

# Accounting

## Question Book

VCE Examination – Wednesday 13 November 2024

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- Reading time is **15 minutes**: 3.00 pm to 3.15 pm
- Writing time is **2 hours**: 3.15 pm to 5.15 pm

### Approved materials

- One scientific calculator

### Materials supplied

- Question Book of 12 pages
- Answer Book of 20 pages

### Instructions

- Answer all questions in the Answer Book.

Students are **not** permitted to bring mobile phones and/or any unauthorised electronic devices into the examination room.

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Contents	pages
8 questions (100 marks)	2–9

Instructions

- Answer **all** questions in the Answer Book provided.
- Write your responses in English.

Question 1 (7 marks)

Blozzo Bazaar sells costumes and accessories both in its retail store and online at a 100% mark-up. Below is the Inventory Card for its most expensive item, the Extreme Hero.

Inventory Card

Item: Extreme Hero					Cost assignment method: Identified Cost					
Supplier: Cass Costumes										
Date 2024	Document	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
Feb. 1	Balance							5	140	700
5	Inv. XV43	12	155	1860				5	140	
								12	155	2560
7	CrN 234	2	140	280				7	140	
								12	155	2840
8	Rec. 828				1	140		6	140	
					1	155	295	11	155	2545
9	EFT843				2	140		4	140	
					3	155	745	8	155	1800
11	Inv. XV63	7	135	945				4	140	
								8	155	
								7	135	2745

- a. Identify the transaction that resulted in the entry on 5 February.

1 mark
- b. Record the entry on 7 February in the General Journal.

A narration is **not** required.

3 marks
- c. Blozzo Bazaar uses the First In, First Out (FIFO) inventory cost assignment method for its low-priced costume accessories, such as make up and wigs.

Justify why the business would use different cost assignment methods for different items of inventory.

3 marks

Do not write in this area.

**Question 2** (16 marks)

Me4Camping sells outdoor recreational equipment under its own Me4 brand. The business reports annually on 30 June.

On 1 July 2022, the owner changed to a new supplier who offers lower prices per item for buying in larger quantities. The new inventory will also be branded Me4 despite the owner knowing that the new products are made from lower quality materials.

This additional information is provided to show the financial impact of the decision to change supplier.

Year ended 30 June	2022	2023	2024
Sales	\$600 000	\$610 000	\$602 000
Sales Returns (% of Sales)	2%	5%	6%
Gross Profit Margin	45%	50%	50%
Net Profit	\$110 000	\$145 000	\$141 000
Inventory Turnover (days)	120	140	150
Customer satisfaction	96%	83%	68%

- a. Discuss, including financial and ethical considerations, the impact of the owner changing supplier.

6 marks

**The following information is also provided.**

On 6 June 2024, Me4Camping purchased a large quantity of tents, sleeping bags and cooking appliances from New Zealand at a cost of \$70 000 (plus GST) (Invoice 354). Delivery cost a further \$3 000 (plus GST) (EFT 2319) and was treated as a period cost. Delivery costs were paid on 15 June and the inventory was delivered on 18 June. Not all of this inventory had been sold by 30 June 2024.

- b. Prepare the General Journal entries required to record these transactions.

Narrations are **not** required.

4 marks

- c. Explain why the delivery costs were recorded as a period cost and not as a product cost.

3 marks

- d. Explain the effect on Net Profit for the year ended 30 June 2024 of treating the delivery as a period cost and not as a product cost.

3 marks

**Question 3** (12 marks)

Cowpers Carpets reports every three months. All sales and purchases are made on credit.

The business is preparing its Cash Flow Statement for the three months ended 30 September 2024. The accountant has completed the Operating Activities section and is now completing the Financing Activities section.

**Relevant information from the Balance Sheet**

	30 June 2024	30 September 2024
<b>Liabilities</b>		
Loans	\$45 000	\$30 000
<b>Owner's Equity</b>		
Capital	\$236 500	\$346 500

**Additional information**

- The Income Statement for the three months ended 30 September 2024 reported a Net Profit of \$60 000.
  - Drawings for the three months were \$25 000, comprising \$19 000 cash and \$6 000 inventory. A cash contribution by the owner was made during the period.
  - A new loan of \$20 000 was taken out in August 2024.
- a. Prepare the Capital ledger account to determine the cash contribution made by the owner during the three months.

b. Prepare the Financing Activities section of the Cash Flow Statement for the three months to 30 September 2024.

c. The Net Cash Flow from Operating Activities for the three months to 30 September 2024 was \$82 000.

Explain, giving **two** possible reasons, why this amount was higher than the Net Profit of \$60 000.

3 marks

5 marks

4 marks

**Question 4** (10 marks)

The accountant for FZ Pool Supplies is preparing the Budgeted Income Statement for the year ending 30 June 2025. The business reports annually.

The owner provided the following information to the accountant.

Items	2024	Information for 2025
Sales	\$620 000	Expect a 5% increase. The mark-up is expected to remain at 100%
Sales Returns	2% of sales	Expect the same %
Wages	\$88 000	Allow for 3% increase
Rent	\$36 000	First increase! It's up 10% from 1 January 2025
Depreciation of Vehicle	\$4 800	A new vehicle was bought on 1 March 2024 and cost \$72 000 (plus GST). Depreciation uses reducing-balance method at 20% p.a.

- a. Prepare the Budgeted Income Statement for the year ending 30 June 2025. 7 marks
- b. Explain how FZ Pool Supplies should use this Budgeted Income Statement during the year ending 30 June 2025. 3 marks

**Question 5** (12 marks)

Patio buys and sells outdoor furniture on credit. The business reports quarterly.

The accountant is aware that, despite strong sales, liquidity is becoming a major concern.

The following data has been provided to the owner.

Financial Indicator	October–December 2023	January–March 2024	April–June 2024
Cash Flow Cover (times per period)	1.1	0.8	0.7
Quick Asset Ratio	0.8:1	0.7:1	0.6:1
Accounts Receivable Turnover (days)	48	53	58

- a.

Explain why the Cash Flow Cover is an important indicator of liquidity.

2 marks
- b.

Describe two problems that may occur for a business experiencing poor liquidity.

4 marks

**The following information is also provided.**

Patio is considering a number of possible options to improve its liquidity. These are:

- selling one of its vehicles and using the proceeds to repay a short-term loan of \$20 000
  - offering an additional 3% discount to Accounts Receivable who repay in seven days.  
Current credit terms are 2/15, n/30
  - reviewing the management of Accounts Receivable
  - increasing the mark-up on sales from 80% to 100%.
- c.

Recommend the option that you think Patio should select to improve liquidity and maintain business performance. Justify your recommendation.

3 marks
- d.

Select the option that you think is **least** likely to improve liquidity and maintain business performance. Justify your selection.

3 marks

**Question 6** (18 marks)

PA Sound sells a wide range of audio equipment and lighting to theatres and other large venues. The business reports monthly.

**Relevant account balances for October 2024 were:**

1 October	Accrued Wages	\$6 400 cr
	Allowance for Doubtful Debts	\$1 800 cr

**The following information relates to October 2024.**

1 October	Paid \$2 700 (plus GST) for an online advertising campaign for three months ending 31 December
8 October	A customer placed an order for \$15 000 (plus GST) of lighting equipment, paying a deposit of \$1 000
12 October	Wages paid \$44 800
25 October	The lighting equipment ordered on 8 October was delivered to the customer and invoice issued
26 October	Wages paid \$44 800
31 October	Wages owing \$16 000

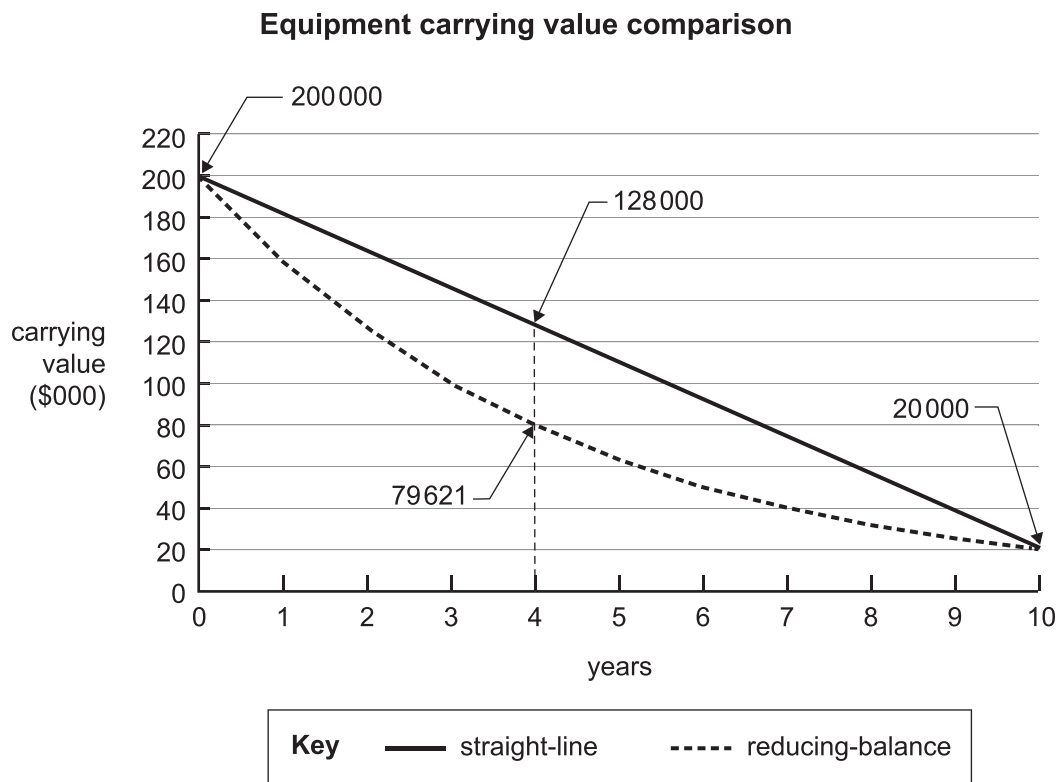
Credit Sales for October totalled \$97 000 (plus GST). Sales Returns were \$2 000 (plus GST).

Allowance for Doubtful Debts is estimated to be 4% of net credit sales.

- a. Complete the ledger accounts provided at 31 October. 9 marks
- b. Prepare the General Journal entries to record the adjustments required on 31 October.  
Narrations are **not** required. 6 marks
- c. With reference to one qualitative characteristic, explain why the adjustment on 31 October for the Allowance for Doubtful Debts is required. 3 marks

**Question 7** (9 marks)

Screenz2U recently purchased equipment for \$200 000 (plus GST). The accountant has modelled the effect of using either the reducing-balance method or the straight-line method of depreciation over the equipment's 10-year life and has produced the following graph.



The accountant commented that there will be differences in depreciation expense each year but not over the expected life of the equipment.

- a. Explain the accountant's comment. 3 marks
- b. Explain what the \$20 000 at year 10 on the graph represents. 2 marks
- c. Calculate the depreciation per year if the straight-line method is used. 1 mark
- d. Show how the equipment will be reported in the Balance Sheet at the end of year 4 if the reducing-balance method is used. 3 marks



**Question 8** (16 marks)

PetzSup Direct sells a wide range of pet supplies. Customers order online and pet supplies are delivered to them. On 31 July 2024 PetzSup Direct sold a delivery van.

The van had originally cost \$30 000 (plus GST). The van had been depreciated by \$21 000 and was sold for \$13 000 (plus GST) (Rec. 776).

PetzSup Direct purchased a new van on 1 August 2024 for \$46 000 (plus GST) (Chq. 584). The business had refrigeration installed in the van at a cost of \$6 000 (plus GST) (EFT 7765) and paid \$3 600 (plus GST) (EFT 8463) for 12 months insurance.

- a. Prepare the General Journal entries required to record the disposal of the old van and the purchase of the new van and insurance.

Narrations are **not** required. 11 marks

- b. Complete the table provided to identify the items above that would be reported in the Cash Flow Statement. 5 marks

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**Letter**

# Accounting

## Answer Book

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Question 1 (7 marks)

a.

1 mark

Transaction

b.

3 marks

Blozzo Bazaar  
General Journal

Date 2024	Details	Debit \$	Credit \$

c.

3 marks

Justification

Do not write in this area.

**Question 2** (16 marks)

**a.**

6 marks

<b>Discussion</b>

b.

4 marks

Me4Camping  
General Journal

Date 2024	Details	Debit \$	Credit \$

c.

3 marks

Explanation

Do not write in this area.



**d.**

3 marks

[illegible]

Question 3 (12 marks)

a.

3 marks

Capital

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount

b.

5 marks

Cowpers Carpets

Cash Flow Statement (extract) for the three months ended 30 September 2024

	\$	\$
Cash Flow from Financing Activities		

Do not write in this area.



Question 4 (10 marks)

Working space

a.

7 marks

FZ Pool Supplies

Budgeted Income Statement for the year ending 30 June 2025

	\$	\$
Revenue		

Do not write in this area.

3 marks

[illegible]

Question 5 (12 marks)

a.

2 marks

Explanation

b.

4 marks

Description of Problem 1
Description of Problem 2

Do not write in this area.

**C.**

3 marks

[illegible]

**d.**

3 marks

[illegible]

Question 6 (18 marks)

Working space

a.

9 marks

Wages

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount

Unearned Sales Revenue

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount

Allowance for Doubtful Debts

Date 2024	Cross-reference	Amount	Date 2024	Cross-reference	Amount

Do not write in this area.



b.

6 marks

PA Sound  
General Journal

Date 2024	Details	Debit \$	Credit \$

c.

3 marks

Qualitative characteristic
Explanation

Question 7 (9 marks)

a.

3 marks

Explanation

b.

2 marks

Explanation

c.

1 mark

Working space	
Depreciation per year using the straight-line method	\$

Do not write in this area.

d.

3 marks

**Screenz2U**  
**Balance Sheet (extract) as at 31 December (Year 4)**

	\$	\$

**Question 8** (16 marks)

**Working space**

a.

11 marks

**PetzSup Direct**  
**General Journal**

Date 2024	Details	Debit \$	Credit \$

b.

5 marks

Item	Section of the Cash Flow Statement: Operating/Investing/Financing	Inflow/Outflow

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