



Victorian Certificate of Education 2009

ACCOUNTING

Written examination 1

Tuesday 9 June 2009

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>
2	2	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 13 pages.

Instructions

- Write your **student number** in the space provided on the front page of the answer book.
- Answer both 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

Bell Computing

James Bell owns and operates a small business, Bell Computing, selling computer products. The business uses the double entry accounting system based on the accrual method of accounting. Other features of Bell Computing's accounting system are as follows.

- i. The business uses control accounts and subsidiary records for Debtors, Creditors and Stock.
- ii. The perpetual method of stock recording and the FIFO cost assignment method are used.
- iii. Bell Computing has a 12-month reporting period ending 30 June.

1.1 At 1 May 2009 the business had the following creditors.

	\$
Baker & Co	6 000
A1 Suppliers	<u>1 200</u>
Total	<u>7 200</u>

The following extracts and summaries of journals for May are provided.

Cash Payments Journal

Date 2009	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
May									
5	Bits and Bytes	75	880			800		80	
12	Wages	76	5 500				5 500		
18	Baker & Co	77	6 000		6 000				
20	A1 Suppliers	78	1 200		1 200				
22	GST Clearing (ATO)	79	4 800						4 800
27	Computer World	80	3 300			3 000		300	
	Totals to date		21 680		7 200	3 800	5 500	380	4 800

Cash Receipts Journal (summary)

Date 2009	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries
31 May	Totals			220	12 000	17 000	24 000	2 400	0

Purchases Journal

Date 2009	Creditor	Invoice No.	Stock	GST	Total Creditors
May					
16	Baker & Co	142	1 500	150	1 650
20	City Traders	1258	4 000	400	4 400
26	A1 Suppliers	12	1 800	180	1 980
28	Baker & Co	158	1 200	120	1 320
31 May	Totals		8 500	850	9 350

Sales Journal

Date 2009	Debtor	Invoice No.	Cost of Sales	Sales	GST	Total Debtors
May 5	J James	1542	2 850	4 500	450	4 950
8	P Peters	1543	1 750	2 200	220	2 420
26	L Lawrence	1544	4 800	6 800	680	7 480
31 May	Totals		9 400	13 500	1 350	14 850

Additional information

- Cheque No. 81 was prepared and paid on 29 May. Payment was made to Baker & Co as settlement for the 16 May purchase (invoice 142). Credit terms offered on the invoice were 2/14, n/30.

Required

- 1.1.1 Record** Cheque No. 81 in the Cash Payments Journal.

2 marks

- 1.1.2 Calculate** the Bank column total for the Cash Receipts Journal.

1 mark

- 1.1.3 Show** how the following General Ledger accounts would appear after all journals have been posted on 31 May.

- Creditors Control
- Stock Control
- GST Clearing

(You **are** required to balance the Creditors Control account only.)

9 marks

- 1.2** At 31 May, City Traders' balance in the Creditors Subsidiary Ledger was \$4 400 Credit and A1 Suppliers' balance was \$1 980 Credit.

Required

- 1.2.1 Complete** Baker & Co's account in the Creditors Subsidiary Ledger at 31 May.

(You **are** required to balance the account.)

3 marks

- 1.2.2 Prepare** a Creditors Schedule at 31 May.

2 marks

- 1.3 State** one advantage of using Control accounts in the General Ledger.

1 mark

- 1.4** Bell Computing received the following Statement of Account from one of its main suppliers, Baker & Co.

STATEMENT OF ACCOUNT				
Baker & Co 12 Charles Street Grayton 3133			Date: 31/5/2009	
In account with: Bell Computing, 225 Centre Road, Newtown 3526				
		Debit	Credit	Balance
1 May	Balance			\$6 000 Dr
16 May	Inv. 142	\$1 650		\$7 650 Dr
18 May	Payment received – thank you		\$6 000	\$1 650 Dr
28 May	Inv. 158	\$1 320		\$2 970 Dr
30 May	Payment/discount – thank you		\$1 650	\$1 320 Dr
31 May	Balance owing			\$1 320

Required

State how Bell Computing should use the May Statement of Account. **Identify** one qualitative characteristic to support your argument.

2 marks

1.5 At 30 June 2009 the following post-adjustment Trial Balance was prepared.

Bell Computing
Post-adjustment Trial Balance at 30 June 2009

ACCOUNT	DR \$	CR \$
Accrued Wages		1 800
Accumulated Depreciation – Equipment		22 800
Bad Debts	1 500	
Bank		7 200
Capital – B Bell		271 000
Cost of Sales	185 100	
Creditors Control		27 200
Debtors Control	12 600	
Depreciation – Equipment	10 700	
Discount Revenue		1 000
Drawings	35 000	
Equipment	127 000	
Freight In	3 000	
GST Clearing	4 100	
Interest Expense	17 000	
Land & Buildings (2006 cost)	370 000	
Mortgage Loan*		220 000
Office Expense	9 000	
Prepaid Office Expense	2 000	
Sales		344 000
Stock Control	55 000	
Stock Gain		200
Wages Expense	63 200	
	895 200	895 200

* Note: \$20 000 is paid off the Mortgage Loan principal each year. Interest is additional and treated as an Interest Expense.

Required

1.5.1 **Prepare** a classified Profit and Loss Statement for the year ended 30 June 2009.

6 marks

1.5.2 **Prepare** the Equities section of the Balance Sheet at 30 June 2009.

4 marks

1.5.3 **Show** how the Wages Expense account would appear in the General Ledger after adjusting and closing entries were made. Note: There were no accrued or prepaid expenses at 1 July 2008.

3 marks

1.5.4 **Explain** how the GST Clearing account can have a debit balance.

2 marks

1.5.5 **State** how the Prepaid Office Expense account would be classified in the Balance Sheet.

Justify your answer.

2 marks

- 1.6** The equipment was depreciated using the straight line method. The equipment has an estimated useful life of 10 years and expected residual value of \$20 000.

Required

Explain why the residual value is deducted from the cost price when determining the depreciation expense for the period.

2 marks

- 1.7** A credit sale that occurred in June has not been recorded.

Required

State the effect of this omission on the Profit and Loss Statement.

3 marks

- 1.8** The owner stated 'I am not sure I want to make a profit this year! Last year I made a loss but my bank balance increased by \$5 000 despite having no new loans or capital contributions'.

Required

Explain, giving one example, how this could occur.

3 marks

Total 45 marks

Question 2

CARS R US

Jon Lambino commenced a business on 1 January 2009, called CARS R US, that sells automotive parts and car accessories. CARS R US uses the double entry accounting system based on the accrual method of accounting. Other features of the accounting system are as follows.

- i. The business uses control accounts and subsidiary records for Debtors, Creditors and Stock.
- ii. The perpetual method of stock recording and the FIFO cost assignment method are used.
- iii. CARS R US has a reporting period which ends each year at 30 June.

2.1 On 1 January 2009, Jon set up the business by contributing the following assets and liabilities.

	\$
Computer System	(see below)
Delivery Truck (new)	40 000
Truck Loan (Auto Finance)	25 000
Cash	20 000
Prepaid Service Agreement	(see below)

Details of the computer system and service agreement are as follows.

- Jon had used the computer system in a previous business. The original cost for the system was \$30 000, but Jon and the accountant had determined an agreed market value of \$15 000 at 1 January 2009.
- Jon also maintains a service agreement on the computer. The cost of the agreement is \$2 400 p.a., payable 12 months in advance, last paid on 30 November 2008, for the year commencing 1 December 2008.
- Both the computer and the service agreement are to be transferred to the business on 1 January 2009.

Required

2.1.1 **Prepare** the journal entries required to commence business on 1 January 2009.

(Narration is **not** required.)

4 marks

2.1.2 **Explain**, referring to one qualitative characteristic, the value at which you recorded the computer system in the General Journal at 1 January 2009.

1 + 2 = 3 marks

2.2 On 1 June 2009, stock records revealed the following stock item.

Date	Item	Units on Hand	Unit value (\$)
1 June 2009	A1 Deluxe Car Battery	8	\$140 each

During June 2009 the following transactions occurred relating to the A1 Deluxe Car Battery.

- 7 June – Sold 6 batteries to Ace Auto Club – \$260 each + \$26 GST each (Inv. 122).
- 11 June – Purchased 10 batteries from Electronics on Wheels – \$120 each + \$12 GST each (Inv. X45).
Credit Terms, 5/7, n/30.
- 14 June – Sold 4 batteries – \$260 each + \$26 GST each (Rec. No. 28).
- 15 June – Jon gave 2 batteries as prizes for the local school's annual raffle (Memo 15).
- 16 June – Paid Invoice X45 from Electronics on Wheels taking the \$66 discount revenue as per the credit terms offered (Chq. No. 348).
- 30 June – A stocktake revealed 5 A1 Deluxe Car Batteries on hand (Memo 16).

Required

- 2.2.1 Complete** the Stock Card for A1 Deluxe Car Batteries for June 2009. 5 marks
- 2.2.2 Explain** the effect on net profit of using the FIFO cost assignment method at a time when suppliers' prices **are falling**. 2 marks
- 2.2.3 State** the effect the discount revenue has on the Balance Sheet of CARS R US as at 30 June 2009. 3 marks
- 2.2.4 Explain**, with reference to the definition of an expense, your treatment of the 2 batteries given to the school raffle on 15 June. 2 marks

2.3 Totals of cash journals for the 6 months ending 30 June 2009 are shown below.

Cash Receipts Journal

Date 2009	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries*
30 June	Totals		138 100	600	14 100	43 000	86 000	8 600	30 000

* Sundries comprise two capital contributions totalling \$30 000.

Cash Payments Journal

Date 2009	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries*
30 June	Totals		124 800	400	48 000	12 000	14 000	3 000	48 200

* Sundries consist of the following items.

- Prepaid Rent \$12 000
- Loan Interest \$500
- Loan Repayments \$5 000
- Drawings \$12 700
- New Furniture \$18 000

Note: Wages owing at 30 June 2009 amounted to \$500.

Required

Prepare a classified Cash Flow Statement for the 6 months ended 30 June 2009.

8 marks

2.4 Jon provides the following pre-adjustment Trial Balance extract at 30 June 2009.

CARS R US
Pre-Adjustment Trial Balance (extract) as at 30 June 2009

Account	Debit \$	Credit \$
Cash Sales		86 000
Credit Sales		22 000
Discount Revenue		400
Drawings	12 700	
Furniture	18 000	
Prepaid Rent	12 000	
Stock Loss	1 800	

Additional information

- CARS R US purchased \$18 000 of new furniture on 1 June 2009. The furniture was expected to have a useful life of 10 years and a residual value of \$3 000.
- A payment of an electricity bill, \$250 plus \$25 GST, was incorrectly recorded as wages of \$275.
- Jon remembered that back in May 2009 he had taken stock for his personal use and had forgotten to record it. The stock had a cost price of \$1 100 plus \$110 GST and a selling price of \$2 200 plus \$220 GST.
- Rent is paid three months in advance. Three payments of \$4 000 were made in January, March and June 2009.

Required

2.4.1 **Calculate** the depreciation expense for furniture for the Profit and Loss Statement for the six months ending 30 June 2009.

2 marks

2.4.2 **Prepare** the General Journal entries to record the necessary adjusting and correcting of errors at 30 June 2009.

(Narrations are **not** required.)

1 + 2 + 2 + 2 = 7 marks

2.4.3 **State** and **justify** the accounting principle that requires the business to record the stock taken by the owner for his personal use.

2 marks

2.5 After completing the adjusting and correcting entries, total expenses of \$83 400 were closed to the Profit and Loss Summary account on 30 June 2009.

Required

2.5.1 **Prepare** the General Journal entry to close the revenue accounts to the Profit and Loss Summary account.

(Narration is **not** required.)

2 marks

2.5.2 **Show** how the Profit and Loss Summary account and the Capital account would appear in the General Ledger after all closing and transfer entries have been posted.

(You **are** required to balance the Capital account.)

5 marks

Total 45 marks

END OF QUESTION BOOK



**Victorian Certificate of Education
2009**

SUPERVISOR TO ATTACH PROCESSING LABEL HERE

STUDENT NUMBER

Figures

Words

Letter

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ACCOUNTING
Written examination 1

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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 – Bell Computing**1.1.1****Cash Payments Journal**

Date 2009	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
May 5	Bits and Bytes	75	880			800		80	
12	Wages	76	5 500				5 500		
18	Baker & Co	77	6 000		6 000				
20	A1 Suppliers	78	1 200		1 200				
22	GST Clearing (ATO)	79	4 800						4 800
27	Computer World	80	3 300			3 000		300	
	Totals to date		21 680		7 200	3 800	5 500	380	4 800

2 marks

1.1.2**Cash Receipts Journal (summary)**

Date 2009	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries
31 May	Totals			220	12 000	17 000	24 000	2 400	0

Bank column total for the Cash Receipts Journal

\$

1 mark

1.1.3

CREDITORS CONTROL

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
			1 May	Balance	7 200

STOCK CONTROL

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
1 May	Balance	52 000	May		

GST CLEARING

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
			1 May	Balance	4 800

9 marks

1.2.1

CREDITOR – Baker & Co

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$

3 marks

1.2.2

Bell Computing
Creditors Schedule at 31 May 2009

Creditor	\$

2 marks

1.3

Advantage

1 mark

1.4

Qualitative characteristic
Statement

2 marks

1.5.4

Explanation

2 marks

1.5.5

Classification
Justification

2 marks

1.6

Explanation

2 marks

1.7**Effect on Profit and Loss Statement**

Revenue Items	Overstated/Understated
Expense Items	

3 marks

1.8

Explanation

3 marks

Total 45 marks

Question 2 – CARS R US

2.1.1

GENERAL JOURNAL

Date 2009	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
1 Jan.					

CASH RECEIPTS JOURNAL

Date 2009	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries
1 Jan.									

4 marks

2.1.2

Qualitative characteristic
Explanation

1 + 2 = 3 marks

Question 2 – continued
TURN OVER

2.2.1 Stock Card: A1 Deluxe Car Batteries

Date 2009	Details	IN			OUT			BALANCE		
		Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$
1 June	Balance							8	140	1 120

5 marks

2.2.2

Explanation

2 marks

2.2.3 Effect on Balance Sheet

Item	Increase/Decrease/No change
Effect on Assets	
Effect on Liabilities	
Effect on Owner's Equity	

3 marks

2.2.4

Explanation

2 marks

2.3

CARS R US
Cash Flow Statement for 6 months ended 30 June 2009

	\$	\$
Cash Flow from Operating Activities		
NET CASH FROM OPERATING ACTIVITIES		
Cash Flow from Investing Activities		
NET CASH FROM INVESTING ACTIVITIES		
Cash Flow from Financing Activities		
NET CASH FROM FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH		
Cash at Bank (01/01/2009)		
Cash at Bank (30/06/2009)		

8 marks

2.5.1

GENERAL JOURNAL

Date 2009	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

2 marks

2.5.2

PROFIT AND LOSS SUMMARY

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$

CAPITAL

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
			June 30	Balance	62 200

5 marks

Total 45 marks

END OF ANSWER BOOK