



# Victorian Certificate of Education 2011

## ACCOUNTING

### Written examination 1

**Tuesday 14 June 2011**

**Reading time: 2.45 pm to 3.00 pm (15 minutes)**

**Writing time: 3.00 pm to 4.30 pm (1 hour 30 minutes)**

### QUESTION BOOK

#### Structure of book

<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
2	2	90

- 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 white out liquid/tape.

#### Materials supplied

- Question book of 11 pages.
- Answer book of 14 pages.

#### Instructions

- Write your **student number** in the space provided on the front page of the answer book.
- Answer both 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.**

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## Question 1

### Fantastic Footwear

Tess Trimble operates Fantastic Footwear, a small retail business selling a range of children's footwear. The business uses the double entry accounting system, based on the accrual method of accounting. Other features of Fantastic Footwear's accounting system are as follows.

- i. The business sells to customers on both a cash and credit basis. Credit terms are 5/14, n/30. Purchases are also made on both a cash and credit basis.
- ii. The business uses control accounts and subsidiary records for Debtors, Creditors and Stock.
- iii. The perpetual method of stock recording and the FIFO cost assignment method are used.
- iv. Financial reports are prepared annually on 30 June.

The following schedules were prepared at 31 May 2011.

Debtors Schedule	\$
Bray College	5 000 Dr
Jets Little Aths	3 200 Dr
Kids City	2 400 Dr
Balance in Debtors Control	10 600 Dr

Creditors Schedule	\$
Shaw's Shoes	3 000 Cr
Casual Comfort	1 700 Cr
Kaos Footwear	2 300 Cr
Balance in Creditors Control	7 000 Cr

### Required

**1.1 Explain** the purpose of preparing a Debtors Schedule. **Identify** the qualitative characteristic that supports the preparation of the Debtors Schedule.

2 + 1 = 3 marks

**1.2** Provided below are journals for June 2011. They have been completed only up to **25 June 2011**.

#### Cash Receipts Journal (summary)

Date 2011	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries*
25 June	Totals to date		17 350	750	9 600	2 000	3 000	300	5 200

\* Sundries include a refund from the Australian Taxation Office for GST of \$1 000.

#### Sales Journal (summary)

Date 2011	Debtor	Invoice No.	Cost of Sales	Sales	GST	Total Debtors
25 June	Totals to date		8 000	12 000	1 200	13 200

**Cash Payments Journal (summary)**

Date 2011	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
25 June	Totals to date		15 200	600	6 200	4 000	1 800	600	3 200

**Purchases Journal (summary)**

Date 2011	Creditor	Invoice No.	Stock	GST	Total Creditors
25 June	Totals to date		5 000	500	5 500

The following transactions took place during the last week of June and have not yet been recorded.

- 26 June: A new rental agreement was entered into. Under this agreement rent for July, August and September at \$1200 (plus \$120 GST) per month was paid – Cheque No. 45.  
The previous rent agreement, which had been in place since 1 July 2010, stated that rent of \$1000 (plus \$100 GST) per month was paid on the first day of the month that it was incurred.
- 27 June: Jets Little Aths settled a sale made on 19 June for \$2 000 (plus \$200 GST), taking advantage of the credit terms offered by Fantastic Footwear – Receipt No. 623.
- 29 June: Stock was purchased from Kaos Footwear \$1 200 (plus \$120 GST) – Invoice No. A76.
- 30 June: Notification was received as to the bankruptcy of a debtor, Kids City. A cheque was received as final payment, being 25c of every dollar outstanding from 31 May – Receipt No. 624. The remainder is to be written off immediately – Memo No. 42. There were no other transactions with Kids City in June.

**Required**

- 1.2.1 Record** the above transactions in the appropriate journals. Narrations are **not** required.  
**Total** the Cash Receipts Journal.

6 + 1 = 7 marks

- 1.2.2 Complete** the Debtors Control account in the General Ledger for the month of June. **Balance** the account at 30 June and carry forward the balance to July.

3 + 1 = 4 marks

Fantastic Footwear sent the following Statement of Account to one of its debtors, Jets Little Aths.

<i>Fantastic Footwear</i> <b>STATEMENT OF ACCOUNT</b> <b>To: Jets Little Aths</b> <b>30 June 2011</b>				
		<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
1 June	Balance			3 200 Dr
11 June	Payment received – Rec. No. 601		3 200	Nil
19 June	Inv. No. 59	2 200		2 200 Dr
24 June	Inv. No. 64	990		3 190 Dr
27 June	Payment received/disc – Rec. No. 623		2 200	990 Dr
<b>30 June</b>	<b>Balance owing</b>			<b>\$990</b>

**1.2.3 Show** how Jets Little Aths' account in the Debtors Subsidiary Ledger would appear at 30 June after all June transactions have been posted. You are **not** required to balance the account.

3 marks

The GST Clearing account had a debit balance of \$1 250 at 31 May 2011.

### Required

**1.2.4 Show** the GST Clearing account as it would appear in the General Ledger at 30 June 2011. You are **not** required to balance the account.

4 marks

**1.2.5 Explain** why it would be necessary to make a balance day adjustment at 30 June as a result of the information provided on 26 June relating to rent.

2 marks

**1.2.6 Show** how the rent would be reported at 30 June after all adjusting entries had been recorded.

3 marks

1.3 The Stock Card below relates to one model of sports shoes, the Tiger Tearaway, during June.

**Stock Card: Tiger Tearaway**

Date 2011	Details	IN			OUT			BALANCE		
		Qty	Cost \$	Total \$	Qty	Cost \$	Total \$	Qty	Cost \$	Total \$
1 June	Balance							5	50	250
6 June	Inv. 32	15	55	825						

Information on the Tiger Tearaway shoes not yet recorded on the Stock Card.

- 13 June: Sold 8 pairs for \$80 (plus \$8 GST) each – Receipt No. 606
  - 21 June: Sold 4 pairs for \$90 (plus \$9 GST) each – Invoice No. 44
- and
- the following two source documents

<i><b>Fantastic Footwear</b></i>	
<i><b>Memo 43</b></i>	<b>Date:</b> 29 June 2011
<i>Details: One pair of Tiger Tearaway shoes taken from stock for personal use.</i>	
	<b>Signed:</b> <i>T Trimble</i>

<i><b>Fantastic Footwear</b></i>	
<i><b>Memo 44</b></i>	<b>Date:</b> 30 June 2011
<i>Details: The stocktake shows 9 pairs of Tiger Tearaway shoes remaining in stock.</i>	
	<b>Signed:</b> <i>T Trimble</i>

**Required**

1.3.1 **Complete** the Stock Card for Tiger Tearaway shoes for June.

4 marks

1.3.2 **Record** the General Journal entries required as a result of Memos 43 and 44. Narrations are **not** required.

2 + 2 = 4 marks

In past years Tess has been concerned about stock losses occurring.

1.3.3 **State** one reason, apart from theft, why a stock loss could occur.

1 mark

1.3.4 **Identify** the journal in which the transaction dated 21 June would have been recorded.

1 mark

1.3.5 **State** the effect (Overstated/Understated/No effect) on the Owner's Equity section of the Balance Sheet at 30 June 2011 if Memo No. 43 had not been recorded. **Justify** your answer.

1 + 1 = 2 marks

**Question 1** – continued

**1.4** On 16 April 2011 the business purchased and commenced using new Shoe Fitting Equipment. The equipment, which cost \$480 (plus \$48 GST), had an expected useful life of four years and no residual value. Depreciation is calculated using the straight line method.

**Required**

**1.4.1** Calculate the depreciation expense on the new Shoe Fitting Equipment for the year ending 30 June 2011.

2 marks

**1.4.2** Explain why non-current assets should be depreciated.

2 marks

**1.4.3** With reference to an appropriate qualitative characteristic, **explain** why the accountant may have been justified in treating the cost of the new Shoe Fitting Equipment as an expense, rather than as a non-current asset, when preparing the reports for the year ended 30 June 2011.

2 + 1 = 3 marks

Total 45 marks

**TURN OVER**

## Question 2

### Bubble Baths

Barry Billings commenced business on 1 January 2011 under the name of Bubble Baths. The business specialises in selling a range of bathtubs. It uses a double entry accounting system based on the accrual method of accounting. Other features of Bubble Baths' accounting system are as follows.

- i. The business uses control accounts and subsidiary records for Debtors, Creditors and Stock.
- ii. The perpetual method of stock recording and the FIFO cost assignment method are used.
- iii. There is a 12-month reporting period ending 30 June.

### Required

**2.1 Explain** what is meant by 'the accrual method of accounting'.

2 marks

**2.2** On 1 January 2011, Barry provided his accountant with the following list of assets and liabilities that Barry had contributed to commence the business – Memo No. 001.

	\$
Cash at Bank – Receipt No. 1	4 000
Loan (principal repayable \$3 000 per quarter)	48 000
Stock	18 000
Vehicle	46 000
Prepaid Rent Expense*	3 000 (plus \$300 GST)

\* Barry paid the Rent in December from his personal bank account. It represents three months rent in advance at \$1 000 per month (plus \$100 GST), commencing 1 January 2011.

Barry has also arranged a bank overdraft for the business of \$25 000.

### Required

**Prepare** the journal entries required on 1 January 2011 to establish the double entry accounting system. Narration is **not** required.

1 + 2 = 3 marks



2.3 Totals of cash journals for the six months ending 30 June 2011 are shown below.

**Cash Receipts Journal (summary)**

Date 2011	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries*
30 June	Totals to date		142 720	480	32 000	46 000	92 000	9 200	10 000

\* Sundries consists of capital of \$10 000

**Cash Payments Journal (summary)**

Date 2011	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries*
30 June	Totals to date		165 080	800	80 000	8 000	24 000	1 880	52 000

\* Sundries consists of the following items.

- Drawings \$32 800
- Prepaid Advertising \$1 800
- Loan repayment \$8 400 (\$6 000 principal, \$2 400 interest)
- Shop Fittings \$2 000
- Prepaid Rent Expense \$6 000 (April to September)
- Freight Inward \$1 000

**Required**

2.3.1 Prepare a classified Cash Flow Statement for the six months ending 30 June 2011.

7 marks

2.3.2 Explain the meaning of 'Net Cash from Financing Activities'.

2 marks

Barry believes that Net Cash from Operating Activities indicates whether the business has made a profit or loss.

2.3.3 Explain, giving one example, why Barry is incorrect.

2 + 1 = 3 marks

2.4 Barry's accountant provided the following pre-adjustment Trial Balance at 30 June 2011.

**Bubble Baths**  
**Pre-adjustment Trial Balance as at 30 June 2011**

Account	Debit	Credit
Capital		29 300
Cash at Bank		22 360
Cost of Sales	76 000	
Creditors Control		63 000
Debtors Control	34 000	
Discount Expense	480	
Discount Revenue		800
Drawings	32 800	
Freight Inward	1 000	
GST Clearing		20
Interest Expense	2 400	
Loan		42 000
Prepaid Advertising Expense	1 800	
Prepaid Rent Expense	9 000	
Sales		152 000
Shop Fittings	2 000	
Stock Control	80 000	
Vehicle	46 000	
Wages Expense	24 000	
	<b>309 480</b>	<b>309 480</b>

After receiving the Trial Balance, Barry completed some of the adjustments required at 30 June. He recorded these adjustments in the following General Journal entries.

**GENERAL JOURNAL**

Date 2011	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
30 June	Depreciation – Vehicle	7 200			
	Vehicle		7 200		
	<i>Memo 2 straight line method depreciation</i>				
	Stock Loss	2 500			
	Stock Control		2 500		
	<i>Memo 3 as per stocktake</i>				

The accountant reviewed the two general journal entries above, and other available information. He noted the following.

- The Prepaid Advertising Expense relates to six advertisements (one per month for six months) in 'Beautiful Bathrooms' magazine, commencing June 2011.
- An adjustment is required for Prepaid Rent Expense.
- Wages incurred for the six-month period are \$25 000.
- Barry has incorrectly recorded the depreciation adjustment. The vehicle has an expected life of five years and a residual value of \$10 000.
- The stocktake shows stock on hand of \$77 500 (as per Memo 3).

### Required

- 2.4.1 Prepare** General Journal entries to record any further adjustments and corrections at 30 June 2011. Narrations are **not** required.

2 + 2 + 2 + 3 = 9 marks

- 2.4.2** General Journal entries to close the revenue accounts (totalling \$152 800) have already been prepared. **Prepare** General Journal entries at 30 June 2011 to

- close the Expense accounts
- transfer Drawings.

Narrations are **not** required.

4 + 1 = 5 marks

- 2.4.3 Show** how the Profit and Loss Summary account would appear in the General Ledger after all closing and transfer entries were completed for the period.

3 marks

- 2.4.4 Prepare** a Profit and Loss Statement (extract) for the six months ending 30 June 2011 to Adjusted Gross Profit. A full Profit and Loss Statement is **not** required.

4 marks

- 2.4.5 Show** how the Prepaid Advertising account would appear in the General Ledger at 30 June 2011. You **are** required to balance the account.

2 marks

- 2.4.6 Explain** the relationship between the Going Concern principle and the need for balance day adjustments.

2 marks

- 2.4.7 State** why Drawings is transferred at the end of each reporting period.

1 mark

- 2.5** On the first pay day in July (4 July), wages totalling \$3 000 were paid – Cheque No. 678.

### Required

- Prepare** the Cash Payments Journal entry to record the payment on 4 July.

2 marks

Total 45 marks



**Victorian Certificate of Education  
2011**

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**STUDENT NUMBER**

Figures										Letter
Words										

**ACCOUNTING**  
**Written examination 1**

**Tuesday 14 June 2011**

**Reading time: 2.45 pm to 3.00 pm (15 minutes)**

**Writing time: 3.00 pm to 4.30 pm (1 hour 30 minutes)**

**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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**Question 1 – Fantastic Footwear****1.1**

<b>Explanation</b>
<b>Qualitative characteristic</b>

2 + 1 = 3 marks

**1.2.1****Cash Receipts Journal (summary)**

<b>Date 2011</b>	<b>Details</b>	<b>Rec. No.</b>	<b>Bank</b>	<b>Disc. Exp.</b>	<b>Debtors</b>	<b>Cost of Sales</b>	<b>Sales</b>	<b>GST</b>	<b>Sundries</b>
25 June	Totals to date		17 350	750	9 600	2 000	3 000	300	5 200

**Sales Journal (summary)**

<b>Date 2011</b>	<b>Debtor</b>	<b>Invoice No.</b>	<b>Cost of Sales</b>	<b>Sales</b>	<b>GST</b>	<b>Total Debtors</b>
25 June	Totals to date		8 000	12 000	1 200	13 200

**Cash Payments Journal (summary)**

<b>Date 2011</b>	<b>Details</b>	<b>Chq. No.</b>	<b>Bank</b>	<b>Disc. Rev.</b>	<b>Creditors</b>	<b>Stock</b>	<b>Wages</b>	<b>GST</b>	<b>Sundries</b>
25 June	Totals to date		15 200	600	6 200	4 000	1 800	600	3 200

**Purchases Journal (summary)**

Date 2011	Creditor	Invoice No.	Stock	GST	Total Creditors
25 June	Totals to date		5 000	500	5 500

**GENERAL JOURNAL**

Date 2011	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

6 + 1 = 7 marks

**1.2.2****DEBTORS CONTROL**

Date 2011	Cross Reference	\$	Date 2011	Cross Reference	\$
1 June	Balance	10 600			

3 + 1 = 4 marks

**1.2.3****DEBTOR – Jets Little Aths**

Date 2011	Cross Reference	\$	Date 2011	Cross Reference	\$

3 marks

## 1.2.4

**GST CLEARING**

<b>Date 2011</b>	<b>Cross Reference</b>	<b>\$</b>	<b>Date 2011</b>	<b>Cross Reference</b>	<b>\$</b>
1 June	Balance	1 250			

4 marks

## 1.2.5

<b>Explanation</b>

2 marks

## 1.2.6

<b>Report affected</b>	<b>Reported Item</b>	<b>Amount \$</b>
<b>Profit and Loss Statement</b>		
<b>Balance Sheet</b>		
<b>Cash Flow Statement</b>		

3 marks



## 1.3.1

**Stock Card: Tiger Tearaway**

Date 2011	Details	IN			OUT			BALANCE		
		Qty	Cost \$	Total \$	Qty	Cost \$	Total \$	Qty	Cost \$	Total \$
1 June	Balance							5	50	250
6 June	Inv. 32	15	55	825						

4 marks

## 1.3.2

**GENERAL JOURNAL**

Date 2011	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

2 + 2 = 4 marks

Question 1 – continued



**1.4.3**

<b>Explanation</b>
<b>Qualitative characteristic</b>

2 + 1 = 3 marks

Total 45 marks

**Question 2 – Bubble Baths**

2.1

Explanation

2 marks

2.2

**Cash Receipts Journal**

Date 2011	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries

**GENERAL JOURNAL**

Date 2011	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

1 + 2 = 3 marks



## 2.3.2

<b>Explanation</b>

2 marks

## 2.3.3

<b>Explanation</b>
<b>Example</b>

2 + 1 = 3 marks

## 2.4.1

**GENERAL JOURNAL**

Date 2011	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

2 + 2 + 2 + 3 = 9 marks







## 2.5

**Cash Payments Journal (summary)**

<b>Date 2011</b>	<b>Details</b>	<b>Chq. No.</b>	<b>Bank</b>	<b>Disc. Rev.</b>	<b>Creditors</b>	<b>Stock</b>	<b>Wages</b>	<b>GST</b>	<b>Sundries</b>

2 marks

Total 45 marks