



Victorian Certificate of Education 2012

ACCOUNTING

Written examination 1

Tuesday 12 June 2012

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> |
|----------------------------|---|------------------------|
| 9 | 9 | 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 8 pages.
- Answer book of 14 pages.

Instructions

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

Question 1

For the purposes of Question 1 you are not required to consider GST.

On 1 February 2012 Reece Ramon commenced Ramon's Plant Supplies by obtaining a business loan from BA Bank for \$20 000. The bank also provided a \$10 000 overdraft facility to the business. The business uses the General Journal and special journals.

The following assets and liabilities were also brought into the business by Reece Ramon on 1 February (Memo 1).

- Stock costing \$15 000, of which \$4 000 is still owing to the supplier (Box Nursery). This amount will be paid by the business in March. The estimated price the stock may be sold for is \$25 000.
- Computer system (original cost \$5 000, agreed value \$3 000).

- a. Prepare the General Journal entries required to commence a double entry recording system on 1 February 2012.

Narration is **not** required.

4 marks

- b. Explain, with reference to one accounting principle and two qualitative characteristics, the issues involved in determining the value at which the computer system was recorded.

3 marks

- c. With reference to the definition of a liability, explain how the bank overdraft would be treated.

2 marks

Question 2

Peter Dean owns the business Shade Designs that sells umbrellas used by cafés and restaurants. The business only uses one supplier, who offers 30-day terms. Sales are made on both a cash and credit basis and Shade Designs operates with a 50% mark-up on cost. The business prepares reports monthly.

The following journals summarise transactions for May 2012, up to and including 27 May.

Cash Receipts Journal (summary)

| Date 2012 | Details | Rec. No. | Bank | Disc. Exp. | Debtors Control | Cost of Sales | Sales | Sundries | GST |
|-----------|----------------|----------|--------|------------|-----------------|---------------|-------|----------|-----|
| 27 May | Totals to date | | 26 000 | 400 | 11 500 | | 9 000 | | 900 |

Sundries is a loan from Ezy Bank (amount to be calculated).

Cash Payments Journal (summary)

| Date 2012 | Details | Chq. No. | Bank | Disc. Rev. | Creditors Control | Stock Control | Sundries | GST |
|-----------|----------------|----------|--------|------------|-------------------|---------------|----------|-------|
| 27 May | Totals to date | | 33 500 | – | 15 000 | – | 17 000 | 1 500 |

Sundries include: Drawings \$2 000; Advertising \$4 000; Office Furniture \$11 000.

Sales Journal (summary)

| Date 2012 | Debtor | Invoice Number | Cost of Sales | Sales | GST | Debtors Control |
|-----------|----------------|----------------|---------------|--------|-------|-----------------|
| 27 May | Totals to date | | 8 000 | 12 000 | 1 200 | 13 200 |

Purchases Journal (summary)

| Date 2012 | Creditor | Invoice Number | Stock Control | GST | Creditors Control |
|----------------------|-----------------|---------------------------|--------------------------|------------|------------------------------|
| 27 May | Totals to date | | 6 000 | 600 | 6 600 |

The following additional transactions for May have not yet been recorded.

- 28 May: Sold two umbrellas to Kafe Kool for \$1 500 each plus GST (Invoice 232) with credit terms being 3/7, n30.
- 29 May: Paid rent for June, July and August at \$2 750 per month including GST (Cheque 47).
- 31 May: Kafe Kool settled their account from 28 May (Receipt 872).

a. Calculate the missing figures in the Cash Receipts Journal

- 'Cost of Sales' column
- 'Sundries' column

and

record those amounts calculated in the Cash Receipts Journal provided.

2 marks

b. Record the additional transactions in the journals provided.

You are **not** required to total the journals.

3 marks

c. Complete the Creditors Control and Stock Control accounts in the General Ledger for May 2012.

Balance the accounts.

2 + 2 = 4 marks

d. Part of the rent payment made on 29 May will be reported in the Balance Sheet on 30 June 2012.

Explain how it would be reported and justify your explanation.

2 + 2 = 4 marks

e. Discuss arguments for and against Shade Designs operating with control account systems for **both** creditors and debtors.

5 marks

TURN OVER

Question 3

The following incomplete Stock Card shows transactions for the Jazz 16 GB USB stock item for June 2012.

| Item: Jazz 16 GB USB | | Cost Assignment Method: FIFO | | | | | | | | |
|-----------------------------|----------------|-------------------------------------|-------------|--------------|------------|-------------|--------------|----------------|-------------|--------------|
| Supplier: DZ Systems | | IN | | | OUT | | | BALANCE | | |
| Date 2012 | Details | Qty | Cost | Total | Qty | Cost | Total | Qty | Cost | Total |
| 1 June | Balance | | | | | | | 132 | 11 | |
| | | | | | | | | 150 | 12 | 3 252 |
| 11 June | Invoice 895 | | | | | | | | | |
| 16 June | Invoice 896 | | | | | | | | | |
| 22 June | Memo 6 | | | | | | | | | |
| 26 June | Memo 9 | | | | | | | | | |
| 30 June | Memo 10 | | | | | | | | | |

Additional information**i. Invoice details**

Invoice 895: 100 units sold @ \$20 each plus GST

Invoice 896: 68 units sold @ \$22 each plus GST

ii. 22 June 2012
Memo 6 Stock taken by owner for family use.
Qty 4 Jazz 16 GB USB

iii. 26 June 2012
Memo 9 Stock given to local shopkeepers as a promotion.
Qty 45 Jazz 16 GB USB

iv. 30 June 2012
Memo 10 The stocktake at 30 June showed 60 units of Jazz 16 GB USB. Check Stock Card and adjust as necessary.

- a. Complete the Stock Card using the First In, First Out (FIFO) cost assignment method. 5 marks
- b. Prepare General Journal entries to record Memo 6 and Memo 9. Narrations are **not** required. 3 marks
- c. Calculate the Adjusted Gross Profit made on the Jazz 16 GB USB for June 2012. 3 marks
- d. The business uses the perpetual method of stock recording with the FIFO cost assignment method. Explain why it is necessary for businesses to use a cost assignment method. 2 marks
- e. Explain the effects on the Income Statement for the month ended 30 June 2012 if Memo 9 were **not** recorded. 3 marks

Question 4

A business commenced an agreement in February 2011 to pay advertising of \$1 320 (including GST) each month. The payment is made on the 20th day of each month for the following month.

On 1 September 2011 the agreement was renegotiated with a 20% increase in advertising effective from 1 October 2011, commencing with the payment on 20 September.

- a. Calculate the cash paid for advertising for the year ended 30 June 2012. 2 marks
- b. Calculate the Advertising Expense for the year ended 30 June 2012. 2 marks
- c. With reference to one accounting principle, explain why the Advertising Expense for the year is not the same as the amount paid for advertising. 3 marks

Question 5

At the conclusion of the reporting period a business is likely to prepare a Pre-adjustment Trial Balance.

Explain whether it would be appropriate to use the information contained in the Pre-adjustment Trial Balance to prepare each of the following reports.

- Income Statement
- Cash Flow Statement

2 + 2 = 4 marks

TURN OVER

Question 6

Timson Technologies
Trial Balance as at 30 June 2012

| Account | DR \$ | CR \$ |
|--|----------------|----------------|
| Accumulated Depreciation – Computer System | | 8 200 |
| Advertising Expense | 21 400 | |
| Bank | | 16 000 |
| Capital | | 194 720 |
| Cartage Outwards | 4 500 | |
| Computer System | 24 600 | |
| Cost of Sales | 251 180 | |
| Creditors Control | | 51 300 |
| Debtors Control | 28 000 | |
| Discount Revenue | | 1 400 |
| Drawings | 41 300 | |
| Freight Inwards | 3 090 | |
| GST Clearing | | 3 450 |
| Loan – MCB Finance | | 75 000 |
| Prepaid Rent Expense | 25 200 | |
| Sales | | 448 000 |
| Stock Control | 156 800 | |
| Vehicles | 80 500 | |
| Wages | 161 500 | |
| | | |
| TOTALS | 798 070 | 798 070 |

The business prepares reports on 30 June each year.

The following additional information is provided at 30 June 2012.

- Depreciation for the computer system is 20% per annum straight line. No new computer purchases were made during the year.
- A stocktake revealed the following details relating to ‘Sprint’ laptops.
 - Quantity on Stock Card 36 units
 - Quantity as per stocktake 40 units
 - Unit cost (FIFO) \$520 per unit plus \$52 GST
- A payment of \$900 plus GST for Cartage Outwards has been incorrectly debited to the Discount Revenue account for \$990.
- Rent expense for the period was \$22 600.
- The loan is repayable in monthly installments of \$2 300.

- a. Record the necessary balance day adjustments and correcting entries in the General Journal.

Narrations are **not** required.

2 + 2 + 3 + 2 = 9 marks

- b. Identify the effect on the following accounting reports if the adjustment for the depreciation of the computer system were not recorded.

- Cash Flow Statement
- Income Statement
- Balance Sheet

3 marks

- c. Prepare a classified Income Statement for the year ended 30 June 2012.

6 marks

- d. Prepare the Liabilities section of the Balance Sheet as at 30 June 2012.

2 marks

- e. Discount Revenue and Sales are both reported as revenues in the Income Statement.

Explain how each meets the definition of revenue.

3 marks

Question 7

The Owner's Equity section of a Balance Sheet as at 30 June 2012 appears as follows.

| | \$ | \$ |
|-----------------------|---------------|--------------|
| Owner's Equity | | |
| Capital | | 58 000 |
| Plus Net Profit | 22 000 | |
| Less Drawings | <u>16 000</u> | <u>6 000</u> |
| | | 64 000 |

Revenues for the period were \$38 500. Using the information above, show how the completed Profit and Loss Summary account would have appeared in the General Ledger after closing and transfer entries were completed at 30 June.

Note: there were no capital contributions made during the period.

3 marks

Question 8**Mel's Cake Supplies**

This business prepares reports monthly. Below are the cash journals for May 2012.

Cash Receipts Journal (summary)

| Date 2012 | Details | Rec. No. | Bank | Disc. Exp. | Debtors Control | Cost of Sales | Sales | Sundries | GST |
|--------------|---------|-------------|--------|---------------|--------------------|------------------|--------|----------|-------|
| 31 May | Totals | | 58 800 | 800 | 9 900 | 18 000 | 27 000 | 20 000 | 2 700 |

Sundries: Capital \$15 000; Loan \$5 000.

Cash Payments Journal (summary)

| Date 2012 | Details | Chq. No. | Bank | Disc. Rev. | Creditors Control | Stock Control | Sundries | GST |
|--------------|---------|-------------|--------|---------------|----------------------|------------------|----------|-------|
| 31 May | Totals | | 51 220 | 400 | 11 200 | 13 500 | 24 150 | 2 770 |

Sundries include: Wages \$8 600; Drawings \$3 050; Shop Fittings \$5 800; Advertising \$4 800; GST Clearing \$1 900.

- a. Using the data provided in the journals above, prepare the Cash Flows from Operating Activities for the month ended 31 May 2012.

5 marks

- b. Mel believes her business's cash position is strong because overall cash increased by \$7 580 in May. Explain whether Mel is correct in her interpretation.

2 marks

Question 9

The following information relates to Maxx Imports for June 2012. The business prepares reports monthly. Staff wages are \$1 400 per day for a seven-day week and have been paid for the 14 days up to and including 28 June 2012.

Note: June has 30 days.

On 12 July 2012 the next wages payment was made for \$19 600 covering 29 June to 12 July.

Show the effect of this payment on the accounting equation.

3 marks



**Victorian Certificate of Education
2012**

SUPERVISOR TO ATTACH PROCESSING LABEL HERE

STUDENT NUMBER

Figures

Words

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Letter

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ACCOUNTING
Written examination 1

Tuesday 12 June 2012

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.

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**a.****General Journal**

| Date 2012 | Details | General Ledger | | Subsidiary Ledger | |
|--------------|---------|----------------|--------|-------------------|--------|
| | | Debit | Credit | Debit | Credit |
| 1 Feb. | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
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| | | | | | |

4 marks

b.

| Explanation |
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3 marks

c.

| Explanation |
|-------------|
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2 marks

TURN OVER

Question 2

a. and b.

Calculations

| | |
|----------------------|-----------------|
| Cost of Sales | Sundries |
| | |

Record your answers in the Cash Receipts Journal below.

2 marks

Cash Receipts Journal (summary)

| Date 2012 | Details | Rec. No. | Bank | Disc. Exp. | Debtors Control | Cost of Sales | Sales | Sundries | GST |
|--------------|----------------|-------------|--------|---------------|--------------------|------------------|-------|----------|-----|
| 27 May | Totals to date | | 26 000 | 400 | 11 500 | | 9 000 | | 900 |
| | | | | | | | | | |
| | | | | | | | | | |

Sundries is a loan from Ezy Bank (amount to be calculated).**Cash Payments Journal (summary)**

| Date 2012 | Details | Chq. No. | Bank | Disc. Rev. | Creditors Control | Stock Control | Sundries | GST |
|--------------|----------------|-------------|--------|---------------|----------------------|------------------|----------|-------|
| 27 May | Totals to date | | 33 500 | – | 15 000 | – | 17 000 | 1 500 |
| | | | | | | | | |
| | | | | | | | | |

Sundries include: Drawings \$2 000; Advertising \$4 000; Office Furniture \$11 000.**Sales Journal (summary)**

| Date 2012 | Debtor | Invoice Number | Cost of Sales | Sales | GST | Debtors Control |
|--------------|----------------|-------------------|------------------|--------|-------|--------------------|
| 27 May | Totals to date | | 8 000 | 12 000 | 1 200 | 13 200 |
| | | | | | | |
| | | | | | | |

Purchases Journal (summary)

| Date 2012 | Creditor | Invoice Number | Stock Control | GST | Creditors Control |
|--------------|----------------|-------------------|---------------|-----|----------------------|
| 27 May | Totals to date | | 6 000 | 600 | 6 600 |
| | | | | | |
| | | | | | |

3 marks

Question 2 – continued

c.

Creditors Control

| Date 2012 | Cross-reference | Amount | Date 2012 | Cross-reference | Amount |
|----------------------|------------------------|---------------|----------------------|------------------------|---------------|
| | | | 1 May | Balance | 24 500 |
| | | | | | |
| | | | | | |
| | | | | | |

Stock Control

| Date 2012 | Cross-reference | Amount | Date 2012 | Cross-reference | Amount |
|----------------------|------------------------|---------------|----------------------|------------------------|---------------|
| 1 May | Balance | 16 000 | | | |
| | | | | | |
| | | | | | |
| | | | | | |

2 + 2 = 4 marks

d.

| |
|----------------------|
| Explanation |
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| |
| Justification |
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| |
| |

2 + 2 = 4 marks

Question 3

a.

| Item: Jazz 16 GB USB | | Cost Assignment Method: FIFO | | | | | | | | |
|-----------------------------|----------------|-------------------------------------|-------------|--------------|------------|-------------|--------------|----------------|-------------|--------------|
| Supplier: DZ Systems | | IN | | | OUT | | | BALANCE | | |
| Date 2012 | Details | Qty | Cost | Total | Qty | Cost | Total | Qty | Cost | Total |
| 1 June | Balance | | | | | | | 132 | 11 | |
| | | | | | | | | 150 | 12 | 3 252 |
| 11 June | Invoice 895 | | | | | | | | | |
| 16 June | Invoice 896 | | | | | | | | | |
| 22 June | Memo 6 | | | | | | | | | |
| 26 June | Memo 9 | | | | | | | | | |
| 30 June | Memo 10 | | | | | | | | | |

5 marks

b.

General Journal

| Date 2012 | Details | General Ledger | | Subsidiary Ledger | |
|------------------|----------------|-----------------------|---------------|--------------------------|---------------|
| | | Debit | Credit | Debit | Credit |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

3 marks

c.

| Calculation | |
|------------------------------|-----------|
| Adjusted Gross Profit | \$ |

3 marks

Question 3 – continued

d.

Timson Technologies
Balance Sheet (extract) as at 30 June 2012

| | \$ | \$ |
|--------------------------------|----|----|
| Current Liabilities | | |
| | | |
| | | |
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| | | |
| | | |
| | | |
| Non-current Liabilities | | |
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2 marks

e.

| Explanation |
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3 marks

b.

| Explanation |
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2 marks

Question 9

| | Name of Ledger Account | Increase/Decrease/No Effect | Amount \$ |
|-----------------------|-------------------------------|------------------------------------|----------------------|
| Assets | | | |
| Liabilities | | | |
| Owner's Equity | | | |

3 marks

END OF ANSWER BOOK