

INSIGHT
Trial Exam Paper

2008

ACCOUNTING

Written examination 1

QUESTION BOOK

Reading time: 15 minutes
Writing time: 1 hour 30 minutes

Structure of book

<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
2	2	90

- Students are permitted to bring the following items into the examination: pens, pencils, highlighters, erasers, sharpeners, rulers and one scientific calculator.
- Students are NOT permitted to bring sheets of paper or white out liquid/tape into the examination.

Materials provided

- The question book of 9 pages.
- The answer book of 13 pages.

Instructions

- Write your **name** in the box provided on the front page of the answer book.
- Answer all questions in the answer book.
- You must answer the questions in English.

At the end of the exam

- You may keep this question book.

Students are NOT permitted to bring mobile phones or any other electronic devices into the examination.

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Question 1

Sinc Bikes

Leigh Sinclair operates a small trading business, Sinc Bikes, selling bicycles and cycling equipment. Leigh uses a double entry accrual system of recording and reporting and maintains control accounts for Debtors, Creditors and Stock. The business uses the FIFO (First In First Out) cost assignment method in its perpetual inventory recording system.

1.1 The following Information was provided on 1 February 2008.

Trial Balance

Account	General Ledger	
	Dr	Cr
Bank	5 400	
Stock Control*	22 000	
Debtors Control**	4 000	
Equipment#	34 000	
Less Accumulated Depreciation - Equipment		19 000
Land & Buildings	650 000	
GST Clearing	1 200	
Creditors Control***		8 600
Loan ANZ		420 000
Capital		269 000
	716 600	716 600

#The equipment has a useful life of 2 years from the time of purchase and a scrap value of \$10 000.

*Stock control includes 4 Hybrid Bikes at a cost of \$600 each.

**Debtors Control is made up of

- Barrie Secondary College	\$1 800
- Sam O'Loughlin	\$2 200

***Creditors Control is made up of

- Trek Cycles	\$6 400
- Repco	\$2 200

Required

1.1.1 **Explain** how the GST Clearing account would be reported in the Classified Balance Sheet of Sinc Bikes as at 1 February 2008

3 marks

1.1.2 **Calculate** the age of the equipment based on the depreciation to date.

2 marks

1.1.3 **Show** how the Non Current Assets section of the Balance Sheet would appear at 29 February 2008.

3 marks

Question 1 – continued
TURN OVER

1.1.4 Explain with reference to a qualitative characteristic why there is only one amount for Debtors Control in the Balance Sheet.

3 marks

1.2 During February 2008 Leigh recorded transactions into the journals. A summary of all entries to 27 February 2008 are shown below.

Cash Payments Journal

Date 2008	Details	Chq. No.	Bank	Disc. Rev	Creditors	Stock *	Wages	GST	Sundries
Feb 27	To date		46 400	500	18 500	12 000	4 000	1 400	11 000#

* Stock includes 4 Hybrid Bikes at \$600 purchased on 12 February (Chq 221)

The sundries column figure consists of the following:

- \$1 000 electricity expense,
- \$9 000 in drawings and
- \$1 000 deposit on the purchase of a new cash register system (equipment).

Cash Receipts Journal

Date 2008	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales *	Sales*	GST	Sundries
Feb 27	To date		80 900	700	20 000	30 000	56 000	5600	

* Sales includes 5 Hybrid Bikes for \$1 300 each plus GST, sold on 14 February

(Rec. 119)

Purchases Journal

Date 2008	Creditor	Invoice No.	Stock*	GST	Total Creditors
Feb 27	To date		14 000	1 400	15 400

* Stock includes 4 Hybrid Bikes purchased on 19 February for \$600 Each (Inv. 76)

Sales Journal

Date 2008	Debtor	Invoice No.	Cost of Sales*	Sales*	GST	Total Debtors
Feb 27	To date		11 000	22 000	2 200	24 200

* Sales includes 3 Hybrid Bikes for \$1 300 each plus GST sold on 22 February (Inv. 15)

The following source documents relate to transactions that took place during February 2008 which have not yet been recorded.

<p>Sinc Cycles Memo 9 <i>Donated one Hybrid Bike to Barrie Secondary College for School raffle. It is to promote the type of bikes the school purchases for their camp.</i> 28/2/2008 Leigh</p>	<p>Trek Cycles ABN 77 218 822 131 Tax Invoice Number 96 Date 28/02/08 Charged to: Sinc Cycles</p> <table> <tr> <td>Item: 2 Hybrid Bikes @ \$700</td> <td style="text-align: right;">\$1 400</td> </tr> <tr> <td>5 Bike Pants @40</td> <td style="text-align: right;"><u>\$ 200</u></td> </tr> <tr> <td>Sub Total</td> <td style="text-align: right;">\$1 600</td> </tr> <tr> <td>GST</td> <td style="text-align: right;"><u>\$ 160</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">\$1 760</td> </tr> </table> <p>Terms: 5/7 n/30</p>	Item: 2 Hybrid Bikes @ \$700	\$1 400	5 Bike Pants @40	<u>\$ 200</u>	Sub Total	\$1 600	GST	<u>\$ 160</u>	Total	\$1 760
Item: 2 Hybrid Bikes @ \$700	\$1 400										
5 Bike Pants @40	<u>\$ 200</u>										
Sub Total	\$1 600										
GST	<u>\$ 160</u>										
Total	\$1 760										
<p>Sinc Cycles ABN 86 218 677 535 Receipt No: 121 28/02/2008 From: Barrie Secondary College For: Settlement of Account Amount: \$1 800 less 2% Disc Total \$1 764</p>											
<p>Sinc Cycles ABN 86 218 677 535 Tax Invoice Number 76 Date 28/02/08 To: Barrie Secondary College For 1 Hybrid Bike \$1 400 plus GST \$140 Total \$1540</p>											
<p>Sinc Cycles COMMONWEALTH BANK Chq No: 231 28/02/2008 To: Miles Pakis For: Wages Balance c/f: This Cheque: \$340 Balance:</p>	<p>Sinc Cycles Memo 10 <i>A physical stocktake revealed stock on hand of 5 Hybrid Bikes</i> 29/2/2008 Leigh</p>										

Required

1.2.1 Complete the stock card for Hybrid Bikes for February 2008.

8 marks

1.2.2 Record the above source documents into the appropriate journals of Sinc Bikes. Total all special Journals.
(Narrations are required for General Journal entries)

11 marks

Question 1 – continued
TURN OVER

1.2.3 Complete the GST Clearing account in the General Ledger as at 29 February 2008.

7 marks

1.2.4 Prepare the Debtors Subsidiary Ledger for Barrie Secondary College at 29 February 2008 after all the journals have been posted.
(You are not required to balance the account)

3 marks

1.3 Leigh is unsure as to how it is possible that his physical count of stock differs from what the stock card shows he has on hand.

Required

1.3.1 Excluding a book keeping error, **state** two reasons for the discrepancy in stock levels.

2 marks

1.3.2 State the effect on each element of the Accounting equation if Memo 10 is not recorded.

3 marks

Total 45 Marks

END OF QUESTION 1

Question 2

Hasan Hardware

Reiner Hasan owns and operates a small trading business called Hasan Hardware. He has been selling a range of timber and building materials since 1 July 2007. Hasan Hardware's accounting system is based on the double entry accrual system of recording and reporting. He maintains control accounts for Debtors, Creditors and Stock.

2.1 Reiner has provided you with the following pre-adjustment account balances as at 30 June 2008.

Account	Balance
Advertising	800
Bank overdraft	200
Capital	?
Cash Sales	51 200
Cost of Sales	39 500
Credit Sales	27 800
Creditors Control	5 100
Debtors Control	7 700
Discount Expense	300
Discount Revenue	100
Drawings	12 000
Equipment	70 000
GST Clearing (Owing to ATO)	2 200
Loan – ANZ	24 000
Prepaid Office Supplies	200
Prepaid Advertising	500
Stock Control	16 000
Wages	18 000

Required

2.1.1 Complete the trial balance as at 30 June 2008.

3 marks

2.1.2 Excluding an entry being left out completely, **state** two reasons why errors can still be present despite a Trial Balance balancing.

2 marks

Question 2 – continued
TURN OVER

2.2 The following adjustments are required for the six-month period ending 30 June 2008.

1. Advertising used up in the period totalled \$1 000
2. The 5 year Loan from the ANZ is a 10% per annum interest only loan which is paid on 1 July and 1 January each year. The loan was taken out on 2 January 2008.
3. Wages owing at 30 June: \$3 000
4. Office Supplies on hand at 30 June: \$100

Required

2.2.1 Show how the following accounts would appear in the General Ledger after all adjusting and closing entries. Balance accounts where appropriate.

- Advertising
- Interest Expense
- Wages
- Prepaid Office Supplies

11 marks

2.2.2 Prepare the General Journal entries to

- close the revenue and expense accounts
- transfer the profit/loss to the owners equity
- transfer the drawings account

at 30 June 2008.

(Narrations are not required)

10 marks

2.2.3 Prepare an extract of the Profit and Loss Statement for the 6 months ended 30 June 2008 to show the Gross Profit.

4 marks

2.2.4 Explain with reference to an accounting principle the purpose of making balance day adjustments.

2 marks

2.3 Totals to date for the cash journals for the month ending 31 July 2008 are shown below.

Cash Payments Journal

Date 2008	Details	Chq. No.	Bank	Disc. Rev	Creditors	Stock	Wages	GST	Sundries
31	To date		8 150	100	2 400	5 000		550	300#
31	TOTALS								

#Sundries consists of \$300 for Office Supplies to be used in August

Cash Receipts Journal

Date 2008	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries
31	TOTALS		14 100	300	5 500	4 000	8 000	800	100*

*Sundries consists of Interest on bank account \$100

On the 31st of July Hasan Hardware made the following payments:

- \$4 000 to its employee for wages relating to June and July 2008 (Cheque 087).
- \$2 200 to the Australian Tax Office for settlement of the GST account (Cheque 088).

Required

2.3.1 Record the payments (Cheque 087 and 088) in the Cash Payments Journal. **Total** the Journal for July 2008.

3 marks

2.3.2 Prepare an extract from the Cash Flow Statement for the month ended 31 July 2008 to show the **cash flow from operating activities**.

7 marks

2.3.3 Explain, with the use of an example, why Cash Flow from Operations may not be the same as the Net Profit for the same reporting period.

3 marks

Total 45 Marks

END OF QUESTION BOOK