

VCE Accounting Unit 4: Nano Exam 7. Marks = 34. Time = 34 minutes.

J. Dinh manages **Slipper Baths**, a business that trades in old world bathtubs 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.

The following information is provided at 30/11/33:

Presentation Screen						Accum. Depreciation Presentation Screen					
Date	Cross-Ref.	\$	Date	Cross-Ref.	\$	Date	Cross-Ref.	\$	Date	Cross-Ref.	\$
30/11	Balance	1800				30/11	Balance	1700			

On 30/11/33 the business traded-in its old presentation screen (for the Board Room) for a new one as evidenced by these documents.

1.1 Record the appropriate journal entries for the disposal and purchase of the presentation screens. No narrations.

8 marks

Ace Displays Invoice #166	
Date:	30/11/33
To:	Slipper Baths
For:	Presentation Screen. \$3200 + \$320 GST. Less allowance on old screen \$500.
\$:	\$3020.00
Terms 60 days	

Chippies Invoice #C87	
Date:	30/11/33
To:	Slipper Baths
For:	Installation of presentation screen including \$60 GST
\$:	\$660.00
Terms 30 days	

General Journal (GJ) extract					
2033		General Ledger		Subsidiary Ledger	
Date	Details	Dr. \$	Cr. \$	Dr. \$	Cr. \$
30/11	Disposal presentation screen	1800			
	Presentation screen		1800		
	Accum. depreciation presentation screen	1700			
	Disposal presentation screen		1700		
	Disposal presentation screen	400			
	Profit disposal presentation screen		400		
	Presentation screen	3200			
	GST clearing	320			
	Sundry creditor: Ace Displays		3520		
	Sundry creditor: Ace Displays	500			
	Disposal presentation screen		500		
	Presentation screen	600			
	GST clearing	60			
	Sundry creditor: Chippies		660		

1.2 Show how the following ledger account for appear for November 2033. **Balance.**

4 marks

Presentation Screen					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
30/11	Balance	1800	30/11/33	Disposal Pres. Screen	1800
	Ace Displays	3200		Balance	3800
	Sundry Creditor-Chippies	600			
		<u>5600</u>			<u>5600</u>
1/12	Balance	3800			

1.3 Define the **cost** of a non current asset giving examples.

3 marks

The cost of the non current asset (NCA) plus any additional cost to get the NCA into a position and condition ready for productive use or revenue generation. Additional costs include freight inwards, modifications and installation.

1.4 Explain how you would classify the Disposal of Presentation Screen ledger account?

1 mark

A 'collection' or 'calculation' account. It exists to facilitate the double entry necessary to dispose of the non current asset. (It is not reported in any of the reports.)

The business decided to trade-in its forklift on a new one on 31/3/20. At the time of the transaction, evidenced by the following documents, the old forklift had a carrying-value of \$2800. The historical cost of the old forklift was \$30000.

High Forklifts Invoice #L98	
Date:	31/3/20
To:	Slipper Baths
For:	Forklift \$50000 + \$5000 GST. Less trade-in allow. (\$6000) Less deposit paid (\$5000)
\$:	\$44000.00
Terms 30 days	

Bendigo Bank	
Date:	31/3/20
To:	High Forklifts
For:	Deposit on new forklift
\$:	5000.00
Cheque # 009876	

1.5 Calculate any profit or loss on the disposal of the forklift.

2 marks

Proceeds of disposal = \$6000 trade-in allowance. Carrying-value = \$2800. Thus profit on disposal = \$3200.

1.6 Explain the reason for the profit or loss on disposal of the old forklift.

3 marks

A profit on disposal occurs when the proceeds of disposal are greater than the carrying-value. This can occur due to over-depreciation caused by under-estimating the scrap-value and/or estimated useful life of the non current asset when calculating depreciation.

1.7 Complete the following two ledger accounts. **Balance/close.** Post at end of month.

6 marks

Disposal of Forklift					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
31/3/20	Forklift	30000	31/3/20	Accum deprec forklift	27200
	Profit on disposal fork.	3200		S. Creditor High forklifts	6000
		<u>33200</u>			<u>33200</u>

Sundry Creditor: High Forklifts					
Date	Cross-Reference	\$	Date	Cross-Reference	\$
31/3/20	Disposal forklift	6000	31/3/20	Forklift/GST clearing	55000
	Bank	5000			
	Balance	44000			
		<u>55000</u>			<u>55000</u>
			1/4	Balance	44000

1.8 Explain how cheque # 009876 would be reported in the Cash Flow Statement for March 2020.

2 marks

Investing activities, negative, since it is a payment associated with a non current asset.

1.9 Distinguish between a sundry creditor and a trade creditor.

2 marks

A trade creditor refers to a creditor due to trading stock while a sundry creditor is a non trading stock creditor such as a creditor owed to a credit purchase of a non current asset.

1.10 Explain how the disposal and purchase of the forklifts would impact on assets.

3 marks

**Decrease of \$2800 due to the carrying-value of the old forklift.
Increase \$50000 due to new forklift.
Decrease \$5000 due to cash deposit paid to sundry creditor.
Net increase \$42200.**