



VCE Accounting 2012

Written examination 2 – November

Examination specifications

Overall conditions

The examination will be sat at a time and date to be set annually by the Victorian Curriculum and Assessment Authority. VCAA examination rules will apply. Details of these rules are published annually in the *VCE and VCAL Administrative Handbook*.

There will be 15 minutes reading time and 90 minutes writing time.

The examination will be marked by a panel appointed by the VCAA.

The examination will contribute 33 per cent to the Study Score.

Content

The *VCE Accounting Study Design 2012–2016* is the document for the development of the examination. The study design includes the Characteristics of the Study (pages 12 to 16). Questions will be based on the key knowledge and key skills that underpin the outcomes in Unit 4. Students will be required to apply the knowledge and skills of the accounting processes undertaken in Units 3 and 4.

Students will not be required to use information and communications technology (ICT) in the examination.

Students will not be required to undertake calculations relating to financial indicators in the examination; however, the underpinning knowledge, interpretation and analysis associated with these indicators are examinable.

Students will not be required to prepare graphical representations in the examination; however, the explanation and interpretation of graphical representations are examinable.

Format

The examination will consist of a series of short and extended response questions. These may include a variety of item types including scenarios, questions with multiple parts, short answer questions and extended response questions.

All questions in the examination will be compulsory.

The weightings of the outcomes in the examination will be approximately equal.

The total marks for the examination will be 90.

The examination will be in the form of a question book and an answer book.

Approved materials and equipment

- Normal stationery requirements (pens, pencils, highlighters, erasers, sharpeners and rulers)
- One scientific calculator

Advice

The 2012 end-of-year Accounting examination will be prepared according to the examination specifications above. The examination will conform to these specifications and will test a representative sample of key knowledge and key skills from Unit 4.

The following sample examination is intended to demonstrate the new format of the Accounting examination, as well as new aspects of Unit 4 Accounting. Teachers and students should be aware of the Characteristics of the Study, including accounting principles and qualitative characteristics of accounting information, as described on pages 12 to 16 of the study design.

The VCAA does not publish answers for sample examinations.

The following documents should be referred to in relation to the 2012 Accounting examination.

- *VCE Accounting Study Design and Advice to Teachers 2012–2016*
- *VCE Accounting Assessment Handbook 2012–2016*
- *VCAA Bulletin, VCE, VCAL and VET*

It is recommended that students write in pencil when answering questions that involve calculations.



Victorian Certificate of Education 2012

ACCOUNTING

Written examination 2

Day Date 2012

Reading time: *.*.* to *.*.* (15 minutes)

Writing time: *.*.* to *.*.* (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>
10	10	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 8 pages.
- Answer book of 13 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

Handbags Aplenty sells top quality leather handbags to the general public. Stock is purchased on credit from Leather Imports. On 30 June 2012, Handbags Aplenty received the following document.

Leather Imports		28 June 2012	
Pier 35		Tax Invoice	
Williamstown VIC 3016			
ABN No: 07 012 000 090		Credit Note: 25	
<hr/>			
Returned By:	Handbags Aplenty 425 Collins Street MELBOURNE VIC 3000		
QTY	Item	Unit Price	Total Cost
2	Peta Satchels	600	1 200
	GST 10%		120
			\$1 320
Reason	Straps damaged		

- a. Record the financial information from the source document into the General Journal of Handbags Aplenty.

A narration **is** required.

4 marks

- b. Explain the effect of this document on the Balance Sheet of Handbags Aplenty.

2 marks

Question 2

Custom Costume House creates costumes for many local and interstate theatre companies. Due to the time required to prepare each costume, a deposit of at least 20% on all orders is required. All costumes are marked up by 200%.

On 15 July 2012, Dream Time ordered costumes to the value of \$13 200 (including GST), paying a deposit of \$3 500 (Receipt No. 565) for the order.

- a. Record the deposit received on 15 July 2012 in the Cash Receipts Journal.

1 mark

Custom Costume House delivered the costumes to Dream Time on 3 September 2012 with the invoice (Inv. 1345T).

- b. Prepare the journal entries required on 3 September 2012 to record this transaction.

Narrations are **not** required.

4 marks

Question 3

Trinh is planning to open Trinh's Toy Shop on 1 July 2012. Trinh's accountant has asked her to provide a budget for the first six months of operation.

The following information was provided for the first six months of operation.

- During the first six-month accounting period Trinh hopes to generate total sales of \$130 000 (plus GST), and estimates that cash sales will make up 60% of all sales.
- Trinh estimates that the Debtors balance at the end of the first six months will be approximately \$8 500 and discount expense will be \$600.
- Trinh anticipates sales returns will account for no more than 5% of sales.
- Most purchases of stock will be made on credit with 10% of purchases being cash.
- Trinh estimates Cost of Sales will be 70% of total sales with stock on hand at end being \$41 000.
- At the end of the six months she estimates creditors will be owed \$15 600.
- Trinh is anticipating stock losses of \$2 300.

- a. Reconstruct the Debtors Control account in the General Ledger to calculate the budgeted cash received from debtors for the six months ending 31 December 2012.

4 marks

- b. Reconstruct the Creditors Control and Stock Control accounts in the General Ledger to calculate budgeted payments to creditors for the six months ending 31 December 2012.

5 marks

When viewing the information prepared above, the accountant is concerned that Trinh has not allowed for everything that could happen with debtors.

- c. With reference to one accounting principle, identify and explain the reason for the accountant's concern.

3 marks

Question 4

- a. Define net realisable value (NRV).

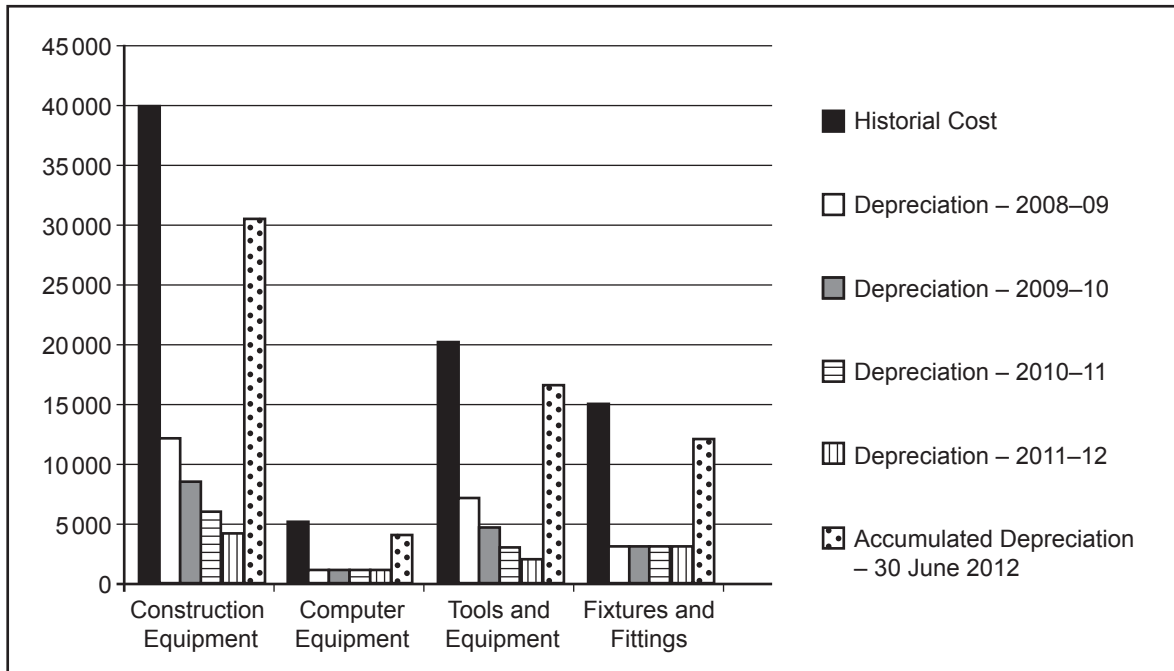
2 marks

- b. Explain the effects on the financial reports if a business fails to recognise NRV when valuing its stock.

3 marks

Question 5

Mark Brown owns and operates Mark’s Mega Movers. He has provided his accountant with the following graph displaying details of his Non-Current Assets. He purchased them all on 1 July 2008.



- a. Using the graph, identify and justify the selection of the depreciation method used for the
- Construction Equipment
 - Fixture and Fittings.

4 marks

- b. Given that the Construction Equipment was depreciated using a rate of 30%, calculate and show how the Construction Equipment would be reported in the Balance Sheet as at 30 June 2012.

3 marks

Question 6

On 1 October 2012, Gen Domestics traded in its old delivery van on a new delivery van from Club Motors. The old delivery van was purchased at the beginning of 2006 for \$28 000 and had a carrying value at 1 October 2012 of \$3500. Details of the purchase and trade-in for the new delivery van are documented in the invoice below.

Club Motors	
Date	1 October 2012
Invoice No.	79
Sold to	Gen Domestics
DESCRIPTION	\$
Delivery Van	42 000
<i>plus</i> GST	<u>4 200</u>
	46 200
Less Trade-in	<u>2 000</u>
TOTAL PRICE	<u>44 200</u>
Terms: Net 30 days	

- a. Show how the following accounts will appear in the General Ledger after all entries have been posted.
- Delivery Van
 - Accumulated Depreciation – Delivery Van
 - Disposal of Delivery Van

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

2 + 1 + 3 = 6 marks

- b. Explain, using the information from Gen Domestics, why the profit or loss on disposal of the van occurred.

2 marks

At the end of the reporting period, 31 December 2012, the accountant reviewed the financial information provided and prepared the following information for Gen Domestics. The owner is now concerned that the recent purchase of the delivery van, which was not budgeted for, was a bad idea.

Indicator	Budgeted 2012 Without purchase of delivery van	Actual 2012
Asset Turnover	2 times	1.2 times
Return on Assets	25%	18%
Debt Ratio	24%	38%
Working Capital Ratio	1.2:1	0.8:1

- c. Analyse and discuss the impact the purchase of the new delivery van has had on the performance of Gen Domestics in the reporting period.

4 marks

TURN OVER

Question 7

The following information relates to stationery sets purchased by Papeterie from France for the three months ending 30 September 2012.

Supplier's Price (100 stationery sets)	€5.05 Euro per set (conversion \$7.00 AU)	Inv. 345
Freight per shipment of 100 stationery sets	\$110 (including \$10 GST)	Chq. 89
Insurance on stock per annum	\$100 + \$10 GST	Chq. 90
Papeterie logo per set	\$0.40 per set	Inv. F55

Stationery sets are sold at a 150% mark-up on cost.

- Calculate the cost at which each stationery set will be recorded in the Stock Card. 1 mark
- Record the purchase of the stationery sets in the Stock Card provided. 2 marks
- With reference to an accounting principle, justify the cost at which the 100 stationery sets (supplier's price) was recorded. 2 marks
- With reference to a qualitative characteristic, explain your treatment of the cost of the Papeterie logo per set. 3 marks

Papeterie's accountant has suggested that all additional costs associated with the purchase of the stationery sets should be allocated as period costs.

- Explain the implications of this decision on the net profit and valuation of stock if some of the stationery sets remain unsold at the end of the period. 2 marks

By 30 December 2012, only 30 stationery sets had been sold. One of Papeterie's employees suggested selling the sets online at a discounted price of \$9 per set. The owner agreed and offered to pay the employee \$140 to sell the remaining 70 stationery sets online (Memo 5).

- Prepare the General Journal entry required to adjust the Stock Control account at 31 December 2012. A narration is **not** required. 2 marks

Quarterly stock turnover figures are as follows.

Three months ending	30 September 2012	31 December 2012	31 March 2013 Budgeted
Stock Turnover	85 days	90 days	75 days

- Discuss **two** implications of the above trend in the stock turnover on the profitability of the business. Identify and explain one strategy, other than online sales, that the owner could implement to improve this trend. 6 marks

Question 8

Tom Findlay owns and operates Findlay Builders. On 31 December 2011, the business purchased new equipment for \$45 000, not including GST. At that time it was estimated that the equipment would have a useful life of five years. The estimated residual value is expected to be \$8 000. Findlay Builders uses the straight-line method of depreciation.

- a. Explain why the residual value is subtracted when calculating the straight-line method of depreciation.
2 marks
- b. Using the straight-line method, calculate the depreciation expense for the year ended 30 June 2012.
2 marks
- c. Using the reducing balance method of depreciation (at a rate of 30% per year), calculate the depreciation expense on the equipment for the years ended
- 30 June 2012
 - 30 June 2013.
- 2 marks
- d. If the reducing balance method was used rather than the straight-line method of depreciation, explain how this would affect Net Profit
- for the year ended 30 June 2013
 - over the life of the asset.
- 2 marks
- e. Tom stated 'we can change to the reducing balance method of depreciation next year if we want to'. Using an accounting principle, explain whether this would be advisable.
4 marks

Question 9

Tim owns and operates a tool shop, Tim's Tools. He has provided you with the following budgeted information from the cash journals for the year 1 July 2012 to 30 June 2013.

Cash Receipts Journal

• Bank	311 200
• Discount Expense	1 700
• Debtors Control	180 900
• Cost of Sales	60 000
• Sales	120 000
• GST	12 000

Cash Payments Journal

• Bank	159 500
• Discount Revenue	1 500
• Creditors Control	45 000
• Stock Control	24 000
• Wages	53 000
• Sundries	
Drawings	6 000
Expenses	18 000
Customs Duties	2 000
Prepaid Rent Expense	8 000
Accrued Wages	2 000
• GST	3 000

Additional Information (expected for year)

- Credit Sales 50% greater than Cash Sales.
- Stock is marked up by 100%.
- Stock Loss to be 3% of total sales.
- Sales Returns to be 5% of sales.
- Accrued interest of \$200 relating to a term deposit.
- Wages owing 30 June 2013 estimated to be \$3 100.
- Balance in Prepaid Rent expense will be \$1 000 as at 30 June 2013.

- a. Prepare a Budgeted Income Statement for the year ending 30 June 2013.

7 marks

Tim is pleased with the level of expected profit indicated by the budget; however, he is concerned that these results will not be achieved in 12 months time.

- b. Explain how Tim could use the Budgeted Income Statement to monitor his progress.

2 marks

Question 10

Buckles and Belts has provided the following extract of a partially completed Cash Flow Statement Variance Report for the month ended 31 October 2012.

Buckles and Belts**Cash Flow Statement Variance Report (extract) for the month ended 31 October 2012**

	Budgeted	Actual	Variance	Fav/Unfav
Operating Activities				
Receipts from Debtors	95 000	90 000	5 000	U
Interest	300	375	75	U
Investing Activities				
Cash Sale of Shelving	6 000	7 500	1 500	F
Financing Activities				
Loan	(9 000)	(8 000)	1 000	F

- a. Referring to the extract above, state whether the interest is a cash inflow or cash outflow. Explain your answer.

2 marks

- b. Explain how Buckles and Belts could use the information contained in the Cash Flow Statement Variance Report (extract).

2 marks



**Victorian Certificate of Education
2012**

SUPERVISOR TO ATTACH PROCESSING LABEL HERE

STUDENT NUMBER

Figures

Words

Letter

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ACCOUNTING
Written examination 2

Day Date 2012

Reading time: *. to *.** (15 minutes)**

Writing time: *. to *.** (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

General Journal

a.

Date 2012	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

4 marks

b.

Balance Sheet item	Effect
Assets	
Liabilities	
Owner's Equity	

2 marks

Question 2

Cash Receipts Journal

a.

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

1 mark

Sales Journal

b.

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

4 marks

Question 3

Debtors Control

a.

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

4 marks

Creditors Control

b.

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

Stock Control

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

5 marks

c.

Accounting principle
Explanation

3 marks

Question 4

a.

Definition

2 marks

b.

Explanation

3 marks

Question 5

a.	Construction Equipment Method of depreciation
	Fixture and Fittings Method of depreciation
	Justification

4 marks

b.	Calculation
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Mark's Mega Movers
Balance Sheet (extract) as at 30 June 2012

Non-Current Assets	\$	\$

3 marks

Question 6

Delivery Van

a.

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

Accumulated Depreciation – Delivery Van

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

Disposal of Delivery Van

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

2 + 1 + 3 = 6 marks

b.

Explanation

2 marks

c.

Analysis and discussion

4 marks

Question 7

a.

Calculation

1 mark

Stock Card

b.

Stock Item: Stationery Sets										
Date 2012	Details	IN			OUT			BALANCE		
		Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total

2 marks

c.

Justification
Accounting principle

2 marks

d.

Explanation
Qualitative characteristic

3 marks

e.

Explanation

2 marks

General Journal

f.

Date 2012	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit

2 marks

g.

Discussion
Identification and explanation

6 marks

Question 8

a.

Explanation

2 marks

b.

Calculation

2 marks

c.

Calculation	
Depreciation expense for year ended 30 June 2012	\$

Calculation	
Depreciation expense for year ended 30 June 2013	\$

2 marks

d.

Explanation

2 marks

e.

Explanation

4 marks

Question 10**a.**

Cash Inflow or Cash Outflow
Explanation

2 marks

b.

Explanation

2 marks