

**‘2019 Examination Package’ -
Trial Examination 11 of 11**

STUDENT NUMBER

Letter

Figures									
Words									

ACCOUNTING
Units 3 & 4 – Written examination

(TSSM’s 2018 trial exam updated for the current study design)

Reading time: 15 minutes

Writing time: 2 hours

QUESTION BOOK

Structure of book

<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
8	8	100
		Total 100

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners and rulers
- Students are NOT permitted to bring into the examination room: blank sheets of paper and/or white out liquid/tape.
- A non-programmable calculator is allowed on the examination.

Materials supplied

- Question book of 9 pages
- Answer book of 18 pages.

Instructions

- Print your name in the space provided on the top of this page.
- All written responses must be in English.

Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic communication devices into the examination room.

Question 1

11 marks

Lightning Computers sells a range of computers. They have provided you with the following information at 31 December 2019.

- 11 Superfast PCs on hand at 31 December 2019 after completing a stocktake. (Memo 72)
- 3 of the Superfast PC's had been scratched and the selling price was to be reduced to \$300 + GST each (Memo 73)
- Superfast PCs normally sell for \$800 + GST each

a. Complete the Inventory Card for the Superfast PC's for December 2019.

4 marks

b. Prepare the General Journal entries required on 31 December 2019
(Narrations are not required)

4 marks

c. Explain, referring to a qualitative characteristic, your treatment of the 3 Superfast PC's in Memo 73.

3 marks

Question 2**19 marks**

Superior Stationery have provided the following indicators for the year ended 30 June 2019. They operate a boutique stationery store that specialises in quality stationery for professionals. They have been operating since 2017 and are developing a reputation as quality stationers where customers know they can find what they want.

Key Indicator	Superior Stationery	Industry Average
Return on Owner's Investment	12%	18%
Return on Assets	10%	15%
Inventory Turnover	94 Days	21 Days
Accounts Receivable Turnover	22 Days	30 Days
Accounts Payable Turnover	18 Days	34 Days
Debt Ratio	20%	51%
Net Profit	\$99 500	\$72 000

The owner is proud of Superior Stationery's reputation but is concerned that the business is not performing at the same rate as the industry standard. He has asked you to review his business and to "get the numbers in line with the industry average but to maintain the same level of service"

- a. Outline three changes that the business could make to improve its key indicators
6 marks
- b. Explain why net profit is not the best way to determine the profitability of Superior Stationery
4 marks
- c. Referring to the information provided suggest why Superior Stationery's Return on Owner's Investment is lower than the industry average.
3 marks
- d. You mention to the owner that she may be too concerned with performing in line with industry averages.
Discuss your comment.
6 marks

TURN OVER

Question 3**6 marks**

Easy Reading operates a bookshop in central Melbourne. They have provided you with the following GST Clearing Account.

GST Clearing

Date 2019	Cross-reference	Amount	Date 2019	Cross-reference	Amount
1/7 (a)	Balance	1 200	31/7 (d)	Bank	4 000
31/7 (b)	Bank	3 000	(d)	Accounts Receivable	2 200
(c)	Accounts Payable	1 500	(f)	Bank	1 200

Explain the transaction that may have occurred for each of the entries labelled (a), (b), (c), (d), (e) and (f) above.

ACCOUNTING EXAM

Question 4

11 marks

Fresh Fruit World have provided the following list of accounts payable at 30 September 2019.

Account Payable		\$
Micks Market	\$ 5 000	
The Apple Expert	\$ 7 000	
The Friendly Pair	\$ 2 500	
	\$14 500	

- 10 Sep Purchased inventory from The Happy Salad for \$13 200 inc GST (Inv 92)
- 18 Sep Purchased inventory from Crispy Salad for \$11 000 inc GST (Inv A98)

They also provided the following journals that had not been posted in the above balances.

General Journal (incomplete)

Date	Details	General Ledger	
		Debit	Credit
20/9			
	Accounts Payable	1100	
	(Return of inventory that had deteriorated in transit – CN 99)		

- a. The General Journal entry is incomplete. Complete the General Journal Entry on 20 September 2019 2 marks
- b. Prepare an Accounts Payable schedule as at 30 September 2019 4 marks
- c. Explain how the transaction on 10 September 2019 impacts on the accounting equation. 3 marks
- d. Explain why the Inventory does not include GST when posted to the General Ledger. 2 marks

TURN OVER

Question 5**24 marks**

MMM Cricket bats have provided you with the following extract of the Pre-Adjustment Trial Balance as at 30 June 2019. The business prepares its accounting reports on an annual basis.

**MMM Cricket Bats
Pre-Adjustment Trial Balance (extract) as at 30 June 2019**

Account	Debit	Credit
Prepaid Advertising	3 300	
Loan – Big Bank	12 000	
Cash at Bank		14 100
GST Clearing		4 100
Drawings	4 200	
Cash Sales		325 000
Inventory	32 000	
Credit Sales		175 000
Cost of Sales	250 000	
Delivery Van	48 000	
Prepaid Rent Expense	18 000	
Wages	92 450	
Interest Expense	714	
Term Deposit	50 000	
Interest Revenue	1 200	
Office Expenses	2 000	

Additional information at 30 June 2019:

(The previous memo was Memo 65)

- Wages of \$2 000 incurred during the final week of June were not recorded in the Trial Balance
- The owner took home a \$500 cricket bat on 30 June 2019. This was not recorded in the journal.
- The Term Deposit earns 6% interest per annum and was taken out on 1 June 2019 with interest paid quarterly with the first payment occurring on 31 August.
- The advertising campaign provides 11 months of advertisements in Cricket Monthly. The first advertisement appeared in June.
- A customer returned a bat that he purchased on 30 June for \$400 + GST. The mark-up is 100% on all bats. The transaction was not recorded.
- The stocktake on 30 June 2019 provided an inventory balance of \$29 000
- 6 months of rent was paid on 1 May 2019
- Office Expenses of \$440 including GST was recorded as Electricity Expense.

- a.** Prepare the appropriate adjustments in the General Ledger.
Narrations are not required

18 marks

ACCOUNTING EXAM

b. Explain the impact on the accounting equation when the customer returned the cricket bat.
3 marks

c. Referring to an accounting assumption, explain why a business would prepare balance day adjustments
3 marks

Question 6

14 marks

Fabulous Furniture sells quality furniture from a city showroom. You have prepared the Income Statement for the month ended 31 March 2019. The business reports on a monthly basis.

**Fabulous Furniture
Income Statement for the month ended 31 March 2019**

Revenue		
Sales	150 000	
Less Sales Returns	5 000	145 000
Less Cost of Goods Sold	72 500	
Gross Profit		72 500
Less Inventory Loss	3 000	
Less Inventory Write down	2 000	5 000
Adjusted Gross Profit		67 500
Less Other Expenses		
Depreciation – Delivery Van	1 200	
Advertising	4 000	
Office expenses	15 000	
Rent	4 000	
Discount Expense	700	24 900
Net Profit		42 600

Prepaid Advertising on 1 March was \$5 000 and was \$4 000 on 31 March 2019.

a. Complete the Prepaid Advertising General Ledger account for the month ended 31 March 2019.
4 marks

b. Referring to accounting elements, explain how you treated office expenses and discount expense in the Income Statement.
4 marks

c. Referring to a qualitative characteristic explain why Inventory Write-down is reported separately in the Income Statement.
3 marks

TURN OVER

ACCOUNTING EXAM

- d. Referring to an accounting assumption, explain why the Income Statement is prepared “for the period ended 31 March 2019.

3 marks

Question 7

10 marks

Helen’s Cakes have provided you with the following information. All sales are credit sales.

Estimates for year ending 30 June 2019

Credit Sales \$400 000 plus GST

Account Balances

	1 July 2019 (Actual)	30 June 2019 (Estimated)
Accounts Payable	\$ 25 000	\$ 35 000
Accounts Receivable	\$ 50 000	\$ 60 000
Inventory	\$ 50 000	\$ 42 000

Bad Debts written off are expected to be \$1 000 plus GST and the business expects an Inventory Write Down of \$8 000.

Discount expense is expected to be 2% of total sales excluding GST.

Sales returns are expected to be \$10 000 + GST

All inventory returned will be returned to the supplier immediately.

Discount revenue is expected to be \$12 000

Inventory will be marked up by 100%

- a. Reconstruct the ledger accounts to determine the estimated
- Cash collected from accounts receivable
 - Cash paid to accounts payable

8 marks

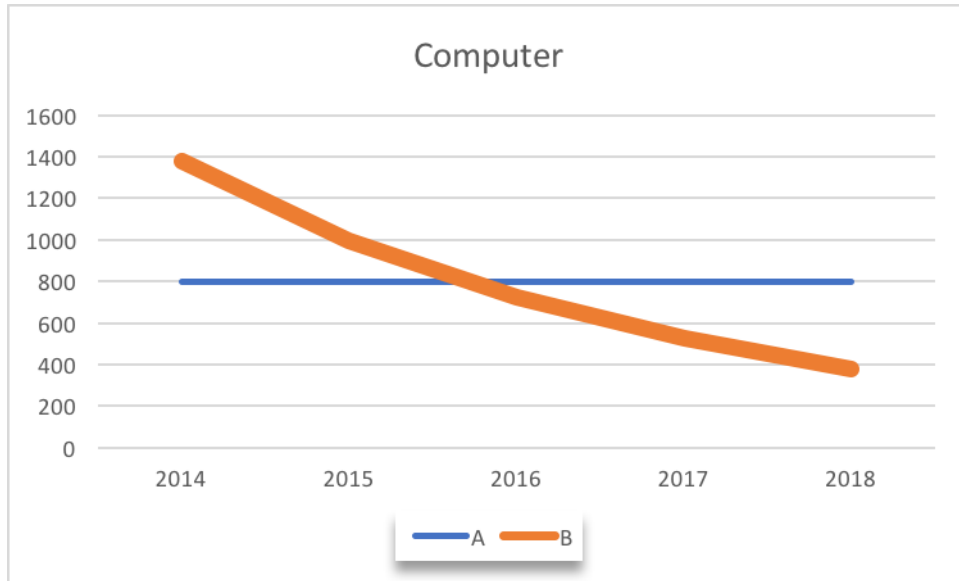
- b. Explain why a business would prepare a variance report on a monthly basis.

2 marks

Question 8

5 marks

Football Kit Experts have purchased a new computer for their shop. They have approached you for advice on how to depreciate the computer.



- a. Explain the depreciation methods in the chart and justify the method that you prefer for the computer.

3 marks

- b. The owner is confused that the last computer was sold for less than it cost and the accountant reported a profit on disposal of the computer. Explain how this is possible.

3 marks

END OF QUESTION BOOK