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YEAR 12 *Trial Exam Paper*

2021

ACCOUNTING

Written examination

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, rulers and one scientific calculator.
- Students are NOT permitted to bring into the examination room: blank sheets of paper and/or correction fluid/tape.

Materials supplied

- Question book of 15 pages
- Answer book of 19 pages

Instructions

- Write your **name** in the space provided on the front cover of the answer book.
- Answer all 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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Instructions

Answer **all** questions in the answer book provided.

Question 1 (12 marks)

Daily Dosage sells pre-packaged meals to retail outlets across Melbourne. Daily Dosage is provided with ingredients for a set range of meals which it prepares, packages and sells to these outlets.

They are sold in boxes of 20.

There are two types of meals – Standard and Deluxe.

As at 31 August 2021 the following information was available.

Inventory as per inventory card:

- Standard meal boxes 60 at \$200 and 10 at \$220
- Deluxe meal boxes 42 at \$380

Inventory as per physical stocktake (Memo 20):

- Standard meal boxes 58 at \$200 and 7 at \$220
- Deluxe meal boxes 41 at \$380

A refrigeration issue has meant that all of the Deluxe meal boxes need to be sold quickly. The business plans on donating 20 units to a local homeless shelter for immediate use (Memo 21). The remainder, which have a longer use-by date, will be sold to a major customer at a cost of \$205 per box (plus GST). Five dollars will need to be spent repackaging each box (Memo 22).

- a.** Record the necessary entries into the General Journal as at 31 August 2021.

Narrations are **not** required.

6 marks

- b.** With reference to **one** accounting element, explain how the information in Memo 21 would be reported in the Income Statement prepared on 31 August 2021.

3 marks

- c.** With reference to **one** qualitative characteristic, explain why the information in Memo 22 needed to be recorded.

3 marks

Question 2 (7 marks)

The following document was issued by D'Mac Sports, which uses a 100% mark-up on inventory.

D'Mac Sports		Invoice No: UV64	
To: Domain Primary		Date: 5/05/2021	
Description	Quantity	Unit Price	Total Price
Soccer balls – junior	12	\$25	\$300
Netballs – junior	12	\$35	\$420
Cricket kits	5	\$180	\$900
Tennis balls (tins of 4)	20	\$15	\$300
Tennis racquets	8	\$60	\$480
GST			\$240
Amount due			\$2640
Terms: 5/7, n30			

On 9 May 2021 Domain Primary settled the account.

- a. Record the necessary entries into the General Journal of D'Mac Sports.

Narrations are **not** required.

5 marks

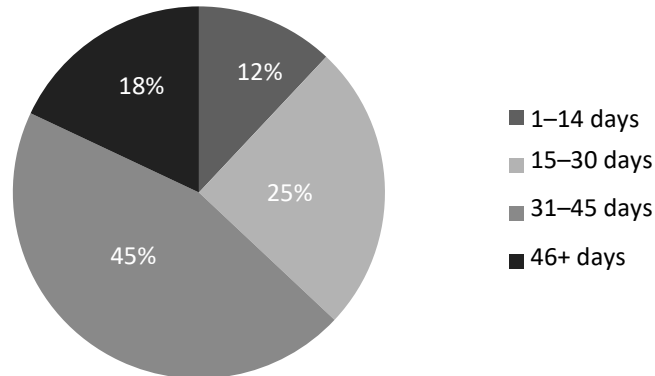
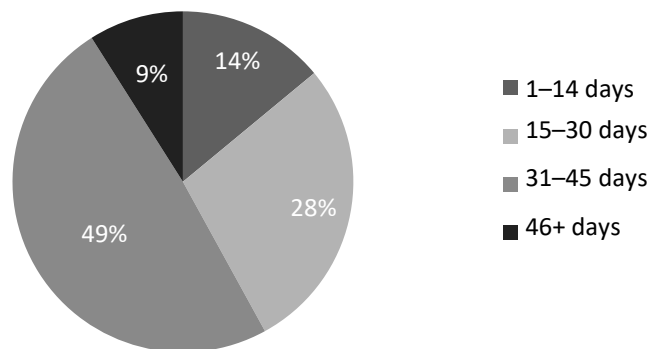
- b. Explain the purpose of Invoice No. UV64.

2 marks

Question 3 (7 marks)

The following charts were provided by the accountant of Day Spa Supplies.

Note that credit terms are 1/14, n30.

Accounts Receivable ageing analysis 2020**Accounts Receivable ageing analysis 2021**

- a.** Explain what is shown in the charts above and analyse what this information tells the owner about their management of Accounts Receivable.

5 marks

- b.** Suggest **two** strategies the business could implement to improve the management of Accounts Receivable.

2 marks

Question 4 (8 marks)

On 1 February 2021 the owner of Textile Trading deposited \$12 000 into a fixed-term deposit account for two years, earning interest at a rate of 4% per annum. Interest will be paid in two instalments, each year on 30 June and 31 December.

The business reports quarterly on 31 March, 30 June, 30 September and 31 December each year.

- a.** Prepare the General Journal entries required on 31 March and 30 June 2021 to record the information.

Narrations are **not** required.

4 marks

- b.** Explain the treatment of Interest Revenue and Accrued Interest Revenue in the reports on 31 March 2021.

4 marks

Question 5 (14 marks)

The Balance Sheet prepared for Hillside Industries as at 31 December 2020 showed the following.

Hillside Industries
Balance Sheet (extract) as at 31 December 2020

Non-Current Assets		
Machinery	45 000	
Less Accumulated Depreciation	30 000	15 000

- a.** Explain what is represented by the \$15 000 figure shown in the report.

2 marks

- b.** On 31 May 2021 the business decided to replace the machinery. The existing machinery was sold for \$12 000 cash. The new machinery will be purchased at a cost of \$54 000 (plus GST) and the business will pay \$4 400 (including GST) to have the machinery installed.

The business will pay \$20 000 from business funds and borrow the balance from MU Bank. Note that the business depreciates non-current assets at a rate of 10% per annum on cost.

Show how the following General Ledger accounts would appear after all information had been posted:

- Machinery
- Accumulated Depreciation – Machinery
- Disposal of Machinery

8 marks

- c.** The machinery produces wooden toys for sale. The owner is considering changing to the reducing balance method of depreciation for this asset.

Discuss the decision the owner is considering.

4 marks

Question 6 (13 marks)

The following General Journal entries were prepared as at 30 June 2021.

Arlow's Antiques**General Journal**

Date 2021	Details	Debit	Credit
30 Jun.	Sales	480 000	
	Discount Revenue	6 500	
	Inventory Gain	1 000	
	Sales Returns		8 000
	Profit and Loss Summary		479 500
	Profit and Loss Summary	385 100	
	Cost of Sales		236 000
	Wages		87 000
	Rent		24 000
	Interest Expense		6 000
	Cartage In		12 000
	Discount Expense		4 500
	Depreciation – Vehicle		5 000
	Advertising		9 500
	Bad Debts		1 100
	Profit and Loss Summary	94 400	
	Capital		94 400
	Capital	76 000	
	Drawings		76 000

- a. With reference to **one** accounting assumption, explain why these entries were necessary.

3 marks

Question 6 – continued
TURN OVER

During the year ended 30 June 2021 the owner contributed \$10 000 cash and drawings including \$4 000 worth of inventory. All other drawings were for cash.

Balance of Capital as at 1 July 2020 was \$79 530.

- b.** Show how the following General Ledger accounts would appear after all information had been posted and the accounts were completed:
- Profit and Loss Summary
 - Capital
 - Drawings

10 marks

Question 7 (4 marks)

The following Trial Balance (extract) for Lincoln's Lounges was provided as at 31 December 2021.

Lincoln's Lounges**Pre-adjusted Trial Balance (extract) for year ended 31 December 2021**

Account	Debit	Credit
Accounts Receivable	29 600	
Allowance for Doubtful Debts		3 600
Sales		680 000
Sales Returns	13 000	
Discount Expense	3 400	

Additional information

- Sales are 60% on credit.
- Allowance for Doubtful Debts is 1% of net credit sales.
- An Account Receivable whose account had a balance of \$4400 (including GST) has been declared bankrupt and will not pay any of their account.

Prepare the General Journal entry required to record the Allowance for Doubtful Debts to be reported as at 31 December 2021.

A narration is **not** required.

Question 8 (8 marks)

The following report was prepared on 31 December 2020.

Houses by Hickling**Balance Sheet as at 31 December 2020**

Assets			Equities		
Current Assets	\$	\$	Current Liabilities	\$	\$
Cash at Bank	9 850		Loan – MU Bank	6 000	
Prepaid Rent	9 000		Accounts Payable	42 800	48 800
Accounts Receivable	24 710				
GST Clearing	7 600				
Inventory	88 000	139 160	Non-Current Liabilities		
			Loan – MU Bank		18 000
Non-Current Assets			Owner's Equity		
Vehicle	42 000		Capital		114 360
Accumulated Depreciation	(21 000)	21 000			
Equipment	34 500				
Accumulated Depreciation	(13 500)	21 000			
Total Assets		181 160	Total Equities		181 160

A summary of the financial reports for the quarter ended 31 March 2021 showed the following information. Note that the additional loan was from MU Bank and was an extension of the existing loan. Repayment conditions are unchanged.

Houses by Hickling

Cash Flow Statement (extract) for quarter ending 31 March 2021

Cash Flows from Operating Activities	\$	\$
Cash Sales	100 000	
Receipts from Accounts Receivable	170 000	
GST Collected	10 000	
Payments to Accounts Payable	(90 000)	
Purchases of Inventory	(30 000)	
Prepaid Rent Expense	(24 000)	
Net Cash Flow from Operations		14 000
Cash Flows from Investing Activities		
Equipment	(12 000)	
Net Cash Flow from Investing Activities		(12 000)
Cash Flows from Financing Activities		
Loan – MU Bank	8 000	
Drawings	(22 000)	
Loan Repayment	(6 000)	
Net Cash Flow from Financing Activities		(20 000)

Houses by Hickling**Income Statement (extract) for quarter ending 31 March 2021**

Revenue	\$	\$
Sales	260 000	
Less Cost of Goods Sold		
Cost of Sales	130 000	
Import Duties	15 000	145 000
Gross Profit		115 000
Less Inventory Loss		1 000
Adjusted Gross Profit		114 000
Add Other Revenue		
Discount Revenue	1 500	115 500
Less Other Expenses		
Depreciation – Equipment	2 025	
Depreciation – Vehicle	2 100	
Discount Expense	2 000	
Rent Expense	21 000	
Net Loss		(3 625)

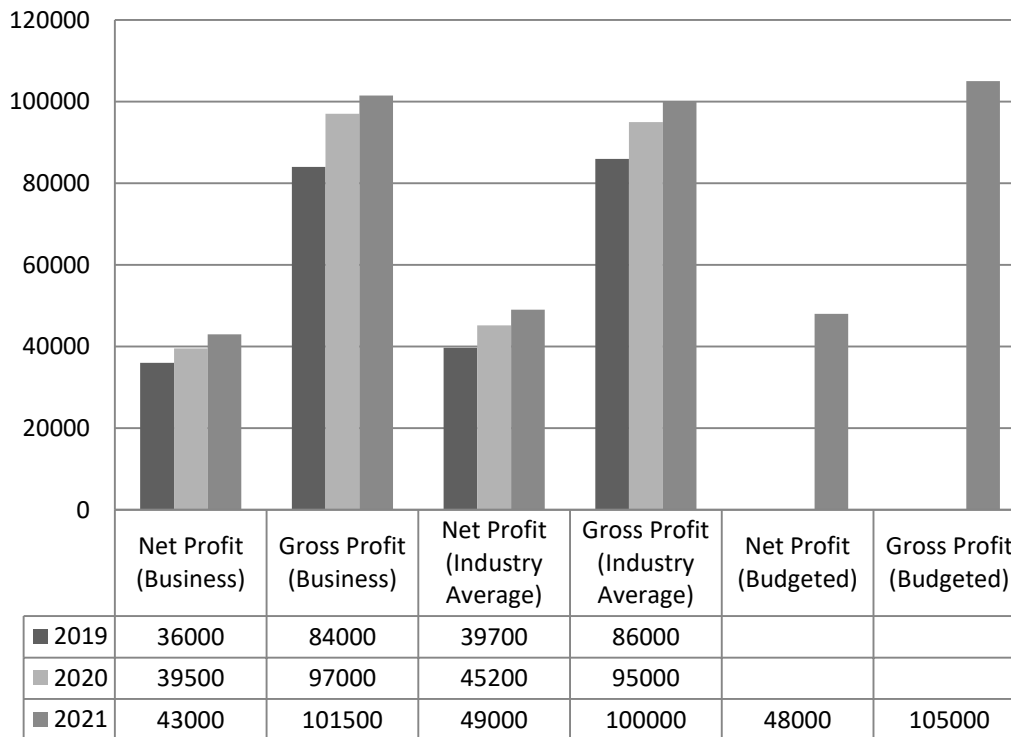
Additional information

- Credit purchases of inventory totalled \$82 000.
- The new loan is due in one instalment on 30 June 2023.
- There were no sales or purchase returns and the owner did not withdraw any inventory.
- The owner also contributed additional equipment with a fair value of \$9 000.
- All drawings were cash.

Using the information provided, complete the Balance Sheet as at 31 March 2021.

Question 9 (6 marks)

The following information has been prepared for Kilvingston Glass Supplies.

Profit performance

	2019	2020	2021
Net Profit Margin (Business)	21%	20%	21%
Gross Profit Margin (Business)	50%	49%	49%

Sales were:

2019 – \$168 000

2020 – \$196 000

2021 – \$206 000

The owner is unsure of how well the business is performing.

Evaluate the performance of the business with specific reference to the indicators shown in the figures above and comment on possible reason(s) for the performance identified.

Question 10 (21 marks)

White & Bright sell whitegoods. The business reports every six months. The business has prepared its reports for the six months ended 31 December 2021 and is considering preparing budgeted reports for the six months ended 30 June 2022.

The owner has decided to continue with the budgeting process and provides the following information.

White & Bright**Balance Sheet (extract) as at**

	31 December 2021	30 June 2022 (Budgeted)
Accounts Receivable	27 500	22 600
Inventory	87 000	94 200
Prepaid Rent Expense	7 200	8 400
Accounts Payable	54 100	51 000
GST Clearing	(9 800)	(7 800)
Accrued Advertising Expense	-	500
Loan – AMU Finance (Repayable \$6 000 per annum	6 000	2 000

The business expects the following transactions to occur in the six months ending 30 June 2022:

- Sales (80% cash) \$620 000
- Cost of Sales 50% of Net Sales
- Sales Returns \$6 000 (all returned inventory is returned to the supplier)
- All inventory is purchased on credit
- Wages Expense \$75 000
- Advertising Expense \$12 000 (includes \$1 500 of inventory used as advertising)
- Drawings \$38 000 (including \$3 000 of inventory)
- GST settlement to be paid in March 2022
- Rent is paid 6 months in advance on 1 September and 1 March each year. The business has been informed that monthly rental will increase to \$4 200 per month from 1 March 2022.
- Inventory Loss \$4 000
- Discounts for the budgeted period are expected to be: Received \$4 700 Allowed \$3 500
- Other Cash Expenses are expected to total \$67 000. This includes \$8 000 of Customs Duty. All cash expenses attract GST.

- a.** Discuss why it is important for businesses to prepare budgeted financial reports. 4 marks
- b.** Reconstruct the following ledger accounts for the six months ended 30 June 2022:
- Accounts Receivable – to identify the expected cash received from accounts receivable.
 - Accounts Payable and Inventory – to determine the expected payments to accounts payable.
- 12 marks
- c.** Calculate the GST Paid amount for the budgeted period. 3 marks
- d.** After preparing the budgeted reports, the owner of White & Bright was happy with the expected outcomes. The owner has been advised to prepare a variance report.
Explain the purpose of preparing a variance report. 2 marks

END OF QUESTION AND ANSWER BOOK