VCE Accounting Unit 4: Nano Exam 5. Marks = 33. Time = 33 minutes.

Kaneeka manages **HorseGear**, a business that trades in resources related to horse ownership for cash and on credit. The business uses control accounts, the perpetual stock system using the FIFO method of cost assignment and the accrual accounting system.

On 1/9/33, **HorseGear** purchased a new Shelving Unit from **Just Shelves**, $12000 + $1200 GST, invoice #98. On that same date, organised **Jet Couriers** to transport the Shelving Unit to the business, $200 + $20 GST, invoice #127. Paid **Office Fit-Outs** $770, including $70 GST, to install the Shelving Unit on 1/9/33, cheque #65.

1.1 Record the transactions in the relevant journals.

6 marks

General Journal (GJ)

2033		General Ledger		Subsidiary Ledger	
Date	Details	Dr. $	Cr. $	Dr. $	Cr. $
1/9	Shelving Unit	12000			
	GST Clearing	1200			
	Sundry creditor: Just Shelves		13200		
	Invoice #98.				
	Shelving Unit	200			
	GST Clearing	20			
	Sundry creditor: Jet Couriers		220		
	Invoice #127				

Cash Payments Journal (CPJ)

Date 2033	Details	Doc.	Bank	Cleaning	Drawings	Creditors	Interest	Stock	Office Exps.	Sundry	GST
1/9	Shelv. Unit	65	770							700	70

1.2 Post the data to the following ledger accounts at 30/9/33. **Balance/close**.

6 marks

Shelving Unit

Date	Cross-Reference	$	Date	Cross-Reference	$
30/9/33	Just Shelves	12000	30/9/33	Balance	12900
	Jet Couriers	200			
	Bank	700			
		12900			12900
1/10	Balance	12900			

Sundry Creditor: Just Shelves

Date	Cross-Reference	$	Date	Cross-Reference	$
30/9/23	Balance	13200	30/9/33	Shelving/GST Clearing	13200
		13200			13200
			1/10	Balance	13200

Sundry Creditor: Jet Couriers

Date	Cross-Reference	$	Date	Cross-Reference	$
30/9/23	Balance	220	30/9/33	Shelving/GST Clearing	220
		220			220
			1/10	Balance	220

1.3 Distinguish between trade creditors and sundry creditors.

3 marks

Trade creditors refers to creditors that are owed due to stock purchases. Total data relating to these creditors is recorded in the Creditors Control account in the General Ledger and individual trade creditor accounts appear in the Creditors Subsidiary Ledger. A sundry creditor refers to a creditor excluding trade creditors. Sundry creditor accounts appear in the General Ledger and do not appear in the Creditors Subsidiary Ledger.

1.4 Define non-current assets.

2 marks

Non current assets (NCA) are resources under the control of the business entity that will provide future economic benefits (assist generate revenue) for more than 12 months. An example of an NCA for this business is the Shelving Unit.

On 12/10/33, the business paid **Just Shelves** $8000, cheque #89 and **Jet Couriers,** cheque #90, the full amount owing.

1.5 Record these payments in the Cash Payments Journal.

2 marks

Cash Payments Journal (CPJ)											
Date 2033	Details	Doc.	Bank	Cleaning	Drawings	Creditors	Interest	Stock	Office Exps.	Sundry	GST
12/10	Just Shelves	89	8000							8000	
	Jet Couriers	90	220							220	

1.6 Complete the Cash Flow Statement extract for October 2033 using the data in the above Cash Payments Journal.

2 marks

HorseGear: Cash Flow Statement extract for October 2033		
Investing Activities	$	$
Shelving Unit (Just Shelves)	(8000)	
Shelving Unit (Jet Couriers)	(220)	

1.7 Assuming Shelving Units are depreciated at 20% per year straight-line method, **complete** the following Balance Sheet extract at 31/12/33 after the adjusting entries.

3 marks

HorseGear: Balance Sheet extract at 31/12/33		
Non Current Assets	$	$
Shelving Unit	12900	
Less Accum. Deprec. Shelving unit	(860)	12040

1.8 Distinguish between **depreciation** and **accumulated depreciation**.

3 marks

Depreciation is an expense and represents the decrease in the value of the NCA over the reporting period (or allocation of the depreciable cost for the reporting period). Accumulated depreciation is a negative NCA and represents the summation of depreciation expense to that point in time.

1.9 Indicate the impact of the depreciation expense on the accounting equation.

3 marks

Assets	Liabilities	Owners Equity
Decrease $860 due to increase in accumulated depreciation.	**No impact**	**Decrease $860 due to depreciation expense.**

1.10 Straight line depreciation is just one of many different methods of calculating depreciation. Is straight-line depreciation an appropriate method to use for the Shelving Unit? **Explain**.

3 marks

Straight line depreciation means the depreciation value per reporting period is the same. This method assumes that the NCA contributes to revenue evenly each reporting period. Shelving Units probably would contribute to revenue evenly each reporting period hence straight line depreciation is an appropriate depreciation method.