repaid in equal amounts on 30 June each year. Interest is 5% per annum and paid annually on 30 June.
  - The business commenced a new advertising program on 1 July, paying \$3 700 (plus GST) for the three months ended 30 September. The business was satisfied with the program and on 1 October paid for one year in advance at the same rate.
  - A new motor vehicle was purchased for cash on 1 October for \$50 000 (plus GST). All vehicles are depreciated using the reducing balance method at 20% per annum.
  - Wages are paid monthly on and including the last Thursday of each month. Wages are \$1 000 per day based on a six-day week – Monday to Saturday. Wages paid to Sunday 31 December were \$156 000.
  - Cash receipts from Accounts Receivable totalled \$539 700.
  - Sales Returns were \$26 000 (plus GST).
  - Closing balances on 31 December included
 

Accounts Receivable	\$16 100
Inventory	\$123 000
GST Clearing	\$5 250 cr
  - A physical count on 31 December revealed inventory on hand of \$124 500.
- a. Prepare the Accounts Receivable ledger account to determine Sales for the six-month period. 4 marks
- b. Prepare the Income Statement for the six months ended 31 December 2023. 8 marks
- c. Prepare the Current Liabilities section of the Balance Sheet as at 31 December 2023. 4 marks



**Question 7** (7 marks)

Brisk BBQs reports monthly.

On 30 April 2024, the Pre-adjustment Trial Balance included:

<b>Account</b>	<b>Debit</b>	<b>Credit</b>
	<b>\$</b>	<b>\$</b>
Wages Expense	30 000	
Inventory	65 000	

On 30 April, the following adjustments were made.

- Wages are paid monthly on the 22nd of each month. Wages owing for April are \$8 000.
- A physical count of inventory reveals an Inventory Loss of \$2 300.

- a.** Both the \$8 000 and the \$2 300 will be recognised as expenses for the month.

Explain how each meets the definition of an expense.

3 marks

- b.** Record the adjustments in the ledgers provided. Complete the accounts.

4 marks

**Question 8** (13 marks)

On 30 April 2024, VMT Motors traded-in some of its oldest computers for \$15 000. These computers had a cost price of \$85 000 (plus GST) and a carrying value of \$10 000. The new computers had a cost price of \$105 000 (plus GST) and the balance was paid in cash (EFT VT46).

- a.** Prepare the General Journal entries required to record these events.

Narrations are **not** required.

6 marks

- b.** The business uses the reducing balance method of depreciation for computers.

Justify the use of this method.

2 marks

- c.** Explain why a profit on disposal of a non-current asset may occur.

2 marks

- d.** On 15 May, the owner requested that the accountant change to the straight-line method of depreciation for all the computers.

With reference to **one** qualitative characteristic, explain why the depreciation method should not be changed.

3 marks

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Write your **student number** in the boxes above.

**Letter**

# Accounting

## Answer Book

VCE (NHT) Examination – Wednesday 22 May 2024

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**Question 1** (16 marks)

a.

2 marks

**Inventory Card**

Item: Soundbar 507		Cost assignment method: FIFO								
Supplier: DMC Audio Supplies										
Date 2024	Document	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
Apr. 1								38	190	7220
19	Inv. 4214	20	200	4000				38	190	
								20	200	11220
22	Inv. 11657				30	190	5700	8	190	
								20	200	5520

b.

3 marks

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

Do not write in this area.

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c.

3 marks

Working space

**VimZound  
General Journal**

<b>Date 2024</b>	<b>Details</b>	<b>Debit \$</b>	<b>Credit \$</b>

d.

2 marks

**VimZound  
General Journal**

<b>Date 2024</b>	<b>Details</b>	<b>Debit \$</b>	<b>Credit \$</b>

e.

2 marks

Working space

Bad Debts expense for April \$

f.

4 marks

## Allowance for Doubtful Debts

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount

**Question 2** (14 marks)

**a.**

6 marks

<b>Discussion</b>

**b.**

4 marks

<b>Working space</b>
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Do not write in this area.

**Budgeted cash collected from Accounts Receivable in April**

<b>Month</b>	<b>Credit Sales (including GST) \$</b>	<b>Percentage collected in April %</b>	<b>Discount \$</b>	<b>Amount collected in April \$</b>
February (actual)	55000			
March (actual)	49500			
April (budgeted)	33000			
<b>Total</b>				

c.

4 marks

**Working space**

<b>Financial Statements 30 April</b>	<b>Item(s) in the statement</b>	<b>Amount \$</b>
Budgeted Cash Flow Statement		
Budgeted Income Statement		
Budgeted Balance Sheet		



**Question 3** (16 marks)

a.

3 marks

**Working space**

**ElexBikes  
General Journal**

Date 2024	Details	Debit \$	Credit \$

b.

4 marks

<b>Cash Flow Statement</b>
<b>Income Statement</b>
<b>Balance Sheet</b>

c.

2 marks

**Working space**

<b>Cost price of one Elex 50</b>	<b>\$</b>

Do not write in this area.

d.

3 marks

<b>Distinction</b>
<b>Product cost example</b>
<b>Period cost example</b>

e.

4 marks

<b>Recommendation</b>
<b>Justification</b>

Do not write in this area.

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**Question 4** (9 marks)

a.

4 marks

**Capital**

Date 2023	Cross-reference	Amount	Date 2023	Cross-reference	Amount

b.

5 marks

**Working space**

**DyBolts**

**Cash Flow Statement (extract) for the year ended 31 December 2023**

	\$	\$
<b>Cash Flow from Financing Activities</b>		

Do not write in this area.



b.

2 marks

<b>Explanation</b>

c.

2 marks

<b>Explanation</b>

**Question 6** (16 marks)

a.

4 marks

**Accounts Receivable**

<b>Date 2023</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2023</b>	<b>Cross-reference</b>	<b>Amount</b>

Do not write in this area.

b.

8 marks

Working space

**CookWare4U**  
**Income Statement for the six months ended 31 December 2023**

	\$	\$
Revenue		

Do not write in this area.

THN

c.

4 marks

**CookWare4U**  
**Balance Sheet (extract) as at 31 December 2023**

	\$
<b>Current Liabilities</b>	

**Question 7 (7 marks)**

a.

3 marks

<b>Explanation</b>

Do not write in this area.

b.

4 marks

**Wages Expense**

<b>Date 2024</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2024</b>	<b>Cross-reference</b>	<b>Amount</b>
22/4	Bank	30 000			

**Inventory**

<b>Date 2024</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2024</b>	<b>Cross-reference</b>	<b>Amount</b>
1/4	Balance	65000	12/4	Cost of Sales	32800
16/4	Accounts Payable	55000	23/4	Cost of Sales	25800

Do not write in this area.



**Question 8** (13 marks)

a.

6 marks

**VMT Motors  
General Journal**

Date 2024	Details	Debit \$	Credit \$

b.

2 marks

Justification

**c.**

2 marks

Explanation

**d.**

3 marks

Qualitative characteristic
Explanation

Do not write in this area.