



## Victorian Certificate of Education 2012

# ACCOUNTING

## Written examination 2

**Monday 12 November 2012**

**Reading time: 9.00 am to 9.15 am (15 minutes)**

**Writing time: 9.15 am to 10.45 am (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>
11	11	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 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**

Modern Seating sells a range of office chairs. Sales are made at a 100% mark-up, on cost.

On 15 November 2012, the business sold three chairs to first-time customer, Lyall's Imports, for \$500 each plus GST on terms of 2/14, n/30. This transaction has been recorded.

However, the following document has not yet been recorded.

<b>Modern Seating</b> <b>78 Lonsdale Road</b> <b>Yarravale, Victoria 3999</b> <b>ABN 06 032 541 680</b>		<b>18 November 2012</b> <b>Tax Invoice</b>  <b>Credit Note: 40</b>	
<b>Returned by:</b> Lyall's Imports 200 Spence Street Western Melbourne, Victoria 3800			
<b>QTY</b>	<b>Item</b>	<b>Cost per item</b>	<b>Total Cost</b>
1	Leather chair	\$500	\$500
		plus GST 10%	50
			<b>\$550</b>
<b>Reason:</b> Marks on leather			

- a. Record the appropriate data from the above document in the General Journal of Modern Seating. Narrations are **not** required.

4 marks

- b. Show the effect on Modern Seating's Net Profit of recording this document.

3 marks

- c. On 26 November 2012, Lyall's Imports settled their account (Cheque No. 27) with Modern Seating. Show how this would be recorded in the Cash Payments Journal of Lyall's Imports.

2 marks

**Question 2**

Whitegoods sells a range of bathroom and kitchen appliances. The business purchases all stock on credit.

Creditor balances for Whitegoods at 1 November 2012 were as follows.

	\$
Fred's Fridges	10 000
Dan's Dishwashers	7 000
Frieda's Freezers	4 500
Will's Washers	5 500
	<u>27 000</u>

The following journals are complete for November 2012.

**Purchases Journal**

<b>Date 2012</b>	<b>Creditor</b>	<b>Invoice Number</b>	<b>Stock Control</b>	<b>GST</b>	<b>Creditors Control</b>
4 Nov	Frieda's Freezers	26	2 000	200	2 200
17 Nov	Will's Washers	A48	1 800	180	1 980
28 Nov	Fred's Fridges	63	1 500	150	1 650
			5 300	530	5 830

**Question 2** – continued

**Cash Payments Journal**

Date 2012	Details	Chq. No.	Bank	Disc. Rev.	Creditors Control	Stock Control	Sundries	GST
3 Nov	Fred's Fridges	89	5 700	300	6 000			
7 Nov	Prepaid Insurance	90	880				800	80
13 Nov	Drawings	91	1 200				1 200	
16 Nov	Frieda's Freezers	92	2 500		2 500			
21 Nov	Wages	93	1 500				1 500	
27 Nov	Frieda's Freezers	94	3 800	200	4 000			
29 Nov	Will's Washers	95	2 850	150	3 000			
			18 430	650	15 500		3 500	80

The document below was misplaced by the owner of Whitegoods. It was found on 29 November and is to be recorded using that date.

<b>Will's Washers</b>	<b>Date: 20 November 2012</b>
<b>42 Moare Street</b>	<b>Tax Invoice</b>
<b>Caulfield West 3162</b>	<b>Credit Note: S72</b>
<b>ABN 06 048 586 430</b>	
Credit: Account of Whitegoods	
For: 1 damaged deluxe washing machine returned	
Amount Credited	\$450
plus GST	<u>45</u>
Total Amount Credited	<u>\$495</u>

- a. Record the appropriate data from the document in the General Journal of Whitegoods.

A narration **is** required.

4 marks

- b. Show how the following ledger accounts would appear for November 2012 after all appropriate data from the journals has been recorded.

- Creditors Control
- Frieda's Freezers' Creditors Subsidiary Ledger

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

4 + 3 = 7 marks

- c. Explain the effect on the Balance Sheet of Whitegoods for November as a result of the above credit note being recorded.

3 marks

**TURN OVER**

**Question 3**

To assist in budgeting for the year ending 30 June 2013, Central Enterprises has provided the following information.

**Central Enterprises**  
**Income Statement for the year ended 30 June 2012**

2012			2013 (estimates)
	\$	Details	
Sales (80% credit)	500 000	1 000 units @ \$500 + GST	Increase price by 5% per unit and number of units by 15%
Cost of Sales	200 000	Cost \$200 + GST per unit	Suppliers' price unchanged All stock is purchased on credit
<b>Gross Profit</b>	<b>300 000</b>		
<b>Less Other Expenses</b>			
Bad Debts	4 000		2% of credit sales
Depreciation of Equipment	18 000	15% per annum straight line	Same rate and method
Wages	95 000		5% increase plus one new employee at \$65 000
Office Expenses	25 000		Will pay \$30 800 (including GST)
<b>Total Expenses</b>	<b>142 000</b>		
<b>Net Profit</b>	<b>158 000</b>		

**Central Enterprises**  
**Balance Sheet as at 30 June 2012**

2012			2013 (estimates)
	\$	Details	
<b>Assets</b>			
Bank	28 000		Not required
Debtors Control	52 000		Collect \$500 000 from debtors
Stock Control	40 000	200 units	Number of units unchanged
Prepaid Office Expenses	800		30 June 2013 balance \$2 000
Equipment	120 000		New equipment purchased 1 March for cash: \$20 000 + GST
Accum. Dep'n	(44 000)		
<b>Total Assets</b>	<b>196 800</b>		
<b>Liabilities</b>			
Creditors Control	27 000		Pay \$245 000 to creditors 30 June 2013 balance \$35 000
Accrued Wages	2 000		30 June 2013 balance \$3 500
GST Clearing	3 000		Not required
Loan	4 000	Taken out 30 June 2012	Settle in February, paying \$4 200 in total
<b>Total Liabilities</b>	<b>36 000</b>		
<b>Owner's Equity</b>			
Capital	160 800		Drawings: \$60 000 cash No additional capital
<b>Total Equities</b>	<b>196 800</b>		

Question 3 – continued

- a. Calculate the budgeted Cost of Sales for the year ending 30 June 2013. 2 marks
- b. Prepare a Budgeted Income Statement for the year ending 30 June 2013. 7 marks
- c. Reconstruct the Debtors Control account to determine the estimated balance at 30 June 2013. 4 marks
- d. Prepare the Cash Flow from Financing Activities section of the Budgeted Cash Flow Statement for the year ending 30 June 2013. 2 marks
- e. Define 'Financing Activities'. 1 mark

#### Question 4

The transactions provided below for Best Timber Supplies relate to an order for timber placed by a customer, James Hay, to the value of \$3500 plus GST (cost \$1500 plus GST).

- 28 June 2012: A deposit of \$500 was received from James Hay (Receipt 235).
- 2 July 2012: The goods were delivered to James Hay (Invoice 121 indicating credit terms 2/14, n/30).
- 9 July 2012: James Hay settled the account (Receipt 261).

The business prepares reports monthly.

Prepare the journal entries for the above transactions, including the adjusting entry that is necessary in July 2012.

Narrations are **not** required.

7 marks

**Question 5**

The following document relates to the purchase of a photocopier system by MS Electronics.

<b>Charge To For</b>	MS Electronics A photocopier (including additional hardware)	<b>Tax Invoice</b>	X776
		<b>Date</b>	1 March 2012
			Total
Photocopier			6 400
Additional Hardware			2 200
Installation Fee			1 000
Service Agreement for 12 months			1 200
			<b>10 800</b>
	plus GST		1 080
	<b>Total</b>		<b>\$ 11 880</b>
<i>Credit Terms: 5/10, n/30</i>			

<b>MS Electronics</b>	
Memo 45	<b>Date:</b> 30 June 2012
<b>Instructions:</b> <i>The photocopier system is to be depreciated at a rate of 30% per annum using the reducing balance method.</i>	
	<b>Signed:</b> M Smith

- a. Using the data provided above, calculate the depreciation on the photocopier system for the year ended 30 June 2012.
- 2 marks
- b. Complete the Balance Sheet extract to show how the photocopier system would appear as at 30 June 2013.
- 3 marks

Melissa Smith, the owner of MS Electronics, received the following email from her new accountant.

Hi Melissa,

When reviewing your financial statements from last year, I noticed that you depreciated the photocopier system using the reducing balance method of depreciation. I recommend that you use the straight-line method from now on. Using this method will provide a more appropriate depreciation expense each year for the photocopier.

Regards,

Ben

- c. With reference to appropriate accounting principles and qualitative characteristics, discuss the factors that the accountant would have considered when making this recommendation.

6 marks

### Question 6

Tech Talk sells a range of communication products. The partially completed Stock Card for the XS200 Android Phone is shown below.

Item: XS200 Android Phone					Cost Assignment Method: FIFO					
Date 2012	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
1 Dec	Balance							5	350	1 750
3 Dec	Invoice 2668	10	340	3 400				5 10	350 340	5 150

#### Additional information – XS200 Android Phone

- 10 December – Sold three units for \$600 each plus GST (Invoice 233)
- 15 December – A customer (T Wilson) returned two units purchased from Tech Talk on 25 November for a total of \$1320 including GST (Credit Note 15)
- 19 December – Sold four units for \$600 each plus GST (Receipt 229)
- 21 December – Returned three faulty units to the supplier, Gadgets Plus, at \$340 each, excluding GST (Credit Note X97)

- a. Complete the Stock Card using the data above.

4 marks

- b. Explain the effects that the transaction on 19 December will have on the Cash Flow Statement for the year ended 31 December 2012.

3 marks

**TURN OVER**

**Question 7**

As a result of a stocktake on 31 December 2012, the following data was obtained.

<b>Stock Item</b>	<b>Quantity</b>	<b>Cost per unit \$</b>	<b>Estimated Selling Price per unit \$</b>	<b>Marketing Expenses per unit \$</b>
<b>A</b>	250	22	18	3
<b>B</b>	1 000	9	13	1
<b>C</b>	1 500	12	14	3

- a. Calculate the value of stock on hand as it would appear in the Stock Control account at 31 December 2012, prior to applying the lower of cost and net realisable value (NRV) rule. 1 mark
- b. Prepare the General Journal entry to record the result of the business applying the lower of cost and NRV rule at 31 December 2012.  
A narration is **not** required. 3 marks
- c. With reference to an accounting principle, explain the business's decision to apply the lower of cost and NRV rule. 3 marks

**Question 8**

On 19 December 2012, Landscapers provided the following details of transactions involving the purchase of a tractor from Tractor World.

The old tractor had been purchased for \$32 000 plus GST and depreciated to \$9000. Landscapers bought the new tractor for \$61 000 plus GST and received a trade-in allowance of \$8200 from Tractor World for the old tractor.

Landscapers paid a deposit of \$10 000 on the new tractor.

Complete the following General Ledger accounts on 31 December 2012.

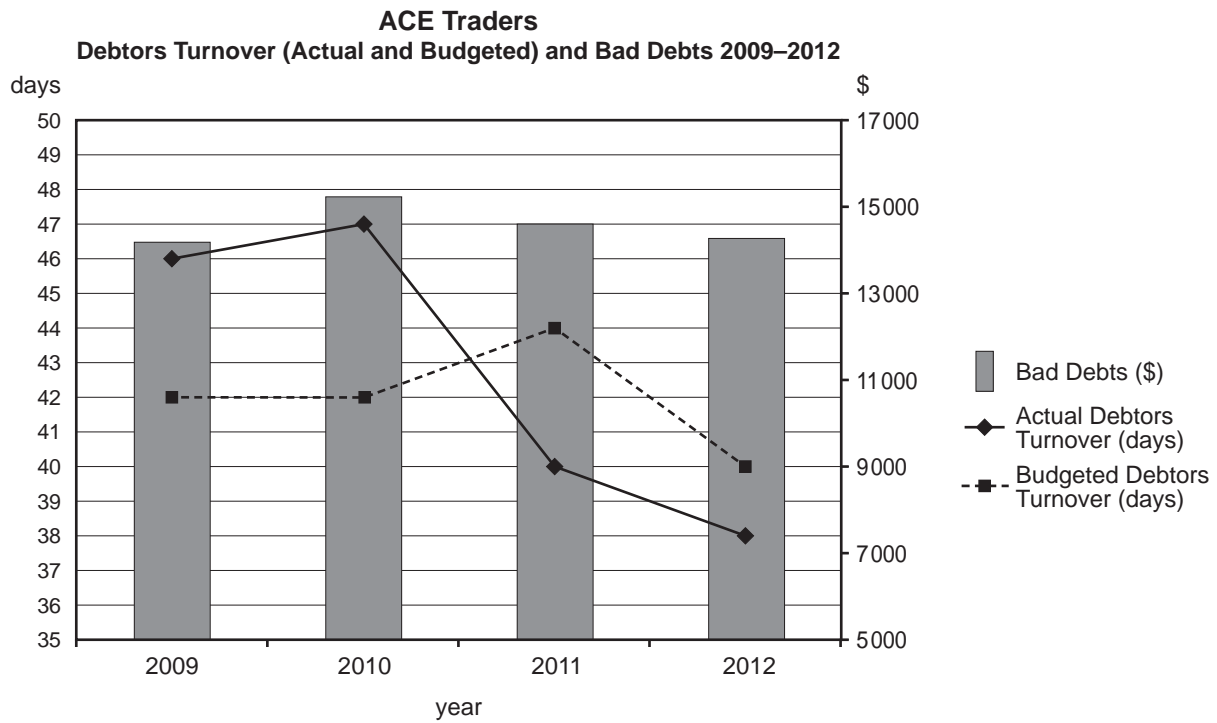
- Disposal of Tractor
- Sundry Creditor – Tractor World

5 marks



**Question 9**

The accountant provides the following graph to the owner of ACE Traders, stating, ‘This is a bit surprising – can we discuss?’.



Identify and analyse the trends that are revealed by the graph. In your response, include an explanation of why the accountant thought it was ‘surprising’ and indicate possible causes of the trends.

6 marks

**TURN OVER**

**Question 10**

Muskrat Supplies provides you with the following data for three years.

	1 January 2010	Year ended 31 December		
	\$	2010 \$	2011 \$	2012 \$
Sales		200 000	240 000	260 000
Less Cost of Sales		90 000	108 000	143 000
Gross Profit		110 000	132 000	117 000
Less Expenses		64 000	72 000	71 000
Net Profit		46 000	60 000	46 000
Stock Control	30 000	34 000	35 000	37 000
Total Assets	150 000	160 000	200 000	200 000

Financial Indicator	2010	2011	2012
Gross Profit Margin	55%	55%	45%
Asset Turnover	1.29 times	1.33 times	1.30 times

Suggest a strategy to improve the

- Gross Profit Margin
- Asset Turnover.

Justify your suggestion in each case.

2 + 2 = 4 marks

**Question 11**

There is a range of measures for evaluating the liquidity of a business.

a. Define the term 'liquidity'.

2 marks

b. Explain one consequence for a business that is experiencing a decline in its liquidity.

2 marks



**Victorian Certificate of Education  
2012**

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**STUDENT NUMBER**

Figures

Words


Letter

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**ACCOUNTING**  
**Written examination 2**

**Monday 12 November 2012**

**Reading time: 9.00 am to 9.15 am (15 minutes)**

**Writing time: 9.15 am to 10.45 am (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

4 marks

**b.**

Effect On	Increase/Decrease/No Effect	Amount
Revenues		
Expenses		
Net Profit		

3 marks

**c.****Lyall's Imports****Cash Payments Journal**

Date 2012	Details	Chq. No.	Bank	Disc. Rev.	Creditors Control	Stock Control	Sundries	GST
26 Nov								

2 marks

**TURN OVER**

**Question 2**

a.

**General Journal**

Date 2012	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

4 marks

b.

**Creditors Control**

Date 2012	Cross-reference	Amount	Date 2012	Cross-reference	Amount
			1 Nov	Balance	27 000

**Creditor – Frieda’s Freezers**

Date 2012	Cross-reference	Amount	Date 2012	Cross-reference	Amount

4 + 3 = 7 marks

**c.**

<b>Explanation</b>

3 marks

**TURN OVER**

**Question 3**

**a.**

<p><b>Calculation</b></p>          <p style="text-align: right;"><b>Budgeted Cost of Sales for the year ending 30 June 2013</b>     \$</p>	
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2 marks

**b.**

**Central Enterprises**  
**Budgeted Income Statement for the year ending 30 June 2013**

	\$	\$

7 marks



c.

**Debtors Control**

<b>Date</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date</b>	<b>Cross-reference</b>	<b>Amount</b>

4 marks

d.

**Central Enterprises**  
**Budgeted Cash Flow Statement (extract) for the year ending 30 June 2013**

	<b>\$</b>	<b>\$</b>
<b>Cash Flow from Financing Activities</b>		

2 marks

e.

<b>Definition</b>

1 mark

**TURN OVER**

**Question 4****Cash Receipts Journal**

Date 2012	Details	Rec. No.	Bank	Disc. Exp.	Debtors Control	Cost of Sales	Sales	Sundries	GST

**Sales Journal**

Date 2012	Debtor	Invoice Number	Cost of Sales	Sales	GST	Debtors Control

**General Journal**

Date 2012	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

7 marks

**Question 5**

a.

<b>Calculation</b>	
<b>Depreciation for the year ended 30 June 2012</b>	<b>\$</b>

2 marks

b.

**MS Electronics  
Balance Sheet (extract) as at 30 June 2013**


3 marks

c.

<b>Discussion</b>

6 marks

**Question 6**

a.

**Stock Card**

Item: XS200 Android Phone					Cost Assignment Method: FIFO					
Date 2012	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
1 Dec	Balance							5	350	1 750
3 Dec	Invoice 2668	10	340	3 400				5	350	5 150
								10	340	

4 marks

b.

Explanation

3 marks

**Question 7**

**a.**

<p><b>Calculation</b></p>          	<p style="text-align: right;"><b>Value of Stock</b> \$</p>
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1 mark

**b.**

**General Journal**

Date 2012	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

3 marks

**c.**

<b>Accounting principle</b>
<b>Explanation</b>

3 marks

**Question 8**

**Disposal of Tractor**

Date 2012	Cross-reference	Amount	Date 2012	Cross-reference	Amount

**Sundry Creditor – Tractor World**

Date 2012	Cross-reference	Amount	Date 2012	Cross-reference	Amount

5 marks

**Question 9**

<b>Identification and analysis</b>


6 marks

**Question 10**

<b>Strategy to improve Gross Profit Margin</b>
<b>Justification</b>
<b>Strategy to improve Asset Turnover</b>
<b>Justification</b>

2 + 2 = 4 marks

**TURN OVER**

**Question 11**

**a.**

<b>Definition</b>

2 marks

**b.**

<b>Explanation</b>

2 marks