



Victorian Certificate of Education 2007

ACCOUNTING

Written examination 1

Tuesday 12 June 2007

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 10 pages.
- Answer book of 12 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

Barker Electrics

John Barker has been operating a small business, Barker Electrics, selling a range of electrical goods. He is about to commence using a double-entry accounting system including control accounts and subsidiary records. John will offer credit terms to customers from 1 January 2007.

1.1 On 1 January 2007 Barker Electrics' Assets and Liabilities were

| | |
|-------------------------------|--------|
| | \$ |
| Accrued Wages | 2 000 |
| Cash at Bank | 6 000 |
| Creditor – Luxaflo Limited | 9 000 |
| Creditor – Washlex | 10 000 |
| Equipment | 30 000 |
| Loan (repayable \$6 000 p.a.) | 42 000 |
| Stock | 85 000 |

Required

1.1.1 **Prepare** the General Journal entry required to establish the double-entry accounting system including control accounts for creditors and stock.
(A narration is **not** required.)

4 marks

John's accountant then prepared a Balance Sheet at 1 January 2007.

1.1.2 **Show** the Current Liability section of the Balance Sheet at 1 January 2007.

3 marks

1.1.3 **Explain** why Assets and Liabilities are classified in the Balance Sheet. In your explanation **identify** one qualitative characteristic that supports your explanation.

2 + 1 = 3 marks

- 1.2 During January 2007 John has recorded transactions into the journals. A summary of all entries to 30 January 2007 are shown below.

Cash Receipts Journal

| Date 2007 | Details | Rec. No. | Bank | Disc. Exp. | Debtors | Cost of Sales | Sales | GST | Sundries |
|--------------|----------------|-------------|--------|---------------|---------|------------------|--------|-------|----------|
| 30 Jan | Totals to date | | 43 500 | 100 | 6 200 | 20 400 | 34 000 | 3 400 | – |

Sales Journal

| Date 2007 | Debtor | Inv. No. | Cost of Sales | Sales | GST | Total Debtors |
|--------------|--------|-------------|------------------|--------|-------|------------------|
| 30 Jan | Total | | 18 600 | 31 000 | 3 100 | 34 100 |

Purchases Journal

| Date 2007 | Creditor | Inv. No. | Stock | GST | Total Creditors |
|--------------|----------------|-------------|--------|-------|--------------------|
| 30 Jan | Totals to date | | 43 000 | 4 300 | 47 300 |

Cash Payments Journal

| Date 2007 | Details | Chq. No. | Bank | Disc. Rev. | Creditors | Stock | Wages | GST | Sundries |
|--------------|----------------|-------------|--------|---------------|-----------|--------|-------|-------|----------|
| 30 Jan | Totals to date | | 63 000 | 500 | 34 500 | 17 000 | 5 000 | 2 000 | 5 000 |

- The following five transactions from 31 January have not yet been recorded.

Transaction 1

| | |
|--|------------------------|
| Barker Electrics | Memo 1 |
| Pascoe Road | |
| Glenvale | 31 January 2007 |
| Comment: J Barker contributed his own Motor Vehicle to the business. The Motor Vehicle has an agreed value of \$30 000. The business will also take over Barker's car loan, the balance of which is \$10 000. | |
| Action: Record details in General Journal. | |
| Signed: | |

Transaction 2

| | |
|--------------------------------------|--------------|
| Luxaflo Limited | |
| A.B.N. 95 254 963 147 | |
| Tax Invoice L36 | |
| Date 31/01/2007 | |
| Charge to: Barker Electrics | |
| Item: Luxaflo Washing Machine | |
| Quantity: 10 Units @ \$400 | 4 000 |
| GST (10%): | <u>400</u> |
| Balance owing: | <u>4 400</u> |
| Terms: 30 days | |

- Transaction 3** Memo 2 – J Barker withdrew 1 Washlex Dishwasher for own use. This item has a selling price of \$1 200 plus \$120 GST and a cost price of \$720 plus \$72 GST.
- Transaction 4** Receipt No. 17 – Cash sale of 1 Washlex Dishwasher \$1 200 plus \$120 GST (cost \$720 plus \$72 GST).
- Transaction 5** Cheque No. 111 – Paid Electricity \$450 plus \$45 GST.

Required

- 1.2.1 Record** the above transactions into the appropriate journal. **Total** all special journals.
(Narrations are **not** required in the General Journal.)

3 + 1 + 2 + 2 + 1 + 1 = 10 marks

- 1.2.2 Post** the relevant information into the Sales and Stock Control ledger accounts on 31 January 2007.
(You are **not** required to balance the accounts.)

2 + 5 = 7 marks

1.3 On 31 March 2007 the GST Clearing Account contained the following entries for the quarter.

GST Clearing Account

| Date 2007 | Particulars | \$ | Date 2007 | Particulars | \$ |
|--------------|-------------------|-------|--------------|-----------------|-------|
| 31 Mar | Bank | 5 500 | 31 Mar | Bank | 8 400 |
| | Creditors Control | 6 800 | | Debtors Control | 9 500 |
| | | | | | |

Required

1.3.1 **Explain** what the debit entry of \$5 500 represents.

2 marks

1.3.2 **Show** how GST will be reported for the quarter ended 31 March 2007.

4 marks

1.4 Totals of cash journals for the quarter ending 30 June 2007 are shown below.

Cash Receipts Journal

| Date 2007 | Details | Rec. No. | Bank | Disc. Exp. | Debtors | Cost of Sales | Sales | GST | Sundries |
|--------------|---------|-------------|---------|---------------|---------|------------------|--------|-------|----------|
| 30 June | Totals | | 181 800 | 1 400 | 74 200 | 54 000 | 90 000 | 9 000 | 10 000* |

* Sundries consist of Capital \$10 000

Cash Payments Journal

| Date 2007 | Details | Chq. No. | Bank | Disc. Rev. | Creditors | Stock | Wages | GST | Sundries |
|--------------|---------|-------------|---------|---------------|-----------|--------|--------|-------|----------|
| 30 June | Totals | | 201 700 | 2 200 | 90 200 | 52 000 | 17 000 | 7 700 | 37 000* |

* Sundries consist of the following items

- Drawings \$7 000
- Prepaid advertising \$6 000 (Payment of a 6-month advertising contract commencing 1 May 2007)
- Loan interest \$2 000
- Equipment \$10 000
- Loan repayments \$3 000
- Administration expenses \$9 000

Required

1.4.1 **Prepare** a classified Cash Flow Statement for the quarter ended 30 June 2007.

Note: Bank balance **1 April 2007** **30 June 2007**
 8 500 Dr. 11 400 Cr.

8 marks

1.4.2 The business reported a profit for the quarter but the bank balance has decreased. **Explain**, giving two examples from the information in 1.4.1, how this business can report a profit but have a decrease in cash during the same period.

2 + 2 = 4 marks

Total 45 marks

END OF QUESTION 1

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Question 2

Bountiful Beds

Betty Smith operates a small business, Bountiful Beds, that sells a range of bedroom furnishings. Betty uses a double-entry accrual accounting system with the following characteristics.

- Perpetual inventory stock recording system and the FIFO (First In First Out) cost assignment method
- Control accounts for Debtors, Creditors and Stock

2.1 At 1 June 2007 Bountiful Beds had the following Debtors Schedule.

| | \$ |
|--|---------------|
| MIBS – Melbourne International Boarding School | 11 190 |
| BMC – Budgetway Motel Chain | 6 000 |
| TPH – The Plaza Hotel | <u>3 000</u> |
| Debtors Control balance | <u>20 190</u> |

Transactions relating to debtors for the month ended 30 June 2007 are as follows.

| Invoice No. | Date | Amount | Debtor |
|-------------|---------|------------------------|--------|
| 29 | 4 June | \$2 000 plus \$200 GST | BMC |
| 30 | 7 June | \$1 500 plus \$150 GST | MIBS |
| 31 | 21 June | \$3 600 plus \$360 GST | TPH |

| Receipt No. | Date | Amount | Debtor |
|-------------|---------|-----------------------------|--------|
| 12 | 3 June | \$4 000 | MIBS |
| 41 | 12 June | \$4 000 | BMC |
| 43 | 28 June | \$2 900 plus \$100 Discount | TPH |

| Memo No. | Date | Amount | Debtor |
|--------------|---------|--------------------|--------|
| 4 – Bad Debt | 30 June | Balance of account | BMC |

Required

2.1.1 Show how

- the Debtors Control account in the General Ledger, and
- BMC's account in the Debtors Subsidiary Ledger

would appear after the above information has been recorded and posted at 30 June 2007.

(You are **not** required to balance the accounts.)

5 + 3 = 8 marks

2.1.2 Explain the purpose of using both control accounts and subsidiary ledgers for Debtors in the recording process.

2 marks

2.2 At the end of the next year, 30 June 2008, the following pre-adjustment Trial Balance was prepared.

| Bountiful Beds | | |
|--|----------------|----------------|
| Pre-adjustment Trial Balance 30 June 2008 | | |
| Account | Debit | Credit |
| Bank | 28 400 | |
| Debtors Control | 10 600 | |
| Prepaid Office Supplies | 6 000 | |
| Stock Control | 106 000 | |
| Creditors Control | | 16 000 |
| GST Clearing | 3 000 | |
| Capital | | 160 000 |
| Showroom Fittings | 60 000 | |
| Accumulated Depreciation – Showroom Fittings | | 10 000 |
| Drawings | 38 000 | |
| Sales | | 453 900 |
| Wages | 93 900 | |
| Cost of Sales | 250 000 | |
| Prepaid Rent | 44 000 | |
| | <u>639 900</u> | <u>639 900</u> |

The following adjustments were required at 30 June 2008.

1. Office Supplies on hand at 30 June: \$1 500
2. Wages owing at 30 June: \$1 100
3. The Showroom Fittings were purchased and installed on 1 July 2005. They are depreciated using the Straight Line method.
4. A payment of \$12 000 plus \$1 200 GST for June, July and August's rent was incorrectly debited to the GST Clearing account.
5. Rent Expense is \$4 000 per month.

Required

2.2.1 Excluding posting to incorrect accounts, **state** two reasons why errors can still be present despite a Trial Balance balancing.

2 marks

2.2.2 Prepare General Journal entries to record these adjustments at 30 June 2008.
(Narrations are **not** required.)

2 + 1 + 2 + 1 + 2 = 8 marks

2.2.3 Prepare the General Journal entries to

- close the expense accounts, and
 - transfer the Drawings account
- at 30 June 2008.

(Narrations are **not** required.)

3 + 2 = 5 marks

2.2.4 Show how the Wages account would appear in the General Ledger after adjusting and closing entries were completed.

2 marks

2.2.5 Excluding the calculation of profit, **explain** why revenue and expense accounts are closed each period. **Identify** one accounting principle to support your answer.

2 + 1 = 3 marks

2.2.6 Explain how the Going Concern principle has affected the reporting of Showroom Fittings at 30 June 2008.

2 marks

2.3 On the first pay day in July, wages totalling \$8 900 were paid (9 July – Cheque 7324). This amount included the \$1 100 wages owing at 30 June 2008.

Required

Prepare the Cash Payments Journal entry to record the payment of wages on 9 July.

2 marks

2.4 On 1 July 2008 the following Stock Card was provided.

Stock Card: Double Beds

| Date 2008 | Details | IN | | | OUT | | | BALANCE | | |
|--------------|---------|-----|--------------------|---------------------|-----|--------------------|---------------------|---------|--------------------|---------------------|
| | | Qty | Unit Cost \$ | Total Cost \$ | Qty | Unit Cost \$ | Total Cost \$ | Qty | Unit Cost \$ | Total Cost \$ |
| 1 July | Balance | | | | | | | 5 | 400 | 2000 |
| | | | | | | | | | | |

During July the following transactions relating to double beds occurred.

- 2 July – Cash sale of 3 double beds for \$700 plus \$70 GST each (Receipt 154)
- 14 July – Credit purchase of 12 double beds from Sleepwell Ltd at a cost of \$420 plus \$42 GST each (Invoice SL77)
- 19 July – 1 double bed removed from stock for advertising use at a permanent off-site trade display (Memo 4)
- 23 July – Credit sale of 4 double beds to Budgetway Motel Chain for \$700 plus \$70 GST each (Invoice 38)
- 26 July – Owner withdrew 1 double bed for own use (Memo 5)
- 31 July – A physical stocktake showed 9 double beds on hand (Memo 6)

Required

2.4.1 **Record** the transactions into the Stock Card.

6 marks

2.4.2 **Show** the effect the transactions on

- 19 July
- 26 July
- 31 July

would have on the Owner's Equity section of the Balance Sheet.

3 marks

2.4.3 Excluding the identification of Stock Loss/Gain, **explain** one other benefit of using Stock Cards in the recording process.

2 marks

Total 45 marks

END OF QUESTION BOOK



Victorian Certificate of Education 2007

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 2007

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 – Barker Electrics

1.1.1 General Journal

| Date 2007 | Particulars | General Ledger | | Subsidiary Ledger | |
|--------------|-------------|----------------|--------------|-------------------|--------------|
| | | Debit \$ | Credit \$ | Debit \$ | Credit \$ |
| | | | | | |
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4 marks

1.1.2

Barker Electrics
Balance Sheet as at 1 January 2007 (extract)

| Current Liabilities | \$ |
|---------------------|----|
| | |
| | |
| | |
| | |

3 marks

1.1.3

| |
|-----------------------------------|
| Explanation |
| |
| |
| |
| |
| Qualitative characteristic |

2 + 1 = 3 marks

1.2.1 General Journal

| Date 2007 | Particulars | General Ledger | | Subsidiary Ledger | |
|--------------|-------------|----------------|--------------|-------------------|--------------|
| | | Debit \$ | Credit \$ | Debit \$ | Credit \$ |
| | | | | | |
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CASH RECEIPTS JOURNAL

| Date 2007 | Details | Rec. No. | Bank | Disc. Exp. | Debtors | Cost of Sales | Sales | GST | Sundries |
|--------------|----------------|-------------|--------|---------------|---------|------------------|--------|-------|----------|
| 30 Jan | Totals to date | | 43 500 | 100 | 6 200 | 20 400 | 34 000 | 3 400 | – |
| | | | | | | | | | |
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SALES JOURNAL

| Date 2007 | Debtor | Inv. No. | Cost of Sales | Sales | GST | Total Debtors |
|--------------|--------|-------------|------------------|--------|-------|------------------|
| 30 Jan | Total | | 18 600 | 31 000 | 3 100 | 34 100 |

PURCHASES JOURNAL

| Date 2007 | Creditor | Inv. No. | Stock | GST | Total Creditors |
|----------------------|-----------------|---------------------|--------------|------------|----------------------------|
| 30 Jan | Totals to date | | 43 000 | 4 300 | 47 300 |
| | | | | | |
| | | | | | |

CASH PAYMENTS JOURNAL

| Date 2007 | Details | Chq. No. | Bank | Disc. Rev. | Creditors | Stock | Wages | GST | Sundries |
|----------------------|----------------|---------------------|-------------|-----------------------|------------------|--------------|--------------|------------|-----------------|
| 30 Jan | Totals to date | | 63 000 | 500 | 34 500 | 17 000 | 5 000 | 2 000 | 5 000 |
| | | | | | | | | | |
| | | | | | | | | | |

3 + 1 + 2 + 2 + 1 + 1 = 10 marks

1.2.2**SALES**

| Date 2007 | Cross Reference | \$ | Date 2007 | Cross Reference | \$ |
|----------------------|------------------------|-----------|----------------------|------------------------|-----------|
| | | | | | |
| | | | | | |
| | | | | | |

STOCK CONTROL

| Date 2007 | Cross Reference | \$ | Date 2007 | Cross Reference | \$ |
|----------------------|------------------------|-----------|----------------------|------------------------|-----------|
| 1 Jan | Balance | 85 000 | | | |
| | | | | | |
| | | | | | |
| | | | | | |

2 + 5 = 7 marks

1.3.1

| Explanation |
|--------------------|
| |
| |
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| |

2 marks

1.3.2

| Report | GST Item(s) included in report (if any) | Classification |
|-------------------------|--|-----------------------|
| Cash Flow Statement | | |
| | | |
| Profit & Loss Statement | | |
| Balance Sheet | | |

4 marks

1.4.1

BARKER ELECTRICS
CASH FLOW STATEMENT FOR QUARTER ENDED 30 JUNE 2007

| | \$ | \$ |
|--|----|------------|
| Cash Flow from Operating Activities | | |
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| NET CASH FROM OPERATING ACTIVITIES | | |
| Cash Flow from Investing Activities | | |
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| NET CASH FROM INVESTING ACTIVITIES | | |
| Cash Flow from Financing Activities | | |
| | | |
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| NET CASH FROM FINANCING ACTIVITIES | | |
| NET INCREASE/(DECREASE) IN CASH | | |
| Cash at Bank (1/04/2007) | | 8 500 Dr. |
| Cash at Bank (30/06/2007) | | 11 400 Cr. |

8 marks

1.4.2

| |
|--------------------|
| Explanation |
| |
| |
| |
| |
| Example 1 |
| Example 2 |

2 + 2 = 4 marks

Total 45 marks

2.1.1

DEBTORS CONTROL (General Ledger)

| Date 2007 | Cross Reference | \$ | Date 2007 | Cross Reference | \$ |
|----------------------|------------------------|-----------|----------------------|------------------------|-----------|
| 1 June | Balance | 20 190 | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Debtor – BMC (Subsidiary Ledger)

| Date 2007 | Cross Reference | \$ | Date 2007 | Cross Reference | \$ |
|----------------------|------------------------|-----------|----------------------|------------------------|-----------|
| 1 June | Balance | 6 000 | | | |
| | | | | | |
| | | | | | |
| | | | | | |

5 + 3 = 8 marks

2.1.2

| |
|--------------------|
| Explanation |
| |
| |
| |
| |

2 marks

2.2.1

| |
|-----------------|
| Reason 1 |
| |
| Reason 2 |
| |

2 marks

2.2.2

GENERAL JOURNAL

| Date 2008 | Particulars | General Ledger | | Subsidiary Ledger | |
|--------------|-------------|----------------|--------------|-------------------|--------------|
| | | Debit \$ | Credit \$ | Debit \$ | Credit \$ |
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2 + 1 + 2 + 1 + 2 = 8 marks

2.2.3

GENERAL JOURNAL

| Date 2008 | Particulars | General Ledger | | Subsidiary Ledger | |
|--------------|-------------|----------------|--------------|-------------------|--------------|
| | | Debit \$ | Credit \$ | Debit \$ | Credit \$ |
| | | | | | |
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3 + 2 = 5 marks

2.2.4

WAGES

| Date 2008 | Cross Reference | \$ | Date 2008 | Cross Reference | \$ |
|--------------|-----------------|--------|--------------|-----------------|----|
| 30 June | Bank | 93 900 | | | |
| | | | | | |
| | | | | | |
| | | | | | |

2 marks

2.2.5

| |
|-----------------------------|
| Explanation |
| |
| |
| |
| |
| Accounting principle |

2 + 1 = 3 marks

2.2.6

| Explanation |
|-------------|
| |
| |
| |
| |

2 marks

2.3

CASH PAYMENTS JOURNAL

| Date 2008 | Details | Chq. No. | Bank | Disc. Rev. | Creditors | Stock | Wages | GST | Sundries |
|--------------|---------|-------------|------|---------------|-----------|-------|-------|-----|----------|
| 9 July | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

2 marks

2.4.1

Stock Card: Double Beds

| Date July 2008 | Details | IN | | | OUT | | | BALANCE | | |
|----------------------|---------|-----|--------------------|---------------------|-----|--------------------|---------------------|---------|-----------------|------------------|
| | | Qty | Unit Cost \$ | Total Cost \$ | Qty | Unit Cost \$ | Total Cost \$ | Qty | Unit Cost \$ | Total Cost \$ |
| 1 | Balance | | | | | | | 5 | 400 | 2000 |
| | | | | | | | | | | |
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6 marks

2.4.2

| Date | Item affected in Owner's Equity section of Balance Sheet | Effect on Owner's Equity (Increase/Decrease) |
|-------------|---|---|
| 19 July | | |
| 26 July | | |
| 31 July | | |

3 marks

2.4.3

| Explanation |
|--------------------|
| |
| |
| |
| |

2 marks

Total 45 marks

END OF ANSWER BOOK