

**Victorian Certificate of Education
2015**

ACCOUNTING
Written examination

Friday 6 November 2015

Reading time: 3.00 pm to 3.15 pm (15 minutes)

Writing time: 3.15 pm to 5.15 pm (2 hours)

QUESTION BOOK

Structure of book

<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
10	10	100

- 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 correction fluid/tape.

Materials supplied

- Question book of 9 pages.
- Answer book of 18 pages.

Instructions

- Write your **student number** in the space provided on the front cover 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 (13 marks)

Party Time sells a range of party balloons and other party supplies. All stock is marked up by 100% on cost. The business reports on a monthly basis.

The following journals summarise transactions for January 2015.

Cash Receipts Journal (summary)

Date 2015	Details	Rec. No.	Bank	Disc. Exp.	Debtors Control	Cost of Sales	Sales	Sundries	GST
31 Jan.	Totals to date	–	159 800	500	62 500	42 000	84 000	5 400	8 400

The items in the 'Sundries' column were:

- GST refund from the ATO \$2 400
- Capital contribution \$3 000.

Cash Payments Journal (summary)

Date 2015	Details	Chq. No.	Bank	Disc. Rev.	Creditors Control	Stock Control	Wages	Sundries	GST
31 Jan.	Totals to date	–	108 310	1 300	58 000	19 000	16 800	13 400	

The items in the 'Sundries' column were:

- Loan repayment \$4 200
- Interest on Loan \$600
- Advertising Expense \$5 100
- Drawings \$3 500.

Sales Journal (summary)

Date 2015	Debtor	Invoice Number	Cost of Sales	Sales	GST	Debtors Control
31 Jan.	Totals to date	–	37 500	75 000	7 500	82 500

Purchases Journal (summary)

Date 2015	Creditor	Invoice Number	Stock Control	GST	Creditors Control
31 Jan.	Totals to date	–	56 000	5 600	61 600

The following documents for January 2015 have not yet been recorded.

<p>Party Time</p> <p>Date: 31 Jan. 2015</p> <p>Credit Note: 222</p> <p>L Capp returned party supplies.</p> <p style="text-align: right;">\$1 800</p> <p style="text-align: right;">GST \$ <u>180</u></p> <p style="text-align: right;">Total <u>\$1980</u></p>	<p>Party Time</p> <p>Date: 31 Jan. 2015</p> <p>Memo: 67</p> <p>A physical stocktake revealed \$48 400 of stock on hand while the stock cards' total was \$48 100.</p> <p>Signed: <i>T Nguyen</i></p>	<p>Party Time</p> <p>Date: 31 Jan. 2015</p> <p>Memo: 68</p> <p>Wages totalling \$2 100 are owing to employees.</p> <p>Signed: <i>T Nguyen</i></p>
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- a. Record the above documents in the General Journal provided.
Narrations are **not** required. 7 marks
- b. Calculate the missing amount for the total of the GST column in the Cash Payments Journal. 1 mark
- c. Show how the Debtors Control account would appear in the General Ledger after posting the information above.
You are **not** required to balance the account. 3 marks
- d. On 3 February 2015, wages totalling \$6 200 were paid (Chq 453).
Record this transaction in the Cash Payments Journal.
You are **not** required to total the journal. 2 marks

Question 2 (7 marks)

Income Statement (extract) for the month ended 28 February 2015

Less Other Expenses	\$	
Rent Expense	9 000	
Discount Expense	450	
Depreciation of Equipment	<u>530</u>	\$9 980

Additional information

The Prepaid Rent Expense account on 1 February 2015 had a balance of \$12 000. The balance at 28 February was \$7 000.

- a. Show how the Prepaid Rent Expense account would appear in the General Ledger at 28 February 2015 after the above information has been recorded and prepare the account for the next reporting period. 3 marks
- b. Explain how Discount Expense and Depreciation of Equipment each meet the definition of an expense. 4 marks

TURN OVER

Question 3 (6 marks)

Information contained in financial reports is required to be both relevant and reliable; however, it may be difficult to achieve both at the same time.

Discuss this statement with reference to the depreciation of non-current assets.

Question 4 (18 marks)

GB Jeans prepares reports every three months. All stock is marked up by 50% on cost.

Pre-adjustment Trial Balance (extract) as at 30 April 2015

	Debit	Credit
Accumulated Depreciation of Vehicle		15 200
Cash at Bank		5 500
Creditors Control		27 600
GST Clearing	6 200	
Interest Expense	1 800	
Loan		120 000
Prepaid Sales Revenue		3 500
Sales		420 000
Vehicle	35 000	
Wages	95 000	

Additional information

- Drawings of \$1 200 were incorrectly posted to the Wages account.
- Prepaid Sales Revenue of \$2 700 has now been earned.
- The vehicle is depreciated at the rate of 20% per annum using the reducing balance method.
- On 30 April 2015, the owner traded in the vehicle for \$12 500. A new vehicle costing \$49 500 (including GST) was purchased from Kerr Motors (Invoice 344).
- The loan is repayable at a rate of \$24 000 per annum.

- a. Prepare the General Journal entries required to record the additional information.
Narrations are **not** required. 11 marks
- b. Prepare the Current Liabilities section of the Balance Sheet as at 30 April 2015. 4 marks
- c. GB Jeans prepares reports using the accrual accounting system.
Outline **three** features of the accrual accounting system. 3 marks

Question 5 (12 marks)

GHK Supplies reports annually on 30 June. All sales and purchases are made on credit. Extracts from the financial reports for the last two years showed the following.

	30 June 2014	30 June 2015
Income Statement		
Net Profit	105 000	120 000
Balance Sheet		
Current Liabilities		
Bank Overdraft	–	8 000
Accrued Wages	1 500	200
Creditors Control	85 000	77 000
Bank Loan – ATM Bank	–	25 000
Non-Current Liabilities		
Bank Loan – ATM Bank	50 000	25 000
Owner's Equity		
Capital	450 000	620 000

Additional information

- Stock levels remained constant.
- All drawings were cash.
- In April 2015, the owner had contributed \$95 000 additional capital, comprising \$75 000 cash and \$20 000 equipment.

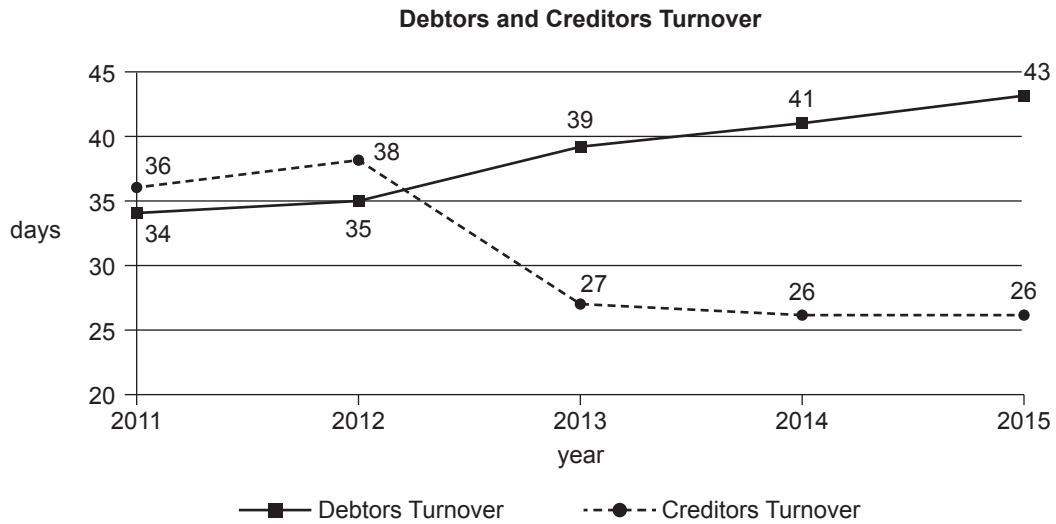
- a. Prepare the Capital account to determine drawings for the year ended 30 June 2015. You are **not** required to balance the account. 4 marks
- b. Prepare the Cash Flow from Financing Activities section of the Cash Flow Statement for the year ended 30 June 2015. 2 marks
- c. Net Cash Flow from Operating Activities was less than Net Profit despite Receipts from Debtors exceeding Sales Revenue by \$5 000. Based on the information provided, explain **two** reasons for this result. 4 marks
- d. In May 2015, GHK Supplies traded in machinery on the cash purchase of new machinery (cost \$52 000 plus GST). The trade-in allowance was \$10 000. Complete the table provided to show how this transaction would be reported in the Cash Flow Statement. 2 marks

TURN OVER

Question 6 (8 marks)

The owner of Brant’s Vending Machines is concerned that the business is frequently short of cash and has to draw on its bank overdraft on a regular basis. All purchases and sales are made on credit. Credit terms are n/30 for creditors and 5/14, n/30 for debtors.

The accountant provided the following graph to illustrate one factor causing this cash shortage.



- a. Explain how the trend indicated by the graph has contributed to the cash shortage problem that the business is experiencing. 2 marks

- b. Discuss strategies that the business could implement to overcome the problem. 6 marks

Question 7 (4 marks)

The Debt Ratio of a business has increased from 40% to 70% over the past two years.

Explain **one** positive effect and **one** negative effect that this increase could have on the business.

Question 8 (14 marks)

GoFit Paddleboards is a new business that will report monthly.

Relevant details for November 2015 are shown below.

Long Boards			
Pacific Highway, Broadbeach 4218			
To: GoFit Paddleboards		4 November 2015	
Marine Pde		Tax invoice 427	
Melbourne 3000			
Item	<u>Unit price</u>	<u>Quantity</u>	Total
Paddleboard packages (board/cover/paddle)	\$750	210	\$157 500
Delivery			4 200
			<u>161 700</u>
		GST:	<u>\$ 16 170</u>
		Invoice total:	\$177 870
Credit terms: net 30 days			

Additional information

- In November, the business sold 200 paddleboard packages for \$1 540 each (including GST) (Invoices 1–137).
- A physical stocktake on 30 November showed nine paddleboard packages on hand (Memo 3).
- The selling price of each paddleboard package will be reduced to \$880 (including GST) before the next year's model is released in December. A free lesson (cost price \$132 including GST) will be provided with each paddleboard package sold (Memo 4).

- a. Prepare the Stock Card for November. 6 marks
- b. Prepare the General Journal entry or entries required to record the stock adjustment(s) arising from the information provided.
Narrations are **not** required. 4 marks
- c. Other expenses for November totalled \$58 000 (plus GST of \$1 560). The business made one payment of \$9 750 to the Australian Taxation Office (ATO) for GST on 29 November 2015.
Show how the GST Clearing account would appear in the General Ledger at 30 November 2015.
You are **not** required to balance the account. 4 marks

TURN OVER

Question 9 (14 marks)

Terry's Timber has recently commenced reporting on a monthly basis. The business sells on credit and pays cash for purchases.

The business has provided relevant account balances, both actual and budgeted, for October 2015.

Account balances	1 October (actual)	31 October (budgeted)
Accrued Wages	1 700	1 900
Debtors Control	48 000	51 000
GST Clearing	600 Cr	not provided
Loan – NIM Bank	120 000	115 000
Machinery	90 000	90 000
Prepaid Rent	2 000	not provided

Additional information (budgeted) for October

- The business expects credit sales of \$50 000 (plus GST) in October.
 - Wages paid will be \$23 200.
 - Rent is paid three months in advance at \$2 000 per month plus GST. The next payment will be in October. The rent charged will increase by 10% from 1 December onwards.
 - Interest on the loan is \$5 400 per annum. It is paid half yearly in March and October.
 - Cost of Sales is 50% of Sales Revenue.
 - Cash purchases of stock are budgeted to be \$18 000 (plus GST).
 - The depreciation on the machinery is 12% per annum straight-line.
- a. Prepare the Operating section of the Budgeted Cash Flow Statement for the month ending 31 October 2015. 7 marks
- b. Prepare a Budgeted Income Statement for the month ending 31 October 2015. 5 marks
- c. Prior to October 2015, the business budgeted on an annual basis, but now it budgets on a monthly basis.
- State **two** benefits of preparing budgets on a monthly basis instead of an annual basis. 2 marks

Question 10 (4 marks)

WD Boots sells a range of work boots to businesses and the public. In January 2015, the business moved to smaller rented premises to reduce costs and commence online sales. The business will require a significant computer upgrade. The owner of the business hopes that the growth of online shopping will enable the business to maintain existing sales levels in 2015.

The following financial indicators have been calculated.

31 December	2013	2014	2015
Working Capital Ratio	3:1	2.9:1	2:1
Stock Turnover	60 days	62 days	41 days
Return on Assets	15%	15%	18%

Explain how the changes in the business operations have led to the results above.

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SUPERVISOR TO ATTACH PROCESSING LABEL HERE

STUDENT NUMBER

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ACCOUNTING
Written examination

Friday 6 November 2015

Reading time: 3.00 pm to 3.15 pm (15 minutes)

Writing time: 3.15 pm to 5.15 pm (2 hours)

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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TURN OVER

c.

3 marks

Debtors Control

Date 2015	Cross-reference	Amount	Date 2015	Cross-reference	Amount
1 Jan.	Balance	12 200			

d.

2 marks

Cash Payments Journal (summary)

Date 2015	Details	Chq. No.	Bank	Disc. Rev.	Creditors Control	Stock Control	Wages	Sundries \$	GST
31 Jan.	Totals to date	–	108 310	1 300	58 000	19 000	16 800	13 400	

TURN OVER

b.

4 marks

GB Jeans
Balance Sheet (extract) as at 30 April 2015

Current Liabilities	\$	\$

c.

3 marks

Outline

TURN OVER

Question 5 (12 marks)

a.

4 marks

Capital

Date	Cross-reference	Amount	Date	Cross-reference	Amount

b.

2 marks

GHK Supplies

Cash Flow Statement (extract) for the year ended 30 June 2015

	\$	\$
Cash Flow from Financing Activities		

c.

4 marks

Reason 1
Reason 2

d.

2 marks

Cash Flow Statement	Item	Inflow/Outflow/No effect	Amount (\$)
Operating Activities			
Investing Activities			
Financing Activities			

TURN OVER

Question 7 (4 marks)

Positive effect
Negative effect

TURN OVER

Question 8 (14 marks)

a.

6 marks

Working space

Stock Card

Product: Paddleboard Package					Cost Assignment Method: FIFO					
Date 2015	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total

b.

4 marks

General Journal

Date 2015	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

c.

4 marks

Working space

GST Clearing

Date 2015	Cross-reference	Amount	Date 2015	Cross-reference	Amount

TURN OVER

Question 9 (14 marks)

a.

7 marks

Working space

Terry's Timber
Budgeted Cash Flow Statement (extract) for the month ending 31 October 2015

	\$	\$
Estimated Cash Flows from Operating Activities		
Estimated Net Cash Flows from Operating Activities		

Question 10 (4 marks)

Explanation