



Victorian Certificate of Education 2002

ACCOUNTING

Written examination 1

Tuesday 11 June 2002

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>
3	3	60

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners, rulers, an approved graphics calculator (memory cleared) and/or 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 9 pages.
- Answer book of 11 pages.

Instructions

- Write your **student number** in the space provided on the front page of the answer book.
- Answer all questions (in any order) 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 electronic communication devices into the examination room.

Question 1**Malson Traders**

Malson Traders imports window blinds from Indonesia and sells them to retail stores throughout Melbourne. The business uses the accrual method of recognising transactions and records stock through a perpetual recording system. Control accounts are maintained for Debtors, Creditors and Stock.

A list of assets and liabilities at 1 June 2002 is as follows:

	\$
Cash at Bank	28 400
Debtors Control	18 750
Stock Control	4 000
Prepaid Expenses	500
Delivery Truck (at cost)	23 000
Accumulated Depreciation on Delivery Truck	12 500
Creditors Control	14 250
Accrued Expenses	1 400

Required

1.1 Calculate the amount of owner's equity at 1 June 2002.

1 mark

1.2 During the month ending 30 June, the following two documents were to be recorded by Malson Traders.

Document 1

Invoice No: 68	
<i>BAWA LIMITED</i>	
Date:	<i>27 June 2002</i>
Charge to:	<i>Malson Traders</i>
For:	<i>Bamboo Blinds</i>
	<i>Model 11332 EX</i>
Quantity:	<i>60 Blinds</i>
Unit Price:	<i>\$60</i>
Amount:	<i>\$3 600</i>

Document 2

Invoice No: 233	
MALSON TRADERS	
Date:	<i>28 June 2002</i>
Debit to:	<i>The Blind Specialists</i>
For:	<i>Bamboo Blinds</i>
	<i>Model 11332 EX</i>
Quantity:	<i>100 Blinds</i>
Unit price:	<i>\$100</i>
Amount:	<i>\$10 000</i>

The movement of bamboo blinds is recorded through stock cards using the identified cost method. Each blind is sold for \$100.

Required

1.2.1 Record the purchase of stock on 27 June (Invoice 68) in the Stock Card.

1.2.2 Record the sale of stock on 28 June (Invoice 233) in the Stock Card.

(Note: 40 units were from the balance at 1 June and 60 units from the purchase on 27 June.)

1 + 1 = 2 marks

1.3 On 30 June a physical stocktake was conducted at the premises of Malson Traders. It revealed that there were 30 bamboo blinds on hand.

Required

1.3.1 Record the stock gain or loss of bamboo blinds at 30 June in the Stock Card.

1.3.2 Apart from theft, **state** one other possible reason for a stock loss.

1 + 1 = 2 marks

1.4 Calculate the Cost of Goods Sold for June.

1 mark

1.5 Enter the following transactions in the General Journal of Malson Traders.

(Narrations are **not** required.)

- Purchase of blinds on 27 June (Invoice 68)
- Sale of blinds on 28 June (Invoice 233)

1 + 2 = 3 marks

1.6 On 1 July, the owner of Malson Traders took two bamboo blinds home to install in his bedroom. The accountant at Malson Traders required that this transaction be recorded in the accounts.

Required

1.6.1 State the effect on the elements of the accounting equation if this transaction was **not** recorded.

1.6.2 State the accounting principle which requires the accountant to recognise this transaction in the accounts of Malson Trading. **Justify** your answer.

3 + 2 = 5 marks

1.7 During July the following transactions occurred:

- On 5 July Malson Traders purchased \$1 000 worth of blinds from Bawa Ltd. (Invoice No. 109)
- On 8 July The Blind Specialists paid Malson Traders \$10 000 to settle their account. (Receipt No. 26)
- On 14 July the owner contributed \$5 000 to Malson Traders. (Receipt No. 27)

Required

1.7.1 **Complete** the Purchases Journal and Cash Receipts Journal.

1.7.2 Total and **post** the Purchases Journal and Cash Receipts Journal to the General Ledger accounts provided in the answer booklet.
(Posting references **are** required.)
(You are **not** required to balance the Ledger Accounts.)

3 + 3 = 6 marks

Total 20 marks

Question 2**Bendigo Desks**

Andrew Smith owns and operates a business selling computer desks. The business uses a perpetual stock recording system and adopts the accrual system of accounting.

The accountant for Bendigo Desks has prepared the following Trial Balance.

BENDIGO DESKS**Trial Balance at 30 June 2002**

Chart of Account Numbers	Account Name	Trial Balance	
		Debit \$	Credit \$
10	Bank	26 650	
15	Debtors Control	8 000	
20	Stock Control	27 800	
25	Prepaid Rent	1 000	
50	Equipment	80 000	
55	Accumulated Depreciation – Equipment		16 200
60	Delivery Van	xxxxx	
65	Accumulated Depreciation – Delivery Van		4 500
100	Creditors Control		14 600
105	Accrued Expenses		400
110	Revenue Received in Advance		2 000
150	Loan		40 000
200	Capital – Andrew Smith		90 950
205	Drawings – Andrew Smith	12 400	
300	Sales Revenue		103 600
400	Cost of Goods Sold	34 000	
405	Administration Expense	3 200	
410	Advertising Expense	1 700	
415	Freight in (on stock purchases)	2 333	
420	Depreciation of Delivery Van	4 500	
425	Depreciation of Equipment	4 000	
430	Interest on Loan	xxxxx	
435	Rent Expense	xxxxx	
440	Wages Expense	19 000	
	Totals	272 250	272 250

- Note:**
- i. Figures marked xxxxx are to be calculated in the questions that follow.
 - ii. All balance day adjustments have been recorded except for those listed below.
 - iii. The loan is to be repaid in five equal annual instalments of \$8 000 (plus interest) commencing 1 December 2002.

Adjustments

- An error in recording was discovered on 30 June. An invoice for Advertising Expense for \$100 had been incorrectly posted to Administration Expense.
- Interest on the loan is calculated at 8% per annum. The loan was taken out on 1 December 2001.

Required

- 2.1 Prepare** the General Journal Entries to record these adjustments.
(Narrations are **not** required.)

1 + 2 = 3 marks

- 2.2** Rent is paid on the last day of each month, for the following month. At 30 June 2001 the Prepaid Rent account had a debit balance of \$800. On 1 December it was agreed that the Rent Expense would rise from \$800 per month to \$1 000 per month, commencing 1 January 2002.

Required

- 2.2.1 Calculate** the Rent Expense for the year ended 30 June 2002.
- 2.2.2 Calculate** the cash paid for rent during the year ended 30 June 2002.
- 2.2.3 State** how Prepaid Rent would be classified in the Balance Sheet at 30 June. **Justify** your answer.

1 + 1 + 2 = 4 marks

The Delivery Van was purchased on 1 October 2001. It has an estimated five-year life and an expected residual value of \$5 000. At 30 June 2002 the Accumulated Depreciation on the Delivery Van account had a credit balance of \$4 500. The business uses the straight line method of depreciation.

Required

- 2.3 Calculate** the purchase price of the Delivery Van on 1 October 2001.
(Show all workings.)

2 marks

- 2.4 Prepare** a Profit and Loss Statement for the year ending 30 June 2002 showing Gross Profit and Net Profit.
(No further classification of expenses is required beyond Gross Profit.)

4 marks

- 2.5 Prepare** the Current Liabilities section of the Balance Sheet at 30 June 2002.

2 marks

Many other businesses use functional classification when preparing Profit and Loss Statements.

Required

- 2.6 Explain** one benefit of using functional classification when preparing Profit and Loss Statements.

2 marks

- 2.7 The owner has asked the accountant about Bendigo Desks' profitability. The accountant produces the following information.

	Bendigo Desks	Industry Average
	2002	2002
Return on Total Assets (Net Profit/Average Total Assets)	23.7%	18.0%

Required

2.7.1 **Explain** why the Return on Total Assets is used as an indicator of profitability.

2.7.2 **State** and **explain** one other indicator of profitability the accountant may use.

2 + 2 = 4 marks

- 2.8 On 1 July 2002, a customer ordered a desk (selling price \$500, cost price \$350) paying a cash deposit of \$200. The accounts for Bendigo Desks were closed and reports prepared on 31 July 2002. The desk was delivered on 4 August. An invoice was sent the same day.

Required

2.8.1 **Show** how the relevant ledger accounts would appear after the receipt of cash was recorded on 1 July.

2.8.2 **Complete** the General Journal Entry required on 4 August.
(Narration is **not** required.)

1 + 3 = 4 marks

Total 25 marks

Question 3**Cash Controllers**

Cash Controllers buy and sell second-hand furniture. The business operates on cash terms and has no facilities for credit transactions. A Bank Statement is received at the end of each month and a Bank Reconciliation Statement is prepared monthly.

A summary of the cash transactions for June 2002 is given below:

Cash Receipts

2002	Particulars	Receipt No.	Amount
			\$
8 June	Cash Sale	415	400
14 June	Cash Sale	416	650
16 June	Interest	417	200
22 June	Cash Sale	418	500
28 June	Cash Sale	419	<u>800</u>
			<u>2 550</u>

Cash Payments

2002	Particulars	Cheque No.	Amount
			\$
8 June	Wages	7622	200
12 June	Stock	7623	1 500
24 June	Insurance	7624	900
	Cancelled	7625	–
27 June	Stock	7626	<u>4 000</u>
			<u>6 600</u>

The Bank Statement for Cash Controllers for June is given below.
(Note: Assume that the Bank Statement figures are correct.)

EASTPAC BANK**BANK STATEMENT: CASH CONTROLLERS – 30 JUNE 2002**

Date	Details	Debit	Credit	Balance
		\$	\$	\$
June 1	B/F			12 600 Cr
8	c/c		400	13 000 Cr
12	chq 7622	200		12 800 Cr
14	c/c		650	13 450 Cr
16	chq 7623	1 500		11 950 Cr
16	c/c		200	12 150 Cr
22	c/c		600	12 750 Cr
25	chq 7619	800		11 950 Cr
30	chq 7626	4 000		7 950 Cr
30	Interest		40	7 990 Cr
30	Bank charges	15		7 975 Cr

Note: c/c = deposit by cash or cheque

3.1 The balance of the Cash at Bank Ledger Account of the business at 1 June was \$11 400 Dr. The Bank Reconciliation Statement prepared on 31 May showed two unpresented cheques. Their details are as follows:

- Cheque No. 7619 \$800
- Cheque No. 7621 \$400

There were no unrecorded deposits at 31 May.

Required

3.1.1 Calculate the balance of the Cash at Bank Ledger Account at 30 June from the business's records.

3.1.2 Prepare the Bank Reconciliation Statement as at 30 June.

3.1.3 State one purpose of preparing a Bank Reconciliation Statement.

2 + 3 + 1 = 6 marks

3.2 Consider the following cash transactions.

- Interest on Overdraft
- Additional Capital
- Repayment of Loan by Cash Controllers

Required

3.2.1 Show how each transaction would be classified in the Cashflow Statement and whether each transaction is an inflow or outflow item.

3.2.2 Cashflow Statements include the classification: 'Investing items'. **Explain** what is meant by Investing items.

3 + 2 = 5 marks

In the previous three years, Cash Controllers has recorded a significant **decrease** in net cash inflow. However, in the same period there has been a significant **increase** in Net Profit.

Required

3.3 State two transactions that could help to explain these results.

2 marks

3.4 State two benefits of preparing a Cashflow Statement.

2 marks

Total 15 marks



**Victorian Certificate of Education
2002**

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STUDENT NUMBER

Figures

Words

Letter

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ACCOUNTING

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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 – Malson Traders**1.1**

Calculation	
Owner's Equity	\$

1 mark

Stock card for 1.2.1, 1.2.2 and 1.3.1**Bamboo Blinds – model 11332 EX**

Date 2002	Details	IN			OUT			BALANCE		
		Quantity	Unit Cost \$	Total Cost \$	Quantity	Unit Cost \$	Total Cost \$	Quantity	Unit Cost \$	Total Cost \$
June 1	Balance							80	50	4 000
27										
28										
30										

1 + 1 + 1 = 3 marks

1.3.2

Reason	

1 mark

1.4

Calculation	
Cost of Goods Sold	

1 mark

1.5

GENERAL JOURNAL

Date 2002	Accounts	Post. Ref.	Debit \$	Credit \$

1 + 2 = 3 marks

1.6.1

	Effect (Overstated/Understated/No Change)
Assets	
Liabilities	
Owner's Equity	

3 marks

1.6.2

Accounting Principle
Justification

2 marks

1.7.1

PURCHASES JOURNAL**PJ 1**

Date 2002	Particulars	Post. Ref.	Invoice No.	Amount \$

CASH RECEIPTS JOURNAL (extract)**CRJ 1**

Date 2002	Particulars	Post. Ref.	Rec. No.	Bank	Cash Sales \$	Debtors \$	Sundries \$	Cost of Goods Sold \$

3 marks

1.7.2

STOCK CONTROL**CA 1**

Date 2002	Particulars	Post. Ref.	Amount \$	Date 2002	Particulars	Post. Ref.	Amount \$
July				July			

CREDITOR CONTROL**CL 1**

Date 2002	Particulars	Post. Ref.	Amount \$	Date 2002	Particulars	Post. Ref.	Amount \$
July				July			

BANK**CA 2**

Date 2002	Particulars	Post. Ref.	Amount \$	Date 2002	Particulars	Post. Ref.	Amount \$
July				July			

Question 1 – continued
TURN OVER

DEBTORS CONTROL**CA 3**

Date 2002	Particulars	Post. Ref.	Amount \$	Date 2002	Particulars	Post. Ref.	Amount \$
July				July			

CAPITAL**P 1**

Date 2002	Particulars	Post. Ref.	Amount \$	Date 2002	Particulars	Post. Ref.	Amount \$
July				July			

3 marks
Total 20 marks

Question 2 – Bendigo Desks

2.1

GENERAL JOURNAL

Date 2002	Accounts	Post. Ref.	Debit \$	Credit \$
Jun 30				

1 + 2 = 3 marks

2.2.1

Calculation

Rent Expense	\$

1 mark

2.2.2

Calculation

Rent Payment	\$

1 mark

2.2.3

Classification**Justification**

2 marks

2.3

Calculation

Purchase Price	\$

2 marks

Question 2 – continued
TURN OVER

2.4

BENDIGO DESKS

PROFIT AND LOSS STATEMENT FOR YEAR ENDING 30 JUNE 2002

Gross Profit		
Net Profit		

4 marks

2.5

BENDIGO DESKS

BALANCE SHEET(extract only) AS AT 30 JUNE 2002

Current Liabilities		

2 marks

2.6

Explanation

2 marks

2.7.1

Explanation

2 marks

2.7.2

Indicator
Explanation

2 marks

2.8.1

GENERAL LEDGER (extract only) of BENDIGO DESKS**BANK**

Date 2002	Particulars	Post. Ref.	Amount \$	Date 2002	Particulars	Post. Ref.	Amount \$
1 July	Balance		26 650				

REVENUE RECEIVED IN ADVANCE

Date 2002	Particulars	Post. Ref.	Amount \$	Date 2002	Particulars	Post. Ref.	Amount \$
				1 July	Balance		2 000

1 mark

2.8.2

GENERAL JOURNAL

Date 2002	Accounts	Post. Ref.	Debit \$	Credit \$

3 marks

Total 25 marks

TURN OVER

Question 3 – Cash Controllers

3.1.1

Calculation	
Cash at Bank	\$

2 marks

3.1.2

**CASH CONTROLLERS
BANK RECONCILIATION STATEMENT AS AT 30 JUNE 2002**

3 marks

3.1.3

Purpose	

1 mark

3.2.1

	Operating/Investing/Financing	Inflow/Outflow
Interest on Overdraft		
Additional Capital		
Repayment of Loan by Cash Controllers		

3 marks

3.2.2

Explanation

2 marks

3.3

Transaction 1
Transaction 2

2 marks

3.4

Benefit 1
Benefit 2

2 marks

Total 15 marks