

**‘2019 Examination Package’ -  
Trial Examination 8 of 11**

**STUDENT NUMBER**

Letter

Figures									
Words									

**ACCOUNTING**  
**Units 3 & 4 – Written examination**

*(TSSM’s 2015 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>
9	9	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 permitted in this examination.
- Materials supplied**
- Question book of 10 pages.
  - Answer book of 14 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**

**6 marks**

You have purchased a new Delivery Van for your Pizza Shop. Retail price was \$45 000 (plus GST) but you negotiated the dealer down to \$46 200 (including GST). Your accountant has suggested that as you will be using the delivery van for the same amount of weeks each year for the next five years you should use the straight line method. When you purchased the van your financier mentioned that he would use the reducing balance method.

You have organised a conference call with the accountant and financier. Discuss with them, using relevant accounting assumptions and qualitative characteristics, why you have chosen to use the reducing balance method.

**Question 2**

**15 marks**

Carrie owns a shoe store which sells exclusive brand shoes to retailers. Carrie's accountant prepares accounts as at 30 June each year.

The following transactions took place in 2019.

1 May 2019 – Carrie received an order for 30 pairs of Paris A shoes from Sally's Emporium. She sells the shoes for \$180 (plus GST) each pair and buys them for \$90 (plus GST) pair (Order 51)

12 May 2019 – Sally's Emporium pays a deposit of \$1 000. (Rec. 25)

17 May 2019 – Carrie delivers 15 pairs of Paris A shoes (Inv. 2223)

30 May 2019 – Carrie delivers remaining shoes (Inv. 2335)

31 May 2019 – Balance paid by Sally's emporium (Rec. 67)

- a.** Prepare the journal entries for the above transactions (narrations are **not** required)

8 marks

- b.** Explain the accounting element that is used to classify the account Unearned Sales Revenue.

3 marks

- c.** Explain the impact on the accounting equation of the transaction on 17 May 2019.

4 marks

**Question 3**

**13 marks**

Neville Gnome has commenced operating a garden nursery, *Neville's Gnomes*, in Olinda. The following transactions took place on 1 July 2019 on the commencement of the business.

- Neville contributed \$25 000 to the business' bank account (Rec. 1).
- A delivery van was contributed to the business that originally cost \$65 000 plus GST in 2009 and is now valued at \$16 500 (Memo 1)
- A computer was purchased from Harvey Norman for \$2 500 plus GST (Chq. 22)
- Inventory purchased from Melbourne Garden Supplies – cost \$8 000 plus GST (Inv. 22).  
Delivered today
- Neville's very generous brother has agreed to lend him \$10 000 on 5 July (Rec. 25) which will be repaid in October 2019.
- The first of three advertisements was played on Mountain Radio FM today. The three advertisement package cost \$3 000 plus GST (Chq. 23).
- Stationery was purchased from Office Things for \$500 plus GST (Chq. 24)
- ANCOM Bank has agreed to provide a \$10 000 loan (Rec. 23) and a 15 000 overdraft. The loan will require \$300 monthly repayments.
- A local retailer, Ferns Toys, purchased \$2 000 plus GST of plants (cost \$1 000) (Inv. 001)

**a.** Prepare the classified Balance Sheet for Neville's Gnomes as at 1 July 2019.

9 marks

**b.** Explain the accounting elements that make up the equities section of the Balance Sheet.

4 marks

**TURN OVER**

**Question 4**

**10 marks**

*Gwenda's Gifts* sells children's toys. The top selling toy last year was a remote-controlled helicopter. Gwenda has 125 Gyrocopters in inventory at 1 November 2019 as she prepares for the Christmas rush. She was fortunate enough to buy 30 Gyrocopters for \$15 plus GST each in early March and the remaining 95 for \$20 plus GST each in July.

The following took place during November.

2 November – Gwenda opened the box and discovered that two of the \$15 gyrocopters were damaged. She returned them to the supplier (CN 1). The supplier's invoice indicates it was purchased in March.

3 November - Gwenda gave 2 gyrocopters to the local school for their annual raffle. (Memo 10)

20 November – Sold 1 gyrocopter for \$17 each plus GST (Rec. 273)

28 November – Gwenda discovers that a new model has been produced and is selling for \$20 each. She has decided to discount her gyrocopters to \$11 each including GST (Memo 2).

29 November – Gwenda purchases 50 of the new gyrosupercopter for \$15 each plus GST (Chq 99)

- a.** Prepare the inventory card for November 2019

8 marks

- b.** Explain the cost assignment method the business has used in its recording of inventory.

2 marks

**Question 5****15 marks**

Rohan Thomas has asked you to help prepare budgets for *Rohan's Boats*. He has been able to start the process but needs some help in completing the accounts.

Rohan has provided the following information:

All inventory is purchased on credit.

**Balances (Actual and Budgeted)**

<b>Account</b>	<b>1 July 2019 (Actual)</b>	<b>30 June 2020 (Budgeted)</b>
Accounts Payable	30 000	37 000
Accounts Receivable	50 000	72 000
Inventory	20 000	25 000
GST Clearing	2 500 (Cr)	1 500 (Cr)

**Budgeted amounts for year ended 30 June 2020**

Discount Expense	3% of credit sales
Inventory Write Down	\$1 000
Wages Expense	\$92 000
Cost of Sales	50% of credit sales
Credit Sales	\$150 000

**a.** Reconstruct the accounts necessary to determine the budgeted:

- Cash paid to accounts payable
- Cash collected from accounts receivable
- Purchases of inventory

12 marks

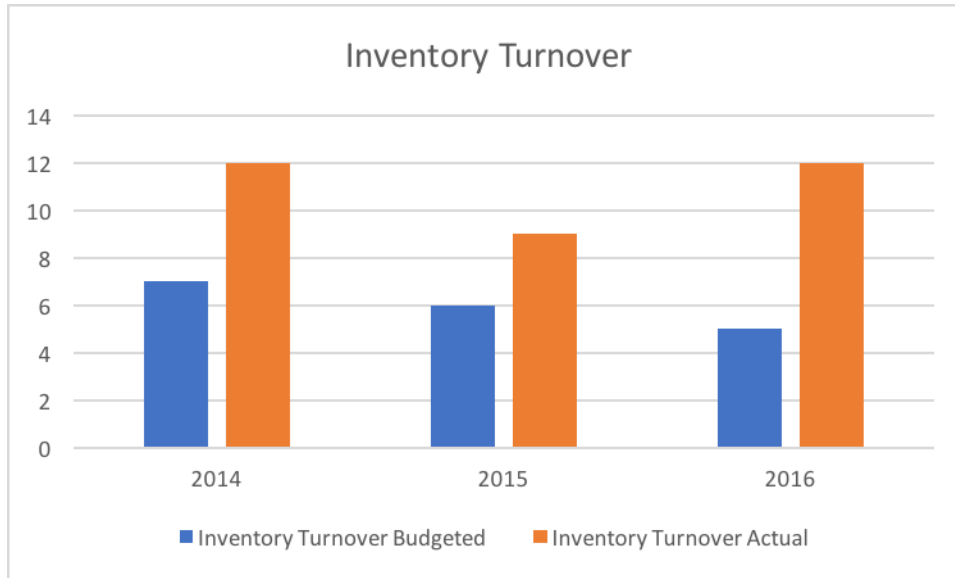
**b.** Explain to Rohan why he should prepare budgets on a regular basis.

3 marks

**TURN OVER**

**Question 6****9 marks**

Richie Jones of *Richies Fruit Supplies* has contacted you as he is confused by the inventory turnover chart that has been produced by his computerized accounting system. He noted that he thought his turnover had improved but the graph seems to indicate it is getting worse.



- a. Explain the results of the Inventory Turnover chart to Richie, referring to the performance against the budgeted figures.  
4 marks
- b. Explain how some businesses are happy with a fast inventory turnover while it may be an issue for other businesses.  
3 marks
- c. Explain one limitation of using financial indicators to analyse the performance of a business.  
2 marks

**Question 7**

**5 marks**

The GST Clearing account for *Tommy's Tyres* as at 30 June 2019 appears below:

**GST Clearing**

<b>Date 2019</b>	<b>Cross-reference</b>	<b>Amount</b>	<b>Date 2019</b>	<b>Cross-reference</b>	<b>Amount</b>
Jun 30	Accounts Payable	1 500	Jun 1	Balance	200
31	Bank (1)	200	Jun 30	Bank	2 800
	Bank (2)	1 400		Accounts Receivable (3)	2 200

**a.** Describe the transactions labelled 1, 2 and 3

3 marks

**b.** Explain how GST Clearing can have a debit balance at the end of the period

2 marks

**TURN OVER**

**Question 8****13 marks**

*Steph's Coils* have provided you with the following information for the quarter ended 30 June 2019.

**Cash Payments**

Accounts Payable settled	\$92 000
Discount Revenue	\$ 2 420
Inventory	\$45 500
Wages	\$27 000
Drawings	\$ 5 000
Prepaid Rent	\$ 2 100
Loan – ABC	\$ 2 000
Accrued Wages	\$ 1 500
GST Paid	\$ 4 900
Computer	\$ 1 400
GST Settlement	\$ 4 690

**Cash Receipts**

Accounts Receivable settled	\$72 000
Discount Expense	\$ 900
Sales	\$90 000
Capital Contribution	\$18 000
Loan – AVC	\$10 000
Sale of Computer	\$ 500
GST Collected	\$ 9 000

**Credit Purchases**

Inventory	\$40 000
GST incurred	\$ 4 000

**Credit Sales**

Sales	\$60 000
GST on Credit Sales	\$ 6 000



## ACCOUNTING EXAM

The owner also provided the following for the quarter ended 30 June 2019.

- Inventory Gain – 250
- Inventory Write-down – 900
- Profit on sale of Computer – 200
- Wages owing at 30 June - 750
- Depreciation – Computer – 200
- Rent expense – 2 100

**a.** Calculate the total of Cash Received and Cash Paid for the quarter ended 30 June 2019.

2 marks

**b.** Prepare an Income Statement for the quarter ended 30 June 2019

11 marks

**TURN OVER**

**Question 9****14 marks**

*Slats Cricket World* sells three types of cricket bat. They have provided the following information to you.

<b>Inventory Item</b>	<b>Quantity</b>	<b>Cost per Unit</b>	<b>Estimated Selling Price per item</b>	<b>Selling expenses per item</b>
The Viv	25	100	200	20
The Blaster	40	120	150	20
The Master	10	200	250	30

**Additional information:**

The Master bat has been a very poor seller. Slats has decided to discount the bats to \$210 each

- a. Calculate the value of the inventory after applying the lower of cost and NRV rule

3 marks

Slats is offering a free signed cricket ball with every bat. The balls cost \$40 each. The supplier has contacted Slats to let him know that delivery costs will increase by \$10 per bat.

- b. Calculate the value of inventory after applying the lower of cost and NRV rule.

3 marks

- c. Referring to a qualitative characteristic explain why inventory is valued at the lower of cost and net realisable value

3 marks

- d. Contrast the terms product and period costs including their treatment in accounting reports.

5 marks

**END OF QUESTION BOOK**