Piuli owns and manages **eBikes** which trades in electric bikes and Go-Karts.

The following transactions occurred during May 2022:

3rd May, purchase of 25 eBikes from GoGreen at $3300 per unit inc. GST, invoice #77.
4th May, freight for delivery of 25 eBikes and 15 electric Go-Karts, $165 inc. GST, cheque #219.
5th May, modifications to Australian Standard A15 — fitting of larger brakes at $39.60 inc. GST per eBikes delivered re invoice #77, Ace Engineers, invoice #AE3.
7th May, paid for monthly advertisement in Melbourne Bike News, cheque #220 inc. GST.
31st May, sold 10 eBikes to City Bikes using mark-up of 200%. Invoice #89.

a. Record the transactions in the stock card assuming the business uses product costing.

4 marks

STOCK CARD: eBikes FIFO

2022		IN			OUT			BALANCE		
Date	Details	QTY.	COST	VALUE	QTY.	COST	VALUE	QTY.	COST	VALUE
1/5	Balance							3	2900	8700

b. Calculate gross profit for May using product costing. Show workings.

4 marks

_____
_____
_____
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c. Calculate gross profit for May using period costing. Show workings.

4 marks

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d. Jennifer, the accountant, said "*the product costing method is preferred*". Explain why.

4 marks

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e. Explain how you would record the transaction on May 5th in the journals if product costing was used and then if period costing was used.

2 + 2 = 4 marks

If product costing was used ... _____
_____
_____
_____

If period costing was used ... _____
_____
_____
_____

eBikes: Income Statement extract for November 2024		
	$	$
Sales		60000
Less Cost of Goods Sold		
Cost of sales	20000	
Stock transit insurance	1000	21000
Gross Profit		39000

f. Explain why stock transit insurance is reported in the Income Statement extract for November when the business uses product costing.

2 marks

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g. Calculate the product cost of each Pro Kart using product costing. Show workings.

2 marks

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WANG TRADERS			
Invoice W876. Date 23/3/25			
To eBikes	Quantity	Cost	Value
For Ace Go-Karts	4	$2500	$10000
Green Karts	3	$3000	$9000
Pro Karts	5	$5000	$25000
			$44000
Cartage inwards	12	$20	$240
Transit insurance			$100
			$44340
GST at 10%			$4434
Total owing			$48774

h. Explain your treatment of the $100 Transit insurance.

2 marks

_____
_____
_____
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_____

i. Record invoice #W876 in the following journals assuming period costing is used. Narrations are not required.

4 marks

Purchases Journal (PJ) extract

Date 2025	Details	Doc.	Stock Control	GST	Total

General Journal (GJ) extract

2025		General Ledger		Subsidiary Ledger	
Date	Details	Dr. $	Cr. $	Dr. $	Cr. $