



# Accounting 2007–2010

## 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.

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

VCAA examination rules will apply. Details of these rules are published annually in the *VCE and VCAL Administrative Handbook*.

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

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

#### Content

All outcomes in Unit 4 of the *Accounting VCE Study Design* will be examined. All of the key knowledge and skills that underpin the outcomes are examinable. The examination will assess a representative sample of the key knowledge and skills in Unit 4.

#### Format

The examination will consist of two scenarios from which a series of questions will be derived. All questions are compulsory.

The marks allocated to each outcome will be approximately equal. The examination will have a total mark availability of 90.

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

#### Approved materials and equipment

- Pencil (should be used where calculations are performed)
- Scientific calculator

#### Advice

During the 2007–2010 accreditation period for VCE Accounting, examinations will be prepared according to the Examination specifications above. Each examination will be an interpretation of these specifications and will test a representative sample of the key knowledge and skills.

The following Unit 4 sample questions have been prepared in order to provide an illustration of how this study might be examined.

## Sample questions

### Question 1

#### Wazza's Tent World

Warren Walker owns and operates a small trading business called Wazza's Tent World, specialising in the sale of camping equipment. His accounting system is based on the double entry accrual system of recording and reporting. Warren maintains a perpetual stock recording system and control accounts for Debtors, Creditors and Stock.

1.1 The following account balances were taken from the Trial Balance on 1 December 2007.

	\$
Stock Control	36 000 Dr
Debtor Control	9 800 Dr

The Debtors Schedule at this date showed:

Hurley Sports Club	4 900
North Park Primary	2 600
Alan Johnson	<u>2 300</u>
	<u>9 800</u>

The following Journals have been prepared for the month ending 31 December 2007.

#### Sales Journal

Date 2007	Debtor	Inv. No.	Cost of Sales	Sales	GST	Total Debtors
9 Dec	North Park Primary	64	450	900	90	990
20 Dec	A Franklin	65	330	650	65	715
22 Dec	Hurley Sports Club	66	950	1 800	180	1 980
	TOTAL		1 730	3 350	335	3 685

#### Purchases Journal

Date 2007	Creditor	Inv. No.	Stock	GST	Total Creditors
31 Dec	TOTAL		6 300	630	6 930

**General Journal**

Date 2007	Particulars	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit
December					
10	Sales Returns	900			
	GST Clearing	90			
	Debtor Control		990		
	Debtor – North Park Primary				990
	Stock Control	450			
	Cost of Sales		450		
	<b>Customer returns damaged stock – Credit Note A11</b>				

The following information has not yet been recorded.

- Cash Receipts

Receipt 67 – Cash Sale on 23 December for \$1 400 + \$140 GST (cost price \$700)

Receipt 68 – North Park Primary settled their account on 24 December, taking full advantage of a 10% discount

<b>Wazza's Tent World</b>	<b>Receipt No. 69</b>
<b>Glenferrie Road</b>	
<b>Malthorn</b>	<b>30 December 2007</b>
Received from: <b>Hurley Sports Club</b>	
<b>12 Sport Parade</b>	
<b>Fitnessville</b>	
Payment of Invoice No. 37	<u>\$2 250</u>
Total	<u>\$2 250</u>

- Credit Note

	<b>Credit Note 77</b>
	<b>31 December 2007</b>
<b>DHM</b>	
<b>45 Main Rd</b>	
<b>Warrandyde</b>	
ABN 234 567 897	
<b>To Wazza's Tent World</b>	
<b>Glenferrie Road</b>	
<b>Malthorn</b>	
<b>Qty Description Cost GST Total</b>	
<b>1 Simpson tent 300 30 \$330</b>	
<b>Tent faulty – Zip broken</b>	

**Required**

**1.1.1 Record** the three receipts above in the Cash Receipts Journal.

(**Total** the Cash Receipts Journal.)

3 marks

**1.1.2 Show** how the Debtors Control account would appear in the General Ledger after all the above information has been recorded.

Balance the account at 31 December 2007.

5 marks

**1.1.3 Show** how North Park Primary's account in the Debtors Subsidiary Ledger would appear after all the above information has been recorded.

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

4 marks

**1.1.4 Record** Credit Note 77 in the General Journal.

(A narration **is not** required.)

3 marks

**1.1.5 Explain** how the use of the Debtors Control account and Debtors Subsidiary Ledger assists in managing debtors.

2 marks

**1.2** On 1 January 2008 Wazza's Tent World purchased computer equipment on credit from Computers On-line (Inv 55) for \$3 000 + 300 GST (total \$3 300). Depreciation on the computer was 40% p.a. using the straight-line method of depreciation.

On 31 March 2008, Warren decided to replace the computer equipment by trading in the old computer for a new one.

Details of the trade-in and purchase of the new computer are shown on the following invoice.

<b>ACE Computers</b>			
<b>ABN 95 254 666 744</b>			
		<b>Tax Invoice</b>	90
		<b>Date</b>	31/03/2008
<b>Charge to:</b>	Wazza's Tent World		
	Glenferrie Road		
	Malthorn		
<b>Item:</b>	Model PC 28Z		
Cost of new computer equipment	\$ 4 000		
GST	\$ 400	\$ 4 400	
<b>Less</b> trade-in allowance	\$ 500		
Cash deposit	\$ <u>1 000</u>	\$ <u>1 500</u>	
Balance owing			\$ <u>2 900</u>
			<b>Terms 30 days</b>

**Note:** Cash deposit \$1 000 (Cheque No. 166)

**Required**

- 1.2.1 Prepare** the journal entries required to record the disposal of the old computer equipment.  
(Narrations are **not** required.)

4 marks

- 1.2.2 Show** how the above transactions would affect the Profit and Loss Statement for the quarter ended 31 March 2008 by completing the table.

2 marks

- 1.2.3 Show** how the above transactions would affect the Cash Flow Statement for the quarter ended 31 March 2008 by completing the table.

1 mark

- 1.3** Warren plans to introduce a new type of tent. Purchases will be made in lots of approximately 50 units from an existing supplier. The delivery of tents from the supplier will be part of a larger monthly delivery. Cost of each delivery is \$800 + \$80 GST.

Other details are as follows:

Item	Cost Allocation	Amount \$	GST \$	Total \$
Selling price	per unit	900	90	990
Supplier's invoice price	per unit	450	45	495
Waterproofing of tents before sale	per unit	30	3	33
Advertising costs for new tent	per 50 units	500	50	550
Packaging costs before sale	per unit	10	1	11
Delivery out (optional)	per unit	20	2	22

**Required**

- 1.3.1 State** the cost at which the new tents should be recorded in the Stock Card.  
Justify, using a qualitative characteristic, the amounts included in the cost.

3 + 1 + 2 = 6 marks

- 1.3.2 Explain** what is meant by a period cost and product cost, using examples from costs of the new type of tent.

4 marks

- 1.4** Warren has provided the accountant with the following estimates for the 3 months (quarter) ending 30 June 2008.

- Bank Ledger account balance at 1 April 2008 is \$16 000 (credit).
- Sales for the quarter are expected to be \$230 000, of which 30% will be on credit.
- Cost of Sales will be 50% of sales.
- Stock Purchases for the quarter are expected to be \$150 000. 80% of stock purchases are on credit.
- Creditors are owed \$40 000 at 1 April 2008 and the expected balance at 30 June 2008 is \$30 000.
- Debtors balance at 1 April 2008 is \$24 000. This balance is expected to increase by \$10 000 over the quarter.
- Expenses are budgeted to be 20% of total sales for the quarter.  
These expenses include:
  - Depreciation on Fixtures and Fittings \$4 000
  - Bad Debts expense of \$2 000
  - Customs Duty on stock purchases of \$1 000
  - Interest on Loan \$4 000
  - Interest on Bank Overdraft of \$2 000

- Wages paid of \$29 300 (Accrued Wages at 1 April 2008 are \$800 and at 30 June 2008 are expected to be \$500)
- Office expenses \$4 000.
- Apart from wages, there are no other prepayments or accruals.
- In addition to the interest payments, a further \$5 000 is repaid each month from an existing loan.
- Drawings for the quarter are expected to be \$22 000 (cash) and \$2 000 (stock).

**Required**

**1.4.1 Prepare** a Budgeted Cash Flow Statement for the quarter ended 30 June 2008.

7 marks

**1.4.2** The actual figures from the Profit and Loss Statement for the quarter ended 30 June 2008 for credit sales and wages are shown in the table in the answer book.

**Complete** the table showing

- the budget figure
- the variance.

Indicate if the variance is favourable (F) or unfavourable (U).

2 marks

**1.4.3** Explain the advantage of preparing a Profit and Loss Variance report.

2 marks

**Answer Book****1.1.1****Cash Receipts Journal**

<b>Date 2007</b>	<b>Details</b>	<b>Rec. No.</b>	<b>Bank</b>	<b>Disc. Exp.</b>	<b>Debtors</b>	<b>Cost of Sales</b>	<b>Sales</b>	<b>GST</b>	<b>Sundries</b>

3 marks

**1.1.2****DEBTORS CONTROL**

<b>Date</b>	<b>Cross-reference</b>	<b>\$</b>	<b>Date</b>	<b>Cross-reference</b>	<b>\$</b>
1 Dec	Balance	9 800			

5 marks

**1.1.3 Subsidiary Ledger (extract)****DEBTOR – North Park Primary**

<b>Date</b>	<b>Cross-reference</b>	<b>\$</b>	<b>Date</b>	<b>Cross-reference</b>	<b>\$</b>
1 Dec	Balance	2 600			

4 marks





**1.2.2 Revenue and Expense items for the quarter ended 31 March 2008**

Item	Revenue /Expense	Amount \$

2 marks

**1.2.3 Cash Flow items for the quarter ended 31 March 2008**

Item	Classification	Inflow /Outflow	Amount \$

1 mark

**1.3.1**

<b>Calculation</b>	<b>Cost of each tent \$</b>
<b>Qualitative characteristic</b>	
<b>Justification</b>	

3 + 1 + 2 = 6 marks



**1.4.2 Profit and Loss Statement Variance Reports for the quarter ended 30 June 2008****(Extract only)**

	<b>Budget</b> <b>\$</b>	<b>Actual</b> <b>\$</b>	<b>Variance</b> <b>\$</b>	<b>Fav (F)/</b> <b>Unfav (U)</b>
Credit Sales		<b>74 000</b>		
Wages		<b>32 000</b>		

2 marks

**1.4.3**

<b>Explanation</b>

2 marks