

**‘2019 Examination Package’ -
Trial Examination 6 of 11**

STUDENT NUMBER

Letter

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ACCOUNTING
Units 3 & 4 – Written examination

(TSSM’s 2013 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>
10	10	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.
Calculator is permitted in this examination.
- Materials supplied**
- Question book of 10 pages.
 - Answer book of 11 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.

ACCOUNTING EXAM

Question 1 (19 marks)

Bobs Building Supplies purchased a Delivery Van on 30 June 2019 for \$45 000 + GST to replace their old van that they originally purchased for \$28 000 and had a written down value of \$10 000. The old van was traded in for \$5 000 as part of the deal. The new van was purchased from WWOV.

a. Prepare the General Journal entries on 30 June 2019 to record the trade-in of the old Delivery Van and the purchase of the new Delivery Van. Narrations are **not** required. 6 marks

b. Prepare the General Ledger entries record the disposal of the old Delivery Van and the purchase of the new Delivery Van. 10 marks

c. Bob is unsure why you have recorded a loss on disposal of an old Vehicle that he sold last year. It was in good condition and he sold it for more than he had it valued for. Explain how a business can have a loss on disposal despite it being sold for more than it has been valued at by a professional valuer.

3 marks

ACCOUNTING EXAM

Question 2 (7 marks)

Beryl Sports
16 Bernard St Essendon Vic 3040
ABN 50 543 234 782

Account holder: Ace Sports
28 Hadlee St, Chatsfield Vic 3423

For the month of June 2019

Date	Details	Dr	Cr	Balance
June 1	Balance			1 000
10	Inv 123	5500		6 500
15	Cash Recd Chq 23		1 500	5 000
30	Cash Recd Chq 45		5 000	0
	Balance			0

- a. **Identify** the document provided above. 1 mark

- b. **Explain** the transaction that took place on June 10. 2019 2 marks

- c. **Complete** the Accounts Receivable General ledger Account for the month of June 2019. 4 marks

TURN OVER

ACCOUNTING EXAM

Question 3 (13 marks)

Ezy Phones is a small Melbourne company that sells mobile phones. The phones are individually mailed to customers at the delivery prices quoted.

Following is the information from the inventory records as at 30 June 2019.

Phone	Quantity	Price per unit	Delivery fees per phone	Selling Price
A Phone	50	200	20	190
Simsang Phone	20	190	15	200
Pear Phone	40	300	30	350

- a. **Calculate** the value of closing inventory prior to applying lower of cost or NRV. 3 marks
- b. **Prepare** the General Journal entry to adjust the Inventory account after the lower of cost of NRV has been applied as at 30 June 2019. Narration is **not** required. 2 marks
- c. **Explain** why inventory is valued at the lower of cost or NRV by referring to an accounting assumption. 3 marks

Ezy Phones is looking at a new phone, The Universe. The cost price of each phone is \$143 including GST. The delivery cost of each phone is \$13.20 including GST and the inventory is insured at \$400 per month. Each phone comes with a shiny cover that costs \$8.

- d. **Calculate** the cost price of each The Universe phone. 3 marks
- e. **Explain** how you treated the delivery cost. 2 marks

Question 4 (14 marks)

Archie has just completed his first year of operating his business Archies Soccer Nets. He has provided the following information.

Archies Soccer Nets
Income Statement for the year ended 30 June 2019

Revenue		
Cash Sales	100 000	
Credit Sales	10 000	110 000
Less Cost of Goods Sold		
Cost of Sales		60 000
Gross Profit		50 000
Less Other Expenses		
Bad Debts	5 000	
Cleaning Expenses	1 000	
Depreciation – Motor Vehicle	12 000	
Discount Expense	3 000	
Interest on Loan	5 000	
Rent Expense	8 000	
Stationery Expense	450	
Wages Expense	14 000	48 450
Net Profit		1 550

- Accrued wages of \$2 000 were taken up in the above accounts on 30 June 2019
- Archies Soccer Nets made a payment of \$10 000 for Rent to 31 December on 30 June 2019. This was the only payment made during the period.
- All inventory is purchased on credit – all inventory was sold and there were no outstanding accounts payable at 30 June 2019.

ACCOUNTING EXAM

- Credit terms were introduced on 25 June 2019 – No accounts receivable have paid early. – Terms are 30 Days
- A loan was taken out during the year for \$150 000 – \$12 000 has been repaid
- The business purchased 2 computers in March 2019 for \$3 300 each (Inc GST). Archie used one on the business and recorded the second as Drawings. He also took home \$12 000 in cash
- GST Collected during the period was \$10 000 and GST Paid to suppliers was \$7 200. GST paid to the ATO was \$2 800

a. **Prepare** the Cash Flow Statement for the year ended 30 June 2019

12 marks

b. **Define** the term Cash flows from Operating Activities

2 marks

Question 5 (9 marks)

The owner of Harrys Hats has provided you with the following information:

	2018	2019
Credit Sales	\$100 000	\$90 000
Accounts Receivable Turnover	25 days	35 days
Working Capital Ratio	1.5:1	1.6:1
Credit Terms	45 days	45 days
Inventory Turnover	21 days	16 days
Average Inventory	\$16 000	\$14 000

a. **Explain** how the Working Capital Ratio may not have actually improved from 2018 to 2019.

3 marks

b. **Identify** two ways in which the business could improve the working capital ratio.

2 marks

c. **Explain** why the owner would be satisfied with the inventory turnover.

2 marks

d. **Explain** a problem that may occur if inventory turnover continues to improve.

2 marks

ACCOUNTING EXAM

Question 6 (7 marks)

a. Explain why discount received is treated as a revenue item in the income statement. 2 marks

b. Identify and explain how a \$120 000 loan repayable at the rate of \$20 000 per annum is classified in the balance sheet. 3 marks

c. Explain why GST collected is not considered to be revenue for a business. 2 marks

Question 7 (5 marks)

GST Clearing

Date	Cross-reference	Amount	Date	Cross-reference	Amount
30 June	Accounts Payable (2)	10 000	1 June	Balance (3)	7 500
30 June	Bank (1)	7 500	30 June	Accounts Receivable (4)	30 000
			30 June	Bank (5)	5 000

a. Explain the transactions indication by the numbers 1, 2, 3, 4 and 5 in the GST Clearing account above.

5 marks

TURN OVER

ACCOUNTING EXAM

Question 8 (11 marks)

The owner of Rita's Books has provided you with the following information for 2019:

Accounts Receivable	1 January 2019 (actual)	\$50 000
Accounts Payable	1 January 2019 (actual)	\$20 000
Accounts Receivable	30 June 2019 (Budgeted)	\$25 000
Accounts Payable	30 June 2019 (Budgeted)	\$32 000

The business purchased inventory for \$30 000 including GST on credit and paid cash of \$39 000 plus GST for inventory during the period.

The following are totals of Income Statement accounts for the 6 months ending 30 June 2019:

Cash Sales	\$80 000 + GST
Credit Sales	\$54 000 + GST
Discount Revenue	\$1 700
Sales Returns	\$800 + GST
Allowance for Doubtful Debts	\$1 250 + GST

- a. Reconstruct the Accounts Receivable account for Ritas Books for the period ended 30 June 2019.

6 marks

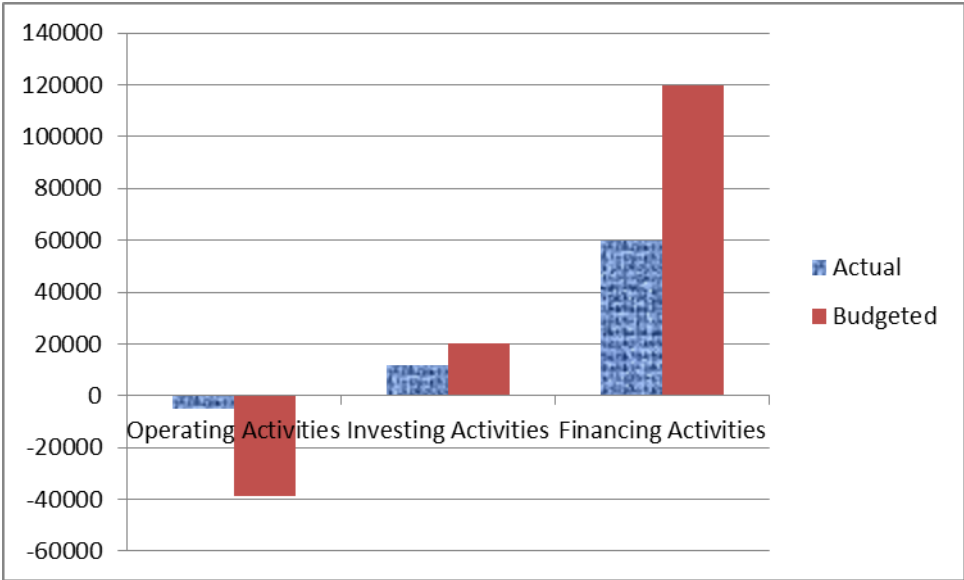
- b. Reconstruct the Accounts Payable account for Ritas Books for the period ended 30 June 2019.

5 marks

Question 9 (6 marks)

Silvias Staplers supply stationery to schools. The owner has provided you with the following graph.

Budgeted Cash Flows



TURN OVER

ACCOUNTING EXAM

- a. Silvia checked the bank balance before she came to see you and is very pleased to see that it is much higher than she had budgeted. **Discuss** with reference to the graph and an accounting characteristic how a healthy bank balance may not always be an indicator of a strong position for the business against its budgets.

6 marks

Question 10 (9 marks)

Peter's Pictures sells paintings to schools. On 1 August 2019, Middletown Tech ordered 30 paintings at the price of \$100 (+GST) each. They paid a deposit of \$500 (Rec 25) immediately. The paintings arrived at Middletown Tech on 3 September 2019. The invoice that arrived with the paintings was for \$2,800 (Inv. 39).

- a. **Prepare** the journal entry on 1 August 2019 in the General Journal

2 marks

- b. **Prepare** the journal entries required on 3 September 2019. (Narration is **not** required)

5 marks

- c. **Explain** the difference between accrued revenue and accounts receivable.

2 marks

END OF QUESTION BOOK