

VCE Accounting Unit 4: Nano Exam 13. Marks = 28 Time = 28 minutes.

Kimberly manages **Top Notch Taps**, a business that trades in high quality taps for cash and on credit. The business uses control accounts, the perpetual stock system using the FIFO method of cost assignment and the accrual accounting system.

A new gold plated Tap, GoldPro is about to be released. This tap will sell for \$660 including GST. **Top Notch Taps** had the following transactions:

- 3/4/33: received \$200 cash deposit from Yvonne, receipt #77 (1 unit).
- 5/4/33: received \$1000 cash deposit from **Ace Builders**, receipt #111 (10 units).
- 10/4/33: received a delivery of 100 GoldPro taps at \$165 each including \$15 GST, invoice #G188, from **HQ Taps**. On the same day paid total of \$330 cash including \$30 GST for freight of the 100 GoldPro Taps, cheque #776.
- 12/4/33: supplied 1 GoldPro tap to Yvonne who paid balance owing, receipt #122.
- 13/4/33: cash sales of 3 GoldPro taps, receipt #123
- 14/4/33: supplied 10 GoldPro taps to **Ace Builders**, invoice #T88.

1.1 Record the above transactions in the appropriate records below. Do not total journals.

15 marks

STOCK CARD: GoldPro Taps. FIFO										
2033		IN			OUT			BALANCE		
Date	Details	QTY.	COST	VALUE	QTY.	COST	VALUE	QTY.	COST	VALUE
10/4	Inv G188	100	150	15000				100	150	15000
	Chq 776	100	3	300				100	153	15300
12/4	Rec 122				1	153	153	99	153	15147
13/4	Rec 123				3	153	459	96	153	14688
14/4	Inv T88				10	153	1530	86	153	13158

Cash Receipts Journal (CRJ) extract

Date	Details	Doc.	Bank	Cost of sales	Prepaid sales	Sales	Debtors	Sundry	GST
2033									
3/4	Prepaid sales (Yvonne)	77	200		200				
5/4	Prepaid sales (Ace)	111	1000		1000				
12/4	Sales (Yvonne)	122	460	153		400			60
13/4	Sales	123	1980	459		1800			180

Purchases Journal (PJ) extract

Date	2033	Details	Doc.	Stock	GST	Total
10/4		HQ Taps	G188	15000	1500	16500

Sales Journal (SJ) extract

Date	2033	Details	Doc.	Cost of sales	Sales	GST	Debtors
14/4		Ace Builders	T88	1530	5000	600	5600

General Journal (GJ) extract

2033		General Ledger		Subsidiary Ledger	
Date	Details	Dr. \$	Cr. \$	Dr. \$	Cr. \$
12/4	Prepaid sales		200		
	Sales				200
	Rec #122. Yvonne. 1 GoldPro supplied				
14/4	Prepaid sales		1000		
	Sales				1000
	Inv #T88. AceBuilders. X 10 GoldPro				

Cash Payments Journal (CPJ) extract

Date	2033	Details	Doc.	Bank	Stock	Cartage	Sundry	GST
10/4		Stock	776	330	300			30

Top Notch Taps has a spare room which it rents out to the local 'Action on Climate Change' group. Rent is currently \$550 per month including \$50 GST. On 1/1/35 the balance in the prepaid rent account was \$1000. Rent increases to \$660 per month from 1/3/35. By the end of the March quarter, 31/3/35, the business had received \$2640 including \$240 GST. Post = 31/3.

1.2 Prepare the rent revenue account for the quarter ending 31/3/35. **Balance/close.**

3 marks

Prepaid rent					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
31/3	Rent revenue	1600	1/3/35	Balance	1000
	Balance	1800	31/3	Bank	2400
		3400			3400
			1/4	Balance	1800

1.3 Explain the impact of any adjusting entry on 31/3/35 on the following elements:

3 marks

Assets: **no impact**

Liabilities: **decrease current liability, prepaid rent, \$1600.**

Owners equity: **increase \$1600 due to rent revenue (other revenue)**

1.4 Explain how the \$2640 received during the March quarter would be reported.

2 marks

Cash flow statement:

Operating Activities: \$2400 prepaid revenue. \$240 GST collections.

Note: could also say that at the end of the quarter would report \$1800 as a current liability, prepaid rent, in Balance Sheet.

On 30/6/36 the following data is provided:

Top Notch Taps: extract of stock information at 30/6/36				
Stock	Quantity	Unit Cost	Unit Import duty	Unit selling price
Chrome Taps	27	\$50	\$2	\$90 + \$9 GST
Sliver Taps	38	\$40	\$1	\$80 + \$8 GST
Plastic Taps	50	\$20	\$0	\$40 + \$4 GST

The plastic taps have not sold well and the owner had decided to quit this stock by selling them for \$22 each inc. \$2 GST. The business plans to spend \$110, inc. \$10 GST on sign-writing to attract attention to this special sale of the plastic taps and \$550, including \$50 GST, on an advertisement in the local paper which refers to all 46 lines of stock.

1.5 Calculate the value of stock at 30/6/36 using the above information.

3 marks

Chrome Taps: 27 X (\$50 + \$2) = \$1404 (cost)

Silver Taps: 38 X (\$40 + \$1) = \$1558 (cost)

Plastic Taps: 50 x (\$20 — \$2) = \$900 (net realisable value)

Total **\$3862 (lower of cost and net realisable value)**

1.6 Prepare the General Journal entry that results from the data in the above table. Memo #2.

2 marks

General Journal (GJ) extract					
2036		General Ledger		Subsidiary Ledger	
Date	Details	Dr. \$	Cr. \$	Dr. \$	Cr. \$
30/6	Stock write down	100			
	Stock control		100		
	Memo #2. Plastic taps x 50.				