



Victorian Certificate of Education 2008

ACCOUNTING Written examination 2

Thursday 6 November 2008

Reading time: 11.45 am to 12.00 noon (15 minutes)

Writing time: 12.00 noon to 1.30 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 a 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 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.

Question 1**Gary's Guitars**

Gary Wood operates a small business, Gary's Guitars, selling acoustic and electric guitars. Gary's accountant maintains a double entry accrual accounting system with control accounts for Debtors, Creditors and Stock and subsidiary records. The business uses a perpetual inventory recording system with the FIFO (First In, First Out) cost assignment method.

The business prepares financial reports on an annual basis at 31 December each year.

1.1 At 31 December 2008 an examination of stock records (see table below) indicated a stock loss and the need to write down the value of one item.

Model	Quantity on Stock Card	Quantity from Stocktake	Unit Cost Price	Normal Unit Selling Price	Net Realisable Value
Gibner Electric	20	20	\$250	\$550	\$550
Gibner Acoustic	15	14	\$120	\$250	\$250
Gibner Bass	12	12	\$220	\$450	\$200
Gibner Electric Deluxe	15	14	\$350	\$750	\$750

Required

1.1.1 Using the information contained in the above table, **calculate**

- value of the stock loss
- value of the stock write-down
- total value of stock on hand at 31 December 2008.

1 + 1 + 2 = 4 marks

1.1.2 Explain what is meant by the term Net Realisable Value.

2 marks

1.1.3 Prepare the General Journal entry required to record the stock write-down.
(Narration is **not** required.)

2 marks

- 1.2 On 3 January 2009 the following invoice was received with a delivery of stock that included a new model of guitar – Gibner Acoustic Deluxe.

Gibner Ltd			
ABN: 854 874 610 1340 Nepean Highway, Seaview Ph: (03) 9100 9999			
Tax Invoice No.: GL23		Date: 3/01/2009	
To: Gary's Guitars			
Item	Quantity	Unit Cost \$	Value \$
Gibner Electric	12	250	3 000
Gibner Acoustic	15	120	1 800
Gibner Acoustic Deluxe	20	150	3 000
			7 800
Freight charge	47	30	1 410
			9 210
+ Insurance on delivery	1	180	180
Subtotal			9 390
+ GST (10%)			939
Total due			10 329
Terms: 2/10, n/30			

In previous reporting periods the business has recorded all additional costs associated with purchasing stock as period costs. The accountant now suggests the business should use product costing where appropriate. He states that this may result in a small change in profit in the current reporting period.

Required

- 1.2.1 Using product costing, **record** the appropriate information from the invoice above into
- the appropriate Journals
 - the Stock Card for Gibner Acoustic Deluxe guitars.
- (Narrations are **not** required.)

2 + 3 + 1 = 6 marks

- 1.2.2 **Explain** how using product costing rather than period costing may result in a change in profit in the current reporting period.

2 marks

1.3 The following transactions also occurred during January 2009.

- 7 January – Sold 8 Gibner Acoustic Deluxe guitars to Mike’s Music School for \$350 plus \$35 GST each on credit (Invoice GG65).
- 9 January – Mike’s Music School returned 1 guitar because it was damaged (Credit Note 7). On inspection Gary discovered 3 other Gibner Acoustic Deluxe guitars were also damaged.
- 10 January – Gary returned the damaged guitars and received a full credit (Credit Note 145).

Required

Record the following transactions into the appropriate journals for Gary’s Guitars.

- sale of guitars on 7 January 2009
- return of 1 guitar on 9 January 2009
- return of 4 guitars on 10 January 2009

(Narrations are **not** required.)

2 + 5 + 3 = 10 marks

1.4 On 1 January 2009 the following account balances appeared in the General Ledger.

Shop Fittings

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
Jan 1	Balance	25 000			

Accumulated Depreciation – Shop Fittings

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
			Jan 1	Balance	7 500

On 1 July 2009 the business purchased additional Shop Fittings for \$8 000 plus \$800 GST on credit from Ace Shop Solutions (Invoice 904).

On 30 September 2009 the business sold Shop Fittings that had cost \$4 000 (plus \$400 GST) when purchased on 1 January 2007. The Shop Fittings were sold for \$2 000 (Receipt 47).

Shop Fittings are depreciated at 10% per annum on cost.

Required

1.4.1 Calculate the Depreciation – Shop Fittings expense for the year ended 31 December 2009.

3 marks

1.4.2 Show how the

- Shop Fittings
- Accumulated Depreciation – Shop Fittings
- Disposal of Shop Fittings

accounts would appear in the General Ledger after all entries had been posted.

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

2 + 2 + 3 = 7 marks

1.4.3 With reference to your answer to **1.4.2** above **explain** why a Loss/Gain on Disposal of Asset occurs.

2 marks

Question 1 – continued

- 1.5** At 31 December 2009 the accountant prepared the following table detailing the following efficiency indicators.

	2008	2009	2010 (Budget)
Debtors Turnover $\frac{\text{Average Debtors} \times 365}{\text{Credit Sales}}$	45 days	42 days	35 days
Stock Turnover $\frac{\text{Average Stock} \times 365}{\text{Cost of Goods Sold}}$	88 days	91 days	85 days
Creditors Turnover $\frac{\text{Average Creditors} \times 365}{\text{Credit Purchases}}$	23 days	24 days	29 days

Required

- 1.5.1 Explain** how Debtors Turnover is used as a measure of efficiency.

2 marks

- 1.5.2 Explain** the trend in Creditors Turnover in terms of its impact on cash flow and profitability.

2 marks

- 1.5.3 Identify and explain**, with reference only to Debtors Turnover and Stock Turnover, whether the efficiency of the business is expected

- to improve
- to deteriorate
- to remain unchanged
- or is unable to be determined.

1 + 2 = 3 marks

Total 45 marks

Question 2

Baxter's Beds

Ingrid Baxter operates a small business, Baxter's Beds, selling a range of beds and bedroom accessories. Ingrid's accountant maintains a double entry accrual accounting system with control accounts for Debtors, Creditors and Stock and subsidiary records. The business uses a perpetual inventory recording system with the FIFO (First In, First Out) cost assignment method.

The business prepares financial reports on an annual basis at 31 December each year.

For the purposes of Question 2.1 you are not required to consider GST.

2.1 On 31 December 2008 the accountant prepared a Balance Sheet. An extract is shown below.

BAXTER'S BEDS
BALANCE SHEET as at 31 December 2008 (extract only)

Current Assets	\$	Current Liabilities	\$
Cash at Bank	14 300	Creditors Control	32 200
Debtors Control	24 500	Loan (Due 30 September 2009)	16 000
Stock Control	39 000		
Accrued Commission Revenue	1 000		
	78 800		48 200

The following shows actual figures for 2008 and budget estimates for 2009.

Item	2008 (Actual)	2009 (Budget estimate)
Sales	\$600 000	↑ 10%
Cash Sales	50% of Sales	40% of Sales
Cost of Sales	50% of Sales	50% of Sales
Stock Purchases	\$300 000	\$340 000
Cash Purchases	20% of Stock Purchases	10% of Stock Purchases
Loan Repayment	\$24 000	\$16 000
Cash Expenses	\$180 000	↑ 5%
Discount Expense	\$4 000	\$5 500
Payments to Creditors	Opening Balance + 90% of Credit Purchases	Opening Balance + 90% of Credit Purchases
Cash Drawings	\$52 000	\$84 000
Stock Drawings	\$4 000	\$5 000
Debtors Balance at end	\$24 500	\$30 000

It is expected that there will be no accrued or prepaid items at 31 December 2009.

Required

2.1.1 Reconstruct the Debtors Control, Cash at Bank and the Stock Control ledger accounts to calculate

- expected cash receipts from Debtors for year ended 31 December 2009
- expected closing balance of Cash at Bank at 31 December 2009
- expected closing balance of Stock Control at 31 December 2009.

3 + 4 + 3 = 10 marks

2.1.2 Prepare the Current Assets and Current Liabilities sections of the Budgeted Balance Sheet at 31 December 2009.

2 marks

Question 2 – continued

- 2.2 After preparing the Current Assets and Current Liabilities section of the Budgeted Balance Sheet, the accountant intends to calculate budgeted figures for the Working Capital and Quick Asset ratios.

Required

Explain how the accountant will use these two ratios.

2 marks

- 2.3 The following information relates to the business's dealings with a debtor – Great Southern Motels.
- 21 November 2010 Received an order for 20 single beds from Great Southern Motels. Selling price is to be \$500 + \$50 GST per bed. Cost price \$300 + \$30 GST each (Order No. 32).
- 25 November 2010 20% deposit paid by Great Southern Motels (Receipt No. 215).
- 31 December 2010 15 single beds delivered to Great Southern Motels (Invoice No. BB34).
- 15 January 2011 The remaining 5 beds were delivered to Great Southern Motels (Invoice No. BB42) and all money owing was paid (Receipt No. 274).

Required

- 2.3.1 Using the table provided in the Answer Book, **identify** for Baxter's Beds the effect of each transaction or event on the accounting equation.

(Amounts are **not** required.)

1 + 1 + 2 + 3 = 7 marks

- 2.3.2 **Record** the transaction on 31 December 2010 and any relevant balance day adjustment in the journals provided.

(Narrations are **not** required.)

2 + 3 = 5 marks

- 2.4 On 1 October 2010 Baxter's Beds had invested \$10 000 in a 12-month fixed-term deposit account. The interest rate was 7% per annum and the interest is to be received twice per year – on 31 March 2011 and 30 September 2011.

Required

2.4.1 **Record**

- the balance day adjustment required on 31 December 2010 (Memo 9)
- the receipt of the interest on 31 March 2011 (Receipt 47)
- the receipt of the fixed-term deposit and interest on 30 September 2011 (Receipt 145)

in the journals provided.

(Narrations **are** required.)

2 + 1 + 3 = 6 marks

- 2.4.2 **Explain** why a balance day adjustment was required on 31 December 2010. **State** an accounting principle to support your answer.

2 + 1 = 3 marks

- 2.4.3 **Explain** the effect on the Assets and Equities of the business if the adjustment were **not** made.

2 marks

- 2.5** At 31 December 2011 the business compared actual figures with budget estimates. An extract from the incomplete Variance Report is shown below.

BAXTER'S BEDS
Variance Report for year ending 31 December 2011 (extract only)

	Actual \$	Budget \$	Variance \$	U/F
Sales	712 000	700 000		
Cost of Sales	352 000	350 000		
Wages		120 000	13 000	U
Depreciation – Vehicle	7 000	10 000		

Required

- 2.5.1** Complete the Variance Report extract in the Answer Book.

3 marks

- 2.5.2** Identify one possible reason to explain the variances for

- Cost of Sales
- Depreciation – Vehicle.

1 + 1 = 2 marks

- 2.6** In assessing the profitability of the business for the past reporting period, the accountant suggested the owner look at both financial and non-financial information.

Required

- 2.6.1** Identify one financial and one non-financial measure the business could use to evaluate the profitability of the business.

1 + 1 = 2 marks

- 2.6.2** Identify one benchmark the business may use when assessing its profitability over a reporting period.

1 mark

Total 45 marks



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2008**

SUPERVISOR TO ATTACH PROCESSING LABEL HERE

STUDENT NUMBER

Figures

Words

Letter

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ACCOUNTING
Written examination 2

Thursday 6 November 2008

Reading time: 11.45 am to 12.00 noon (15 minutes)

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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 – Gary’s Guitars**1.1.1**

Stock Loss	
	Stock Loss \$

Stock Write-down	
	Stock Write-down \$

Total Stock Value	
	Total Stock Value \$

1 + 1 + 2 = 4 marks

1.1.2

Explanation	

2 marks

1.1.3**GENERAL JOURNAL**

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

2 marks

Question 1 – continued
TURN OVER

1.2.1 PURCHASES JOURNAL

Date 2009	Creditor	Inv. No.	Stock Control	GST	Total Creditors

GENERAL JOURNAL

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

Stock Card: Item – Gibner Acoustic Deluxe

Date 2009	Details	IN			OUT			BALANCE		
		Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$

2 + 3 + 1 = 6 marks

1.2.2

Explanation

2 marks

1.4.2 Shop Fittings

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
Jan 1	Balance	25 000			

Accumulated Depreciation – Shop Fittings

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
			Jan 1	Balance	7 500

Disposal of Shop Fittings

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

2 + 2 + 3 = 7 marks

1.4.3

Explanation

2 marks

1.5.1

Explanation

2 marks

1.5.2

Explanation

2 marks

1.5.3

Identify (circle one): Improve/Deteriorate/Remain unchanged/Unable to determine
Explanation

1 + 2 = 3 marks

Total 45 marks

TURN OVER

Question 2 – Baxter’s Beds**2.1.1 Ledger Accounts****DEBTORS CONTROL**

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
1 Jan	Balance	24 500			

CASH AT BANK

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
1 Jan	Balance	14 300			

STOCK CONTROL

Date 2009	Cross Reference	\$	Date 2009	Cross Reference	\$
1 Jan	Balance	39 000			

3 + 4 + 3 = 10 marks

2.1.2

BAXTER'S BEDS
BUDGETED BALANCE SHEET as at 31 December 2009 (extract only)

Current Assets	\$	Current Liabilities	\$

2 marks

2.2

Explanation

2 marks

2.3.1

Transaction or event	Assets (Increase/Decrease/ No effect)	Liabilities (Increase/Decrease/ No effect)	Owners Equity (Increase/Decrease/ No effect)
21 November 2010 (Received order)			
25 November 2010 (Deposit received)			
31 December 2010 (Delivery of 15 beds)			
15 January 2011 (Delivery of 5 beds and received payment)			

1 + 1 + 2 + 3 = 7 marks

2.3.2

SALES JOURNAL

Date 2010	Debtor	Inv. No.	Cost of Sales	Sales	GST	Total Debtors

GENERAL JOURNAL

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

2 + 3 = 5 marks

Question 2 – continued

2.4.1

GENERAL JOURNAL

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

CASH RECEIPTS JOURNAL

Date 2011	Details	Rec. No.	Bank	Disc. Exp.	Debtors Control	Cost of Sales	Sales	GST	Sundries

2 + 1 + 3 = 6 marks

2.4.2

Explanation
Accounting Principle

2 + 1 = 3 marks

2.4.3

Explanation

2 marks

Question 2 – continued
TURN OVER

2.5.1

BAXTER'S BEDS
Variance Report for year ending 31 December 2011 (extract only)

	Actual \$	Budget \$	Variance \$	U/F
Sales	712 000	700 000		
Cost of Sales	352 000	350 000		
Wages		120 000	13 000	U
Depreciation – Vehicle	7 000	10 000		

3 marks

2.5.2

Cost of Sales
Depreciation – Vehicle

1 + 1 = 2 marks

2.6.1

Financial
Non-financial

1 + 1 = 2 marks

2.6.2

Benchmark

1 mark

Total 45 marks