C

Free Exam
for 2013-17 VCE study design

Engage Education Foundation

Units 3 and 4 Accounting

Practice Exam Solutions

Stop!

Don’t look at these solutions until you have attempted the exam.

Any questions?

Check the Engage website for updated solutions, then email practiceexams@ee.org.au.

Solutions

Marks allocated are indicated by a number in square brackets, for example, [1] indicates that the line is worth one mark.

Question 1a

Date 2014	Details	General Ledger Debit $	General Ledger Credit $	Subsidiary Ledger Debit $	Subsidiary Ledger Credit $
Jul 1	Bank	2 000			
	Debtors Control	15 000			
	Stock Control	57 620			
	Equipment	5 700			
	GST Clearing		3 400		
	Creditors Control		7 900		
	Loan – ABC Finance		3 500		
	Capital		65 520		

[1] for Assets.

[1] for Liabilities.

[1] for Capital.

Deduct [1] if ‘Control’ not written next to each item.

Question 1b

Allows for cross-checking between the Control Account and the individual subsidiary records (detects errors). [1]

Removes bulky detail from the general ledger. [1]

Separation of duties allows for better management. [1]

[1] is given for each valid reason, a maximum of 2 marks can be obtained.

Question 1c

The loan is classified as a Current Liability as it is a present obligation that will result in an outflow of economic resources. [1]

This outflow will occur within the next 12 months. [1]

Question 1d

Double entry accounting is a system that requires each transaction to have two (or more) effects on the accounting equation. [1]

For every debit there is a corresponding debit. [1]

Question 2a

Sales Journal

Date 2014	Debtor	Inv. No.	Cost of Sales	Sales	GST	Debtors Control
Mar 31	Totals		5 600	11 000	1 100	12 100
Mar 30	George's Primary School	78	125	200	20	220

General Journal

Date 2014	Details	General Ledger Debit $	General Ledger Credit $	Subsidiary Ledger Debit $	Subsidiary Ledger Credit $
Mar 15	Drawings	10			
	Stock Control		10		

[1] for full entry in Sales Journal.

[1] for debit entry in General Journal.

[1] for credit entry in General Journal.

Question 2b

If the owner's withdrawal of stock was not recorded then the Assets of the business (Stock) would be overstated as the account would still show the calendars as being on hand. [1]

Owner's Equity would be overstated as the Drawings would not be reported. [1]

There would be no impact on Liabilities. [1]

Question 2c

Date 2014	Cross-reference	Amount	Date 2014	Cross-reference	Amount
Mar 1	Balance	34 600	Mar 31	Cost of Sales	5 725
Mar 31	Bank	7 500		Cost of Sales	12 000
	Creditors Control	8 900		Drawings	10
				Balance	33 265
		51 000			51 000
Apr 1	Balance	33 265			

[1] for each entry.

[6] in total as Closing Entry and Balance Carried Forward are considered as one entry.

Question 2d

A range of answers are appropriate. Possible examples include:

Advantage: Cash flow is improved – quicker access to cash to pay debts. [1]

Disadvantage: Expense created lowers profit. [1]

Question 3a

Date 2014	Details	General Ledger Debit $	General Ledger Credit $	Subsidiary Ledger Debit $	Subsidiary Ledger Credit $
Jan 31	Insurance Expense	600			
	Prepaid Insurance Expense		600		
	Wages	340			
	Accrued wages		340		
	Bad Debt	500			
	Debtors Control		500		
	P. Heck				500
	Depreciation – Vehicle	250			
	Accumulated Depreciation - Vehicle		250		
	Drawings	90			
	Wages		90		

[1] for each entry.

There is a total of [10] available as Debtors Control / P. Heck are considered as one entry.

Question 3b

Accounting Principle: Reporting Period. [1]

Balance day adjustments are made to ensure that an accurate profit is calculated. [1]

This is done by comparing revenues earned against expenses incurred in the current reporting period. [1]

Question 3c

Date 2014	Cross-reference	Amount	Date 2014	Cross-reference	Amount
Jan 31	Bank	3 380	Jan 31	Drawings	90
	Accrued Wages	340		Profit & Loss Summary	3 630
		3 720			3 720

[1] for each entry in account, [4] in total.

Question 3d

Non-Current Assets	
Vehicle	30 000
Less Accumulated Depreciation	6 250
	23 750

[2] in total: [1] for each line (must include total).

Question 3e
A range of answers are acceptable. Points to consider include:

- Consistency – recording information in the same manner using the same methods allows for consistent recording. [1]
- This allows for Comparability between reports of different periods [1]
- Changing methods provides more Relevant information for improved decision-making. [1]
- Reducing balance better matches the loss in the value with the contribution to revenue-earning as the asset is more productive in the earlier years [1]
- Straight Line allocates the same expense in each period and is better for assets that contribute evenly to revenue earning. [1]

[1] for 4 out of 5 points above. Response must link to the asset.

Question 4a

Date 2013	Details	In Qty	In Cost	In Total	Out Qty	Out Cost	Out Total	Balance Qty	Balance Cost	Balance Total
Dec. 1	Balance							6	90	540
7	Inv S77	15	100	1 500				6 15	90 100	2 040
17	Inv A4				6 3	90 100	840	12	100	1 200
20	CN 7	3	100	300				15	100	1 500
22	CN M21				3	100	300	12	100	1 200
31	Memo 6				1	100	100	11	100	1 100

[1] for each line in the stock card, [5] in total.

Question 4b

Date 2013	Details	General Ledger Debit $	General Ledger Credit $	Subsidiary Ledger Debit $	Subsidiary Ledger Credit $
Dec 20	Sales Returns	540			
	GST Clearing	54			
	Debtors Control		594		
	Dr – Bagget Motels				594
	Stock Control	300			
	Cost of Sales		300		
	Creditors Control	330			
	Cr – Wiz Ltd			330	
	Stock Control		300		
	GST Clearing		30		

[1] for each line of journal except Control Account and subsidiary ledger entries which are combined; [8] in total.

Question 4c

Stock Cards contain all the information about a particular line of stock.

They can be used to identify fast and slow moving lines of stock.

This can assist the business in determining re-order points and quantities.

When compared to a physical stocktake a stock card assists in recognising Stock Losses/Gains.

This helps identify problems in storage and handling of stock.

[1] for any 3 points identified.

Question 5a

Stock loss: $590 (1 Stendway piano at $500 + 1 Morrison trumpet at $90)

Stock write down: $360 (12 × (180 – 150))

Stock on hand: $16 060 (20 × 300 = 6 000, 14 × 500 = 7 000, 12 × 150 = 1 800, 14 × 90 = 1 260)

[1] for correct amount for Stock Loss.

[1] for correct amount of Stock Write Down.

[1] for every 2 correct stock values calculated.

Question 5b

This is the estimated value stock can be sold for. [1]

Less any estimated costs. [1]

Question 5c

		General Ledger		Subsidiary Ledger	
Date 2012	Details	Debit $	Credit $	Debit $	Credit $
Dec 31	Stock Write Down	360			
	Stock Control		360		

[1] for each line. This value is based on the answer to the previous question.

Question 5d

Cash Receipts Journal

Date 2013	Details	Rec. No.	Bank	Disc Exp.	Debtors Control	Cost of Sales	Sales	Sundries	GST
Feb 1	Prepaid Rent Revenue	76	330					300	30
Apr 9	Commission Revenue	142	154					140	14

General Journal

Date 2013	Details	General Ledger Debit $	General Ledger Credit $	Subsidiary Ledger Debit $	Subsidiary Ledger Credit $
Mar 31	Prepaid Rent Revenue	200			
	Rent Revenue		200		
	Accrued Commission Revenue	140			
	Commission Revenue		140		

[1] for Prepaid Rent Revenue entry in CRJ.

[1] for each line in GJ.

[1] for title and Sundries amount in CRJ.

[1] for GST amount and Bank figure in CRJ.

Question 5e

Reports are required to reflect what occurred during the reporting period. This means determining the revenue earned and deducting the expenses incurred. [1]

Adjusting the accounts allows for an accurate profit for the period to be determined. [1]

Accounting Principle: Reporting Period. [1]

Question 5f

If the adjustment was not made then revenue (Commission Revenue) would be understated as it would not be recorded. If revenue was understated then Net Profit is also understated. There is no impact upon liabilities. [1]

The revenue that is owed is a Current Asset and so by not recording the revenue owed we are understating assets. [1]

Question 6a

Debtors Control

Date 2013	Cross-reference	Amount	Date 2013	Cross-reference	Amount
Jan 1	Balance	70 000	Dec 31	Bad Debts	7 810
Dec 31	Sales	710 000		Discount Expense	15 620
	GST Clearing	71 000		Bank	765 570
				Balance	62 000

Creditors Control

Date 2013	Cross-reference	Amount	Date 2013	Cross-reference	Amount
Dec 31	Bank	427 300	Jan 1	Balance	47 000
	Balance	52 000	Dec 31	Stock Control	393 000
				GST Clearing	39 300
		479 300			479 300

Stock Control

Date 2013	Cross-reference	Amount	Date 2013	Cross-reference	Amount
Jan 1	Balance	82 000	Dec 31	Cost of Sales	370 000
Dec 31	Creditors Control	393 000		Stock Write Down	10 000
				Balance	95 000
		475 000			475 000

Rent Revenue

Date 2013	Cross-reference	Amount	Date 2013	Cross-reference	Amount
Dec 31	Profit & Loss Summary	30 000	Dec 31	Bank	27 500
				Accrued Rent Revenue	2 500
		30 000			30 000

[1] for both balances.

[1] for Bad debts and Discount Expense.

[1] for Sales.

[1] for GST Clearing.

[1] for both balances in Creditors Control.

[1] for Stock Control and GST Clearing.

[1] for Cost of Sales and Stock Write Down.

[1] for both balances in Stock Control.

[1] for Creditors Control.

[1] for each entry in the Rent Revenue account.

[12] in total.

Question 6b

Revenue	$	$
Sales		710 000
Less Cost of Goods Sold		
Cost of Sales		370 000
Gross Profit		340 000
Less Stock Write Down		10 000
Adjusted Gross Profit		330 000
Plus Other Revenue		
Rent Revenue		30 000
		360 000
Less Other Expenses		
Discount Expense	15 620	
Bad Debts	7 810	
Wages	182 000	
Office Expenses	50 000	
Depreciation – Equipment	12 000	267 430
Net Profit		92 570

[1] for items to calculate Gross Profit.

[1] for Adjusted Gross profit.

[1] for other revenue section.

[1] for Bad Debts and Discount Expense.

[1] for other 3 expenses.

Question 6c

The information shows that two items occurred that the business had not considered when preparing the budget. [1]

Customers returned stock (possibly due to damage) and some stock was lost – possibly due to theft or from undersupply by our suppliers. Both instances suggest that there are issues with the management of stock. One Issue is that poor quality stock is being sold. Secondly, an incorrect amount of stock may be being delivered to the business. [1]

Both situations suggest the business needs to better monitor stock when it arrives. Stock should be counted and compared to the invoice when delivered by the supplier. The stock should be checked to ensure it is not damaged upon delivery and then checked again when sold to a customer. It may also be wise to install security cameras and tags to avoid theft it is determined that theft is the primary cause of the stock loss. [1]

Note that students only need to identify the cause of, and suggest a strategy for reducing, either a sales return or a stock loss.