



Victorian Certificate of Education 2007

ACCOUNTING

Written examination 1

Tuesday 12 June 2007

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 12 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.

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Question 1

Barker Electrics

John Barker has been operating a small business, Barker Electrics, selling a range of electrical goods. He is about to commence using a double-entry accounting system including control accounts and subsidiary records. John will offer credit terms to customers from 1 January 2007.

1.1 On 1 January 2007 Barker Electrics' Assets and Liabilities were

	\$
Accrued Wages	2 000
Cash at Bank	6 000
Creditor – Luxaflo Limited	9 000
Creditor – Washlex	10 000
Equipment	30 000
Loan (repayable \$6 000 p.a.)	42 000
Stock	85 000

Required

1.1.1 **Prepare** the General Journal entry required to establish the double-entry accounting system including control accounts for creditors and stock.
(A narration is **not** required.)

4 marks

John's accountant then prepared a Balance Sheet at 1 January 2007.

1.1.2 **Show** the Current Liability section of the Balance Sheet at 1 January 2007.

3 marks

1.1.3 **Explain** why Assets and Liabilities are classified in the Balance Sheet. In your explanation **identify** one qualitative characteristic that supports your explanation.

2 + 1 = 3 marks

- 1.2 During January 2007 John has recorded transactions into the journals. A summary of all entries to 30 January 2007 are shown below.

Cash Receipts Journal

Date 2007	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries
30 Jan	Totals to date		43 500	100	6 200	20 400	34 000	3 400	–

Sales Journal

Date 2007	Debtor	Inv. No.	Cost of Sales	Sales	GST	Total Debtors
30 Jan	Total		18 600	31 000	3 100	34 100

Purchases Journal

Date 2007	Creditor	Inv. No.	Stock	GST	Total Creditors
30 Jan	Totals to date		43 000	4 300	47 300

Cash Payments Journal

Date 2007	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
30 Jan	Totals to date		63 000	500	34 500	17 000	5 000	2 000	5 000

- The following five transactions from 31 January have not yet been recorded.

Transaction 1

Barker Electrics	Memo 1
Pascoe Road	
Glenvale	31 January 2007
Comment: J Barker contributed his own Motor Vehicle to the business. The Motor Vehicle has an agreed value of \$30 000. The business will also take over Barker's car loan, the balance of which is \$10 000.	
Action: Record details in General Journal.	
Signed:	

Transaction 2

Luxaflo Limited	
A.B.N. 95 254 963 147	
	Tax Invoice L36
	Date 31/01/2007
Charge to: Barker Electrics	
Item: Luxaflo Washing Machine	
Quantity: 10 Units @ \$400	4 000
GST (10%):	<u>400</u>
Balance owing:	<u>4 400</u>
Terms: 30 days	

- Transaction 3** Memo 2 – J Barker withdrew 1 Washlex Dishwasher for own use. This item has a selling price of \$1 200 plus \$120 GST and a cost price of \$720 plus \$72 GST.
- Transaction 4** Receipt No. 17 – Cash sale of 1 Washlex Dishwasher \$1 200 plus \$120 GST (cost \$720 plus \$72 GST).
- Transaction 5** Cheque No. 111 – Paid Electricity \$450 plus \$45 GST.

Required

- 1.2.1 Record** the above transactions into the appropriate journal. **Total** all special journals.
(Narrations are **not** required in the General Journal.)

3 + 1 + 2 + 2 + 1 + 1 = 10 marks

- 1.2.2 Post** the relevant information into the Sales and Stock Control ledger accounts on 31 January 2007.

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

2 + 5 = 7 marks

Question 2**Bountiful Beds**

Betty Smith operates a small business, Bountiful Beds, that sells a range of bedroom furnishings. Betty uses a double-entry accrual accounting system with the following characteristics.

- Perpetual inventory stock recording system and the FIFO (First In First Out) cost assignment method
- Control accounts for Debtors, Creditors and Stock

2.1 At 1 June 2007 Bountiful Beds had the following Debtors Schedule.

	\$
MIBS – Melbourne International Boarding School	11 190
BMC – Budgetway Motel Chain	6 000
TPH – The Plaza Hotel	<u>3 000</u>
Debtors Control balance	<u>20 190</u>

Transactions relating to debtors for the month ended 30 June 2007 are as follows.

Invoice No.	Date	Amount	Debtor
29	4 June	\$2 000 plus \$200 GST	BMC
30	7 June	\$1 500 plus \$150 GST	MIBS
31	21 June	\$3 600 plus \$360 GST	TPH

Receipt No.	Date	Amount	Debtor
12	3 June	\$4 000	MIBS
41	12 June	\$4 000	BMC
43	28 June	\$2 900 plus \$100 Discount	TPH

Memo No.	Date	Amount	Debtor
4 – Bad Debt	30 June	Balance of account	BMC

Required

2.1.1 Show how

- the Debtors Control account in the General Ledger, and
- BMC's account in the Debtors Subsidiary Ledger

would appear after the above information has been recorded and posted at 30 June 2007.

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

5 + 3 = 8 marks

2.1.2 Explain the purpose of using both control accounts and subsidiary ledgers for Debtors in the recording process.

2 marks

2.2 At the end of the next year, 30 June 2008, the following pre-adjustment Trial Balance was prepared.

Bountiful Beds		
Pre-adjustment Trial Balance 30 June 2008		
Account	Debit	Credit
Bank	28 400	
Debtors Control	10 600	
Prepaid Office Supplies	6 000	
Stock Control	106 000	
Creditors Control		16 000
GST Clearing	3 000	
Capital		160 000
Showroom Fittings	60 000	
Accumulated Depreciation – Showroom Fittings		10 000
Drawings	38 000	
Sales		453 900
Wages	93 900	
Cost of Sales	250 000	
Prepaid Rent	44 000	
	<u>639 900</u>	<u>639 900</u>

The following adjustments were required at 30 June 2008.

1. Office Supplies on hand at 30 June: \$1 500
2. Wages owing at 30 June: \$1 100
3. The Showroom Fittings were purchased and installed on 1 July 2005. They are depreciated using the Straight Line method.
4. A payment of \$12 000 plus \$1 200 GST for June, July and August's rent was incorrectly debited to the GST Clearing account.
5. Rent Expense is \$4 000 per month.

Required

2.2.1 Excluding posting to incorrect accounts, **state** two reasons why errors can still be present despite a Trial Balance balancing.

2 marks

2.2.2 Prepare General Journal entries to record these adjustments at 30 June 2008.
(Narrations are **not** required.)

2 + 1 + 2 + 1 + 2 = 8 marks

2.2.3 Prepare the General Journal entries to

- close the expense accounts, and
- transfer the Drawings account

at 30 June 2008.

(Narrations are **not** required.)

3 + 2 = 5 marks

2.2.4 Show how the Wages account would appear in the General Ledger after adjusting and closing entries were completed.

2 marks

2.2.5 Excluding the calculation of profit, **explain** why revenue and expense accounts are closed each period. **Identify** one accounting principle to support your answer.

2 + 1 = 3 marks

2.2.6 Explain how the Going Concern principle has affected the reporting of Showroom Fittings at 30 June 2008.

2 marks

2.3 On the first pay day in July, wages totalling \$8 900 were paid (9 July – Cheque 7324). This amount included the \$1 100 wages owing at 30 June 2008.

Required

Prepare the Cash Payments Journal entry to record the payment of wages on 9 July.

2 marks

2.4 On 1 July 2008 the following Stock Card was provided.

Stock Card: Double Beds

Date 2008	Details	IN			OUT			BALANCE		
		Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$
1 July	Balance							5	400	2 000

During July the following transactions relating to double beds occurred.

- 2 July – Cash sale of 3 double beds for \$700 plus \$70 GST each (Receipt 154)
- 14 July – Credit purchase of 12 double beds from Sleepwell Ltd at a cost of \$420 plus \$42 GST each (Invoice SL77)
- 19 July – 1 double bed removed from stock for advertising use at a permanent off-site trade display (Memo 4)
- 23 July – Credit sale of 4 double beds to Budgetway Motel Chain for \$700 plus \$70 GST each (Invoice 38)
- 26 July – Owner withdrew 1 double bed for own use (Memo 5)
- 31 July – A physical stocktake showed 9 double beds on hand (Memo 6)

Required

2.4.1 **Record** the transactions into the Stock Card.

6 marks

2.4.2 **Show** the effect the transactions on

- 19 July
- 26 July
- 31 July

would have on the Owner's Equity section of the Balance Sheet.

3 marks

2.4.3 Excluding the identification of Stock Loss/Gain, **explain** one other benefit of using Stock Cards in the recording process.

2 marks

Total 45 marks



**Victorian Certificate of Education
2007**

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STUDENT NUMBER

Figures											Letter
Words											

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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 – Barker Electrics**1.1.1 General Journal**

Date 2007	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

4 marks

1.1.2

Barker Electrics
Balance Sheet as at 1 January 2007 (extract)

Current Liabilities	\$

3 marks

1.1.3

Explanation
Qualitative characteristic

2 + 1 = 3 marks

1.2.1 General Journal

Date 2007	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

CASH RECEIPTS JOURNAL

Date 2007	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries
30 Jan	Totals to date		43 500	100	6 200	20 400	34 000	3 400	–

SALES JOURNAL

Date 2007	Debtor	Inv. No.	Cost of Sales	Sales	GST	Total Debtors
30 Jan	Total		18 600	31 000	3 100	34 100

PURCHASES JOURNAL

Date 2007	Creditor	Inv. No.	Stock	GST	Total Creditors
30 Jan	Totals to date		43 000	4 300	47 300

CASH PAYMENTS JOURNAL

Date 2007	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
30 Jan	Totals to date		63 000	500	34 500	17 000	5 000	2 000	5 000

3 + 1 + 2 + 2 + 1 + 1 = 10 marks

1.2.2**SALES**

Date 2007	Cross Reference	\$	Date 2007	Cross Reference	\$

STOCK CONTROL

Date 2007	Cross Reference	\$	Date 2007	Cross Reference	\$
1 Jan	Balance	85 000			

2 + 5 = 7 marks

1.3.1

Explanation

2 marks

1.3.2

Report	GST Item(s) included in report (if any)	Classification
Cash Flow Statement		
Profit & Loss Statement		
Balance Sheet		

4 marks

1.4.1

BARKER ELECTRICS
CASH FLOW STATEMENT FOR QUARTER ENDED 30 JUNE 2007

	\$	\$
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 (1/04/2007)		8 500 Dr.
Cash at Bank (30/06/2007)		11 400 Cr.

8 marks

Question 1 – continued
TURN OVER

1.4.2

Explanation
Example 1
Example 2

2 + 2 = 4 marks

Total 45 marks

2.1.1 DEBTORS CONTROL (General Ledger)

Date 2007	Cross Reference	\$	Date 2007	Cross Reference	\$
1 June	Balance	20 190			

Debtor – BMC (Subsidiary Ledger)

Date 2007	Cross Reference	\$	Date 2007	Cross Reference	\$
1 June	Balance	6 000			

5 + 3 = 8 marks

2.1.2

Explanation

2 marks

2.2.1

Reason 1
Reason 2

2 marks

2.2.2

GENERAL JOURNAL

Date 2008	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

2 + 1 + 2 + 1 + 2 = 8 marks

2.2.3

GENERAL JOURNAL

Date 2008	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$

3 + 2 = 5 marks

2.2.4

WAGES

Date 2008	Cross Reference	\$	Date 2008	Cross Reference	\$
30 June	Bank	93 900			

2 marks

2.2.5

Explanation
Accounting principle

2 + 1 = 3 marks

2.2.6

Explanation

2 marks

2.3

CASH PAYMENTS JOURNAL

Date 2008	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
9 July									

2 marks

2.4.1

Stock Card: Double Beds

Date July 2008	Details	IN			OUT			BALANCE		
		Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$
1	Balance							5	400	2000

6 marks

Question 2 – continued
TURN OVER

2.4.2

Date	Item affected in Owner's Equity section of Balance Sheet	Effect on Owner's Equity (Increase/Decrease)
19 July		
26 July		
31 July		

3 marks

2.4.3

Explanation

2 marks

Total 45 marks