



# Victorian Certificate of Education 2010

## ACCOUNTING

### Written examination 1

**Tuesday 8 June 2010**

**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****Bazza Barbies**

Barry Burke owns and operates a small business, Bazza Barbies, selling local and imported barbecues (BBQ). The business uses the double entry accounting system based on the accrual method of accounting. Other features of Bazza Barbies' 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.

- 1.1** Bazza Barbies commenced business on 1 January 2010 when Barry Burke contributed cash (\$10 000) and a delivery van (agreed value \$20 000).

Bazza Barbies agreed to purchase the stock and take over the rental agreement for the premises of an existing business as of 1 January 2010. The stock had an agreed value of \$35 000 plus \$3 500 GST and this was paid for on 31 January – Cheque No. 101. The premises was rented at \$2 000 (+ \$200 GST) per month, normally payable on the first day of each month. The first rent payment is to be made on 1 February when both January and February's rent will be paid.

On 31 January the business also borrowed \$50 000, repayable over five years, with equal repayments at 31 December of each year, plus interest.

Trading began on 1 February 2010.

**Required**

**Prepare** a Balance Sheet extract at 31 January 2010.

5 marks

- 1.2** At the end of February the following journals were provided.

**Cash Payments Journal (summary)**

Date 2010	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
28 Feb.	Totals for month		18 730		–	3 300	9 500	730	5 200

**Purchases Journal (summary)**

Date 2010	Creditor	Invoice No.	Stock	GST	Total Creditors
28 Feb.	Totals for month		15 000	1 500	16 500

**Cash Receipts Journal (summary)**

Date 2010	Details	Rec. No.	Bank	Disc. expense	Debtors	Cost of Sales	Sales	GST	Sundries
28 Feb.	Totals to date		44 000	–	–	24 000	40 000	4 000	–

**Sales Journal (summary)**

Date 2010	Debtor	Invoice No.	Cost of Sales	Sales	GST	Total Debtors
28 Feb.	Totals for month		8 400	14 000	1 400	15 400

On 28 February the following additional transactions occurred.

- Debtor J Hardy settled his account from a sale (\$2 500 + \$250 GST) on 15 February taking full advantage of the credit terms offered (2/14, n/30). Receipt No. 36.
- The owner contributed additional capital of \$3 000. Receipt No. 37.
- The owner took home one BBQ for his personal use (Cost price – \$600. Selling price – \$1 000). Memo. No. 6.

### Required

**1.2.1 Record** these transactions in the journals provided.

(Narration is **not** required in the General Journal.)

4 marks

**1.2.2** All accounts are balanced at the end of each month. **Show** how the following General Ledger accounts would appear after all journals have been posted and accounts balanced at 28 February 2010.

- Bank
- Debtors Control
- Stock Control

9 marks

**1.2.3 Show** how Debtor J Hardy's account would appear in the subsidiary ledger at 28 February 2010.

2 marks

**1.2.4 State** the effect on the Profit and Loss Statement of discounts given to debtors.

1 mark

**1.2.5 Explain** one benefit of using specialised journals in the recording process.

2 marks

**1.2.6 Explain** why the totals of the Sundries column of the cash journals are not posted to the General Ledger.

2 marks

1.3 At 30 June 2010 the following pre-adjustment Trial Balance was prepared.

**Bazza Barbies**  
**Pre-adjustment Trial Balance at 30 June 2010**

ACCOUNT	DR \$	CR \$
Bank	23 320	
Capital – Barry Burke		34 000
Sales		300 000
Cost of Sales	177 000	
Creditors Control		22 000
Debtors Control	35 000	
Delivery Van	23 000	
Discount Expense	1 300	
Discount Revenue		420
Drawings – Barry Burke	26 000	
Freight In	2 600	
Freight Out	1 800	
GST Clearing		12 000
Loan		50 000
Prepaid Insurance	2 400	
Rent Expense	12 000	
Stock Control	48 000	
Wages Expense	66 000	
	<b>418 420</b>	<b>418 420</b>

The following information is made available at 30 June 2010.

- The stocktake at 30 June indicated stock on hand of \$48 700.
- Repairs to the Delivery Van of \$3 000 has been incorrectly posted to the Delivery Van account. The \$300 GST was correctly posted.
- The Delivery Van is estimated to have a useful life of 5 years and a residual value of \$8 000.
- The interest on the loan is 9% per annum, payable at 31 December each year.
- The Insurance Policy (\$2 400 + \$240 GST) is an annual premium commencing 1 March 2010.

**Required**

1.3.1 **Prepare** the General Journal entries to record the necessary adjustments or corrections at 30 June 2010.

(Narrations are **not** required.)

2 + 2 + 2 + 2 + 2 = 10 marks

1.3.2 **Prepare** a classified Profit and Loss Statement for the 6 months ended 30 June 2010.

6 marks

**1.4** 'Depreciation Expense is an example of the conflict that exists between the qualitative characteristics of relevance and reliability.'

**Required**

**1.4.1** **Explain** why depreciation expense is considered relevant.

2 marks

**1.4.2** **Explain** why depreciation expense may not be considered reliable.

2 marks

Total 45 marks

**TURN OVER**

**Question 2****Jenny's Water Tanks**

Jenny Wallace owns and operates a small business, Jenny's Water Tanks, selling a range of different-sized water tanks. The business uses the double entry accounting system based on the accrual method of accounting. Other features of Jenny's Water Tanks' 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. Jenny's Water Tanks has a 12-month reporting period ending 30 June.

**2.1** Jenny's Water Tanks' most popular stock item is the Flat Line Tank (2 500 litres). The following information relates to this stock item in June 2010.

<b>Date 2010</b>	<b>Item</b>	<b>Units on hand</b>	<b>Unit value (\$)</b>
1 June	Flat Line Tank (2 500 litres)	10	\$800 each

During June 2010 the following transactions occurred relating to the Flat Line Tank.

- 1 June – Purchased 32 units at \$850 each (plus \$85 GST) – Invoice A346.  
 8 June – Sold 35 units at \$2 500 each (plus \$250 GST) – Invoice WT26.  
 18 June – One Flat Line Tank was installed at the business premises. The source documents relating to this installation are below.

**Memo 28****Date:** 18 June 2010

**Instruction:** *One Flat Line Tank (2 500 litres) installed at business premises (from stock). Accountant to treat this as non-current asset (equipment).*

**Signed:** J Wallace**JOE'S PLUMBING SERVICES**

ABN 56 486 863 234

**Tax Invoice** JP 56**Date** 18 June 2010**Charge to:** Jenny's Water Tanks**For:** Installation – 1 tank (supplied by owner)

<b>Invoice Price:</b>	\$350
<b>Plus GST (10%):</b>	<u>\$35</u>
<b>Total</b>	<u>\$385</u>

Terms 2/14, n/30

Stocktake details at 30 June are shown in the memo below.

<p><b>Memo 29</b></p> <p><i>Stocktake Results:</i>  <i>Stocktake (Flat Line Tank – 2 500 litres) – 6 units on hand</i></p>	<p><b>Date:</b> 30 June 2010</p> <p><b>Signed:</b> J Wallace</p>
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**Required**

- 2.1.1 Complete** the Stock Card for Flat Line Tanks (2 500 litres) for June 2010. 3 marks
- 2.1.2 Explain** why businesses adopt the FIFO cost assignment method. 2 marks
- 2.1.3 Show** the General Journal entries required to record the installation of the tank. (Narrations are **not** required.) 4 marks
- 2.1.4** Using the water tank installed at the business premises as an example, **explain** how the cost of a non-current asset is determined. 2 marks

**2.2** At 30 June 2010 the GST Clearing Account appeared as follows.

**GST Clearing Account**

Date 2010	Cross reference	\$	Date 2010	Cross reference	\$
30 June	Balance	770	30 June	Debtors Control	6 200
	Creditors Control (1)	3 800		Bank (2)	1 900
	Bank	1 800		Bank (3)	770
	Balance	2 500			
		<b>8 870</b>			<b>8 870</b>

**Required**

- 2.2.1 Identify** which journals the entries marked (1) and (2) come from. 1 + 1 = 2 marks
- 2.2.2 State** the transaction that caused entry (3). 1 mark
- 2.2.3 State** how the GST Clearing Account would be classified in the Balance Sheet at 30 June 2010. 1 mark
- 2.2.4 State** three characteristics that are necessary for an item to meet the definition of a liability. 1 + 1 + 1 = 3 marks

**2.3** The following are the column totals for the cash journals for the year ended 30 June 2011.

<b>Cash Receipts Journal</b>	<b>\$</b>	<b>Cash Payments Journal</b>	<b>\$</b>
Bank	See Q2.3.1	Bank	1 054 000
Discount Expense	3 000	Discount Revenue	1 500
Debtors	645 000	Creditors	340 000
Cost of Sales	140 000	Stock	280 000
Sales	290 000	Wages	246 000
GST	29 000	GST	31 000
Sundries <sup>(1)</sup>	100 000	Sundries <sup>(2)</sup>	158 500

<sup>(1)</sup> Sundry Receipts consist of

Loan	100 000
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<sup>(2)</sup> Sundry Payments consist of

Accrued Wages	2 000
Drawings *	75 000
Prepaid Advertising	38 000
Equipment	30 000
Loan – Principal	12 000
Loan – Interest	1 500

**Additional information**

\*The owner also withdrew \$10 000 in stock.

**Required**

**2.3.1 Calculate** the total cash received for the year.

1 mark

**2.3.2 Prepare** the Cash Flow from the Operating Activities section of the Cash Flow Statement for the year ended 30 June 2011.

6 marks

**2.3.3** In the previous year the business reported a net profit but also reported a net outflow of cash from operating activities. **Explain**, giving two examples, how this can occur.

2 + 2 = 4 marks



2.4 At 30 June 2011 the following information was prepared.

**Jenny's Water Tanks**  
**Post-adjustment Trial Balance (extract) at 30 June 2011**

ACCOUNT	DR \$	CR \$
Accumulated Depreciation (Equipment)		2 500
Capital – Jenny Wallace		275 000
Cost of Sales	560 000	
Depreciation Expense (Equipment)	1 500	
Discount Expense	3 000	
Discount Revenue		1 500
Drawings	85 000	
GST Clearing		4 880
Interest Expense	2 000	
Prepaid Advertising Expense	38 000	
Sales		985 000
Stock Gain		1 200
Wages Expense	250 000	
Accrued Wages		4 000

Note: The adjustment for Prepaid Advertising for the year has been overlooked.

All advertising contracts have been completed by 30 June except for one that was paid for in May 2011 (\$9 000 + \$900 GST). This contract covers the three-month period commencing 1 June 2011.

**Required**

2.4.1 **State** the effect on the accounting equation if this adjustment is not recorded at 30 June 2011.

2 marks

2.4.2 **State** the amount of Prepaid Advertising that should be reported in the Balance Sheet at 30 June 2011.

1 mark

2.4.3 The accountant has now made the appropriate adjustment to Prepaid Advertising.

**Prepare** General Journal entries to close all revenue and expense accounts to the Profit and Loss Summary account.

(Narrations are **not** required.)

5 marks

2.4.4 **Show** how the Capital account would appear after recording all closing and transfer entries.

(You are **not** required to balance the Capital account.)

2 marks

**2.4.5 Show** how the Wages Expense account would appear after recording all closing and adjusting entries for the year.

2 marks

**2.4.6 Explain** why asset accounts are not closed at the end of each reporting period. **Identify** the accounting principle that supports your answer.

2 + 1 = 3 marks

**2.5** Wages are paid every Friday based on a five-day working week (Monday to Friday) – \$5 000 per week. 30 June 2011 is a Thursday.

**Required**

**Record** the payment of wages on Friday 1 July 2011 in the Cash Payments Journal.  
(Cheque No. 456)

1 mark

Total 45 marks





**Victorian Certificate of Education  
2010**

SUPERVISOR TO ATTACH PROCESSING LABEL HERE

**STUDENT NUMBER**

Figures									Letter
Words									

**ACCOUNTING**  
**Written examination 1**

**Tuesday 8 June 2010**

**Reading time: 2.45 pm to 3.00 pm (15 minutes)**

**Writing time: 3.00 pm to 4.30 pm (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 – Bazza Barbies****1.1**

**Bazza Barbies**  
**Balance Sheet (extract) at 31 January 2010**

<b>Current Assets</b>		<b>Current Liabilities</b>	
<b>Non-Current Assets</b>		<b>Non-Current Liabilities</b>	

5 marks

**1.2.1****Cash Receipts Journal (summary)**

<b>Date 2010</b>	<b>Details</b>	<b>Rec. No.</b>	<b>Bank</b>	<b>Disc. expense</b>	<b>Debtors</b>	<b>Cost of Sales</b>	<b>Sales</b>	<b>GST</b>	<b>Sundries</b>
28 Feb.	Totals to date		<b>44 000</b>	–	–	<b>24 000</b>	<b>40 000</b>	<b>4 000</b>	–
	Totals for Feb.								

**GENERAL JOURNAL**

<b>Date 2010</b>	<b>Particulars</b>	<b>General Ledger</b>		<b>Subsidiary Ledger</b>	
		<b>Debit \$</b>	<b>Credit \$</b>	<b>Debit \$</b>	<b>Credit \$</b>
28 Feb.					

4 marks

## 1.2.2

**BANK**

<b>Date 2010</b>	<b>Cross Reference</b>	<b>\$</b>	<b>Date 2010</b>	<b>Cross Reference</b>	<b>\$</b>

**DEBTORS CONTROL**

<b>Date 2010</b>	<b>Cross Reference</b>	<b>\$</b>	<b>Date 2010</b>	<b>Cross Reference</b>	<b>\$</b>

**STOCK CONTROL**

<b>Date 2010</b>	<b>Cross Reference</b>	<b>\$</b>	<b>Date 2010</b>	<b>Cross Reference</b>	<b>\$</b>

9 marks

## 1.2.3

**DEBTOR – J Hardy**

<b>Date 2010</b>	<b>Cross Reference</b>	<b>\$</b>	<b>Date 2010</b>	<b>Cross Reference</b>	<b>\$</b>

2 marks

## 1.2.4

<b>Statement</b>

1 mark

## 1.2.5

<b>Explanation</b>

2 marks

## 1.2.6

<b>Explanation</b>

2 marks

## 1.3.1

**GENERAL JOURNAL**

Date 2010	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
30 June					

2 + 2 + 2 + 2 + 2 = 10 marks

**Question 1** – continued  
**TURN OVER**



**1.3.2**

**Bazza Barbies**  
**Profit and Loss Statement for 6 months ended 30 June 2010**

	\$	\$

6 marks

**1.4.1**

<b>Explanation</b>

2 marks

**1.4.2**

<b>Explanation</b>

2 marks

Total 45 marks

**TURN OVER**

**Question 2 – Jenny’s Water Tanks****2.1.1 Stock Card: Flat Line Tanks (2 500 litres)**

Date June 2010	Details	IN			OUT			BALANCE		
		Qty	Cost \$	Total \$	Qty	Cost \$	Total \$	Qty	Cost \$	Total \$
1 June	Balance							10	800	8 000
1 June										
8 June										
18 June										
30 June										

3 marks

**2.1.2**

Explanation

2 marks

**2.1.3****GENERAL JOURNAL**

Date 2010	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
18 June					

4 marks

**2.1.4**

<b>Explanation</b>

2 marks

**2.2.1**

<b>Entry 1</b>
<b>Entry 2</b>

1 + 1 = 2 marks

**2.2.2**

<b>Statement</b>

1 mark

**2.2.3**

<b>Classification</b>
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1 mark

**2.2.4**

<b>Characteristic 1</b>
<b>Characteristic 2</b>
<b>Characteristic 3</b>

1 + 1 + 1 = 3 marks

2.3.1

<b>Calculation</b>
<b>Total Cash Received</b> \$

1 mark

2.3.2

**JENNY'S WATER TANKS**  
Cash Flow Statement (extract) for year ended 30 June 2011

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

6 marks

## 2.3.3

<b>Explanation</b>
<b>Example 1</b>
<b>Example 2</b>

2 + 2 = 4 marks

## 2.4.1

	<b>Overstated/Understated/No effect</b>	<b>Amount \$</b>
<b>Assets</b>		
<b>Liabilities</b>		
<b>Owner's Equity</b>		

2 marks

## 2.4.2

<b>Statement</b>

1 mark

## 2.4.3

**GENERAL JOURNAL**

Date 2011	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
30 June					

5 marks

## 2.4.4

**CAPITAL**

Date 2011	Cross Reference	\$	Date 2011	Cross Reference	\$
30 June			30 June		

2 marks

## 2.4.5

**WAGES EXPENSE**

Date 2011	Cross Reference	\$	Date 2011	Cross Reference	\$
30 June			30 June		

2 marks

**2.4.6**

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

2 + 1 = 3 marks

**2.5****Cash Payments Journal (summary)**

<b>Date 2011</b>	<b>Details</b>	<b>Chq. No.</b>	<b>Bank</b>	<b>Disc. Rev.</b>	<b>Creditors</b>	<b>Stock</b>	<b>Wages</b>	<b>GST</b>	<b>Sundries</b>
1 July									

1 mark

Total 45 marks



