

ACCOUNTING AND FINANCE SAMPLE EXAMINATION

Section 7 of the *New WACE Manual: General Information 2006-2009* outlines the policy on WACE examinations.

Further information about the WACE Examinations policy can be accessed from the Curriculum Council website at http://newwace.curriculum.wa.edu.au/pages/about_wace_manual.asp.

The purpose for providing a sample examination is to provide teachers with an example of how the course will be examined. Further fine tuning will be made to this sample in 2007 by the examination panel following consultation with teachers, measurement specialists and advice from the Reference Group.

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Western Australian Certificate of Education, Sample External Examination Question/Answer Booklet

ACCOUNTING AND FINANCE WRITTEN PAPER STAGE 2	Please place your student identification label in this box
Student Number: In figures	
<i>Time allowed for this paper</i> Reading/planning time before commencing Working time for paper:	g work: Ten minutes Three hours
Material required/recommende	d for this paper

To be provided by the supervisor This Question/Answer Booklet

Information Sheet Multiple Choice Answer Sheet Specifications Booklet

To be provided by the candidate

Standard items: Pens, pencils, eraser or correction fluid, highlighter and ruler Special items: Calculators satisfying the conditions set by the Curriculum Council for this course and the booklet of notes provided on the Curriculum Council website.

Important note to candidates

No other items may be taken into the examination room. It is **your** responsibility to ensure that you do not have any unauthorised notes or other items of a non-personal nature in the examination room. If you have any unauthorised material with you, hand it to the supervisor **before** reading any further.

Structure of this paper

Section	Suggested working time	Number of questions available	Number of questions to be attempted	Marks
Section One: Multiple Choice	25 minutes	20	20	20
Section Two: Application and Response	155 minutes	12	12	180
			[Total marks]	200

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Instructions to candidates

- 1. The rules for the conduct of Curriculum Council examinations are detailed in the *Student Information Handbook*. Sitting this examination implies that you agree to abide by these rules.
- 2. Write your answers in the Question/Answer Booklet using a **blue or black ball-point or ink pen**. It is recommended that you **do not use pencil**.
- 3. Spare answer pages may be found at the end of this booklet. If you need to use them, indicate in the original answer space where the answer is continued (i.e. give the page number).
- 4. Information for Questions 4-8 in section two has been repeated on a removable information sheet which is inserted into the front of this booklet so that you can refer to it more easily while answering the questions. Do not write your answers on the information sheet. The information sheet is **not** to be handed in with your answers.
- 5. The specifications booklet may be used in conjunction with the exam.

SECTION ONE: MULTIPLE CHOICE

This section has TWENTY (20) questions. Attempt ALL questions.

Each of the twenty multiple choice questions in Section One involves choosing from four alternative answers. Read each question carefully then indicate the ONE alternative that you consider best answers the question, or completes the statement. Give an answer to every question in this part of the paper, as no marks are deducted for incorrect answers. Each question is worth 1 mark. Use a 2B pencil to record your answer on the Multiple Choice Answer Sheet provided. Carefully read the instructions on the answer sheet.

Allow approximately 25 minutes to complete this section [20 marks].

- 1. Bill borrowed \$100 000 from a family member and invested the full amount into his business. Bill then recorded the \$100 000 on the balance sheet of the business as a liability. This action is a violation of which assumption?
 - (A) Accrual basis assumption
 - (B) Going concern assumption
 - (C) Accounting entity assumption
 - (D) None of the above
- 2. Which of the following is revenue for the month of June?

[1 mark]

[1 mark]

- (A) A \$20 000 loan borrowed from the bank on 6 June
- (B) \$1 200 received from customers for goods sold in May
- (C) \$500 worth of goods sold on credit on 18 June
- (D) None of the above

3. If a business has a profit margin of 10%, which of the following statements is true?

[1 mark]

- (A) The business is earning 10 cents for every dollar invested
- (B) The business is making strong profits
- (C) The business is effectively controlling costs
- (D) There is insufficient information to reach a conclusion
- 4. Which of the following is not an asset?
 - (A) Vehicle used for delivery
 - (B) Funds deposited in the business bank account
 - (C) Vehicle used for owner's private business
 - (D) All of the above are assets

ACCOUNTING AND FINANCE STAGE 2

5. On 1 October 2007, Vangelic Furniture purchased a new delivery van for \$20 000 (GST exclusive). The estimated residual value of the van is \$3 000 and it is expected to have a useful life of eight years. The van will be depreciated using the reducing balance method at a rate of 20%.

4

What is the depreciation expense for the period ending 30 June 2009?

[1 mark]

- (A) \$3 400
- (B) \$1 875
- (C) \$3 200
- (D) None of the above
- **6.** Assuming all else remains the same, which of the following would cause the gross profit ratio of a retail business to decline?

[1 mark]

- (A) A rise in debt levels leading to higher interest payments
- (B) Higher depreciation charges following a significant capital investment program in the previous financial year
- (C) Suppliers increasing the price of their goods
- (D) All of the above
- 7. Yokindy Car Supplies had the following transactions in the June quarter (Note: all GST related items are shown GST inclusive).
 - i. Paid \$5 500 for a new laptop computer.
 - ii. Purchased \$55 000 worth of inventory from ABC Ltd on credit.
 - iii. Sold goods on credit to XYZ Ltd for \$87 450. The value of these goods recorded in the inventory account is \$12 000.
 - iv. Paid \$770 to rent office space in July.
 - v. Paid a telephone bill totaling \$220. This amount relates to the telephone expense incurred in February.
 - vi. Paid \$26 785 wages to employees.
 - vii. Purchased a further \$11 000 worth of inventory from ABC Ltd. Half of this purchase was paid for immediately.
 - viii. Received \$57 860 from a customer. The car parts will not be delivered to the customer until July.

What is the input tax credit Yokindy Car Supplies would receive for the June quarter?

[1 mark]

- (A) \$8 070
- (B) \$6 590
- (C) \$5 140
- (D) None of the above
- **8.** A machine was purchased for \$52 800 (GST inclusive) on 1 January 2007. The machine has an estimated useful life of ten years and residual value of \$5 000. If it is depreciated using the straight line method, what is the carrying amount of the asset as at 30 June 2009?
 - (A) \$41 550
 - (B) \$43 240
 - (C) \$37 250
 - (D) None of the above

SAMPLE EXAM

9. PowerDrive Sports sell sporting equipment and clothing. During the month of October 2009 the following transactions were recorded:

Date	Transaction
October 11	Sold \$550 (GST inclusive) worth of equipment on
	credit. The equipment had originally cost \$374 (GST exclusive).
15	Paid wages of \$800. Twenty percent of this amount
	relates to work performed in October, while the
	remainder relates to work done in September.
19	Received \$900 owed by a customer for goods
	delivered August 2009.
22	Purchased a new cash register. The cost of the
	register was \$2 400 (GST inclusive).
28	Sold \$440 (GST inclusive) worth of clothing. The
	clothing had originally cost \$220 (GST exclusive).
	Payment was made in cash.

Using the accrual method, what is the profit for the month of October 2009?

- (A) \$146
- (B) \$200
- (C) \$406
- (D) None of the above
- **10.** Tom and George run a small grocery store. Which of the following transactions is an expense for the month of November?

[1 mark]

[1 mark]

- (A) Paid the electricity bill for October on 10 November
- (B) Paid \$2 000 on the 14 November to rent office space in January and February
- (C) Purchased \$11 000 worth of inventory on the 20 November and paid \$1 000 in GST
- (D) None of the above
- **11.** An organisation reported an operating profit of \$46 000. The operating expenses incurred were equal to \$42 000 and the Cost of Sales was equal to \$92 000. What is the gross profit earned for the organisation?

- (A) \$134 000
- (B) \$88 000
- (C) \$50 000
- (D) None of the above

12. The recorded profit/loss in the Income Statement is an estimate because of the calculations for:

[1 mark]

- (A) Electricity
- (B) Sales
- (C) Rent
- (D) Doubtful debts
- **13.** Tuscany Wine is a small business operating in the Margaret River region. The business recently spent \$40 000 to upgrade its webpage. The business webpage is now more user-friendly and contains a secure online purchase system allowing customers to buy and pay for wine online. In relation to the upgrade, which of the following statements is correct?

[1 mark]

- (A) The \$40 000 upgrade should be classified as an asset as it satisfies the definition and recognition criteria.
- (B) The \$40 000 should be classified as an expense immediately as it does not satisfy the definition of an asset.
- (C) The \$40 000 should be classified as an expense immediately as it fails the recognition criteria.
- (D) The \$40 000 should initially be classified as an expense but classified as an asset in future periods if it can be demonstrated the upgrade created material economic benefit.

Questions 14–18 relate to the following information

Wilson Sports is a sports equipment retailer owned and run by Sarah Wilson. The following information was provided on 30 June 2009.

Information from Balance Sheet

Cash	\$110 000	Accounts Payable	\$145 000	
Accounts Receivable	50 000	Accrued Expense	15 000	
Inventory	180 000	Loan (due 6/12/2009)	100 000	
Buildings (net)	500 000	Loan (due 6/12/2012)	300 000	
Equipment (net)	150 000	Capital	430 000	
	990 000		990 000	

Information from Income Statement

Cost of Sales	\$480 000	Cash Sales	\$100 000
Wages Expense	70 000	Credit Sales	600 000
Rent Expense	12 000		
Interest Expense	28 000		

Note

The capital figure includes the current year's profit. Sarah Wilson made no drawings for the year. On 30 June **2008** Wilson Sports had total assets equal to \$875 000.

- 14. The current ratio is equal to:
 - (A) 2.34: 1
 - (B) 1.31:1
 - (C) 2.125: 1
 - (D) None of the above

SAMPLE EXAM

- **15.** The gross profit ratio is equal to:
 - (A) 45.8%
 - (B) 68.6%
 - (C) 31.4%
 - (D) None of the above
- **16.** The net profit ratio is equal to:
 - (A) 15.7%
 - (B) 50.0%
 - (C) 31.4%
 - (D) None of the above
- **17.** The debt to equity ratio is equal to:
 - (A) 100%
 - (B) 130%
 - (C) 71.4%
 - (D) None of the above
- **18.** The rate of return on assets is equal to:
 - (A) 14.8%
 - (B) 11.8%
 - (C) 13.9%
 - (D) None of the above
- **19.** Ezy Movers purchased a new truck on 1 December 2008 for \$90 000. It was decided to depreciate the truck at 5% per annum using the reducing balance method of depreciation. What is the depreciation expense on the truck for the year ended 30 June 2009?

[1 mark]

- (A) \$2 250
- (B) \$2 625
- (C) \$4 500
- (D) None of the above
- **20.** On 28 January a customer paid \$1 500 to a cleaning company (not registered for GST) to have their premises cleaned in March. The \$1 500 was mistakenly recorded by the cleaning company as Fees Income in the month of January. What journal entry is required to correct this error?

[1 mark]

- (A) Debit Fees Income; Credit Income Received in Advance
- (B) Debit Accrued Income; Credit Fees Income
- (C) Debit Income Received in Advance; Credit Accrued Income
- (D) None of the above

END OF SECTION ONE

[1 mark]

[1 mark]

[1 mark]

SECTION TWO: APPLICATION AND RESPONSE

This section has **TWELVE (12)** questions. Attempt **ALL** questions.

Allow 2 hours, 35 minutes to complete this section [180 marks].

Question 1

Peter Smith owns a Pet Shop called Pete's Pets. He has built a very successful business over a five year period. Peter diligently completes his financial statements every two months. The balance sheets of Pete's Pets indicate that all non-current assets have correctly been recorded at their purchase price. Peter conducts many business transactions with businesses in Singapore to purchase cheaper pet food. He always remembers to record these transactions in Australian currency in his records. At the end of a busy week, Peter usually takes money from the week's income to pay for some of his home bills, which he has not had time to attend to. Peter records this by debiting his Drawings account and crediting the business Cash at Bank account.

Required

Identify TWO (2) Accounting assumptions which have been applied in the description of Pete's Pets. Explain each of these two accounting assumptions, providing examples from the information above.

C	[6 marks]

SAMPLE EXAM

Question 2

Fiona Mac, the owner of Fee's Flowers, signed a contract with Victor's Vehicles in February 2007 to purchase two new vans to use as delivery vehicles. The contract stated that Fee's Flowers would make repayments of \$3 000 each month for two years to pay for the vans. The vans were delivered to Fee's Flowers in March and the loan repayments commenced that same month.

Using the asset definition and the asset recognition criteria provided in the *Framework*, justify why Fee's Flowers should record the vans as an asset in the balance sheet despite the fact that the business will not own them for two years.

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Two of the characteristics of a small proprietary company are continuity of existence and being a separate legal entity. Define and explain why these two characteristics are seen as an advantage for a small proprietary company business as compared to a sole trader.

[4 marks]

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[Adapted from: Tasmanian Qualifications Authority, 2006]

Apple Cider Juice owned by Redford Grand, is a juice and fruit store with a balance date for the financial year of 30 June 2007. At this business the perpetual inventory system is used.

The following is an extract of transactions related to the financial year ended 30 June 2007.

Date	Transaction	
2 April 2007	Redford started his business with \$41 000. (He put \$25 000 he had saved into	
	the business bank account to start his business. He also contributed a motor	
	vehicle to the value of \$16 000).	
2 April 2007	Paid quarterly insurance premium \$1 350, cheque no. 000101.	
4 April 2007	Redford bought a computer system on credit from Compsyche Computers	
	\$6 600 (GST inclusive).	
12 April 2007	Cash sales were \$1 200. Cost price of the fruit was \$400. (Fruit is GST free.)	
29 April 2007	Redford took for personal use \$200 cash and fruit to the value of \$75. (Fruit is	
	GST free.)	
8 May 2007	\$10 000 was borrowed from AusBank and placed in the business bank	
	account.	
31 May 2007	It was found that the payment of wages of \$240 had been entered into the	
	cleaning expenses account by mistake.	
30 June 2007	The end of period stocktake indicated a shortage of \$42.	
30 June 2007	The vehicle valued at \$16 000 is to be depreciated at the rate of 20% per	
	annum straight line for the three months the business has been operating.	

# Required

(a) Provide General Journal entries for the transactions shown above.

[27 marks]

### Workings

Apple Cider Juice General Journal				
Date	Details	Debit	Credit	
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# Question 4 cont.

Examine the following accounts from the General Ledger of Gobsmacked, the supplier of fresh fruit to Apple Cider Juice.

2007 June						
				2007		
Jane	1	Balance b/d	9 100	June 25	Drawings (B)	1 240
	22	Gosnells Office	4 000	•••••=•	2.0	
	22		4 000			
		Warehouse (A)				
				•		
				oo Waxaha		
			Bosnells Offi		buse	
2007				2007		
une	11	Cash at Bank (C)	6 500	June 1	Balance b/d	6 500
					Office Equipment (D)	4 400
					Office Equipment (D)	+ <del>+</del> 00
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loguir	rad					
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b) Ex	plair	n the entries marked (A)	, (B), (C) and	(D).		
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Delta Dawn has a small service business called Delta's Detailing which specialises in the interior cleaning and restoration of limousines. She has provided the following incomplete trial balance as at 30 June 2009. Delta has asked you to use the information below to prepare financial statements for Delta's Detailing.

	Debit	Credit
Fees income		\$45 260
Advertising expense	\$3 273	
Cash at bank	13 211	
Creditor—G Geranium		1 558
Debtor—S Slick	2 158	
Office salaries expense	5 540	4
Interest expense	1 900	
Office furniture and equipment	29 800	
Rent expense	14 060	
Drawings	1 000	
Telephone expense	1 216	
Loan from NE Bank (repayable on 1 July 2017)		10 000
Stationery expense	1 000	
Electricity expense	2 660	
Capital—D Dawn		?

# Additional information

- i. Included in the rent expense account is an amount of \$4 060 which was received for rent but which was incorrectly credited to the rent expense account instead of the rent income account.
- ii. Included in the interest expense account is an amount of \$87 for bank charges which was incorrectly debited to the interest expense instead of the bank charges account.
- iii. Insurance of \$250 was paid in June but not recorded.

### Required

(a) Select an appropriate format and prepare a classified financial statement for the period ending 30 June 2009 that will indicate the profit for the year of Delta's Detailing.

[18 marks]

### Workings:

SAMPLE EXAM	17	ACCOUNTING AND FINANCE STAGE 2
Delta's Detailing		
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Question 5 cont.

(b) Select an appropriate format and prepare a classified financial statement for the period ending 30 June 2009 showing the assets, liabilities and equity of Delta's Detailing.

[13 marks]

Workings:

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SAMPLE EXAM

19 ACCOUNTING AND FINANCE STAGE 2

(c) Delta uses a range of principles of internal control in her business including authorisation, separation of duties, adequate documentation, physical controls and verification. Select TWO of these principles and elaborate on their meaning. Apply your understanding of the two selected principles to ONE of the following: management of cash or inventory.

[6 marks]

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[Adapted from: Kirkwood, Ryan, Falt, & Stanley, 1992]

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Workings:

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Question 6 cont.

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RATION

Paull's Plumbing has supplied you with the following information.

Balance sheet information as at 30 June

	2007	2006	2005	
Cash at bank	\$5 000	\$27 000	\$25 000	
Tools and Equipment	153 000	123 000	118 000	
Vehicles	92 000	96 000	99 000	
Accounts payable	22 000	23 000	24 000	
Loan from bank (due 2011)	16 000	-	-	~
Capital	212 000	223 000	218 000 📉	
[Note: Total assets for 2004 were	\$250 000]			

Income statement information for the year ending 30 June				
	2007	2006	2005	
Fees Income	\$215 000	\$216 000	\$205 000	
Less: operating expenses				
Interest	4 200		-	
Rent	25 000	20 000	20 000	
Wages and salaries	65 000	33 000	33 000	
Petrol and Motor Vehicle Expenses	69 000	67 200		
Advertising and Promotional Material	6 000	4 800	3 500	
Other expenses	10 800	7 000	7 000	
Total operating expenses	180 000	132 000	63 500	
Profit	\$35 000	\$84 000	\$141 500	

Additional information

i. Currently accepted average ratios for this industry with this turnover range are:

· · · · · · · · · · · · · · · · · · ·		
	Profit ratio	13%
	Working capital ratio	2:1
	Debt to Equity Ratio	0.8:1
	Rate of Return on Assets ratio	1.5 times

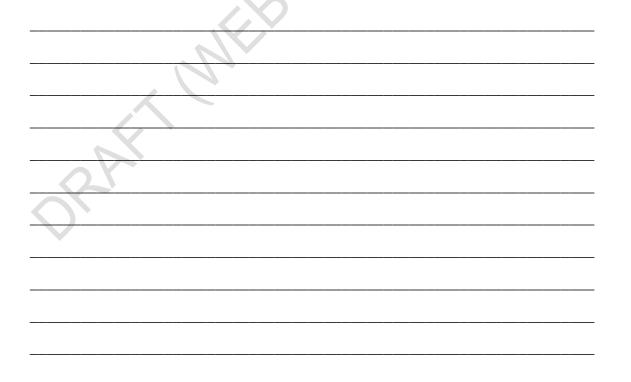
ii. Ratios calculated for the years 2005-2007 for Paull's Plumbing are shown below:

		2007	2006	2005
Profit Ratio:	Profit Income	16.28%	38.89%	69.02%
Working Capital Ratio:	Current assets Current liabilities	0.23:1	1.17:1	1.04:1
Debt to Equity Ratio:	Total Liabilities Total Equity	0.18:1	0.10:1	0.11:1
Rate of Return on Assets Ratio:	Profit Average total assets	0.14 times	0.34 times	0.58 times

Required

(a) Analyse and interpret the information provided for Paull's Plumbing in relation to the liquidity of the business over time. Use the industry ratios and actual figures from Paull's Plumbing to fully explain your analysis.

[12 marks]



(b) Briefly explain THREE (3) limitations in assessing the performance of Paull's Plumbing from the information that has been provided to you.

[6 marks]

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[3 marks]

Question 8

Simpson Proprietary Limited is a maker of refrigerators in Australia making a top of the range model called the Opal. The business has made very good profits in past years and liquidity is also very strong. The business currently has \$250 000 in excess cash which its managing director would now like to see gainfully invested. This could involve manufacturing a new product or investing in new assets.

Read the information below and answer the questions which follow

The Opal range of refrigerators has a break-even point of 5 200 units, a contribution margin of \$350 per unit and provides \$1 500 000 in annual profit. Its production manager has however suggested that a new low budget range called the Diamond be made and the following are the estimated costs associated with this new product:

Raw materials Direct labour Overheads Machine time Depreciation on machinery Other fixed overheads Administration costs Selling costs \$300 per unit
\$150 per unit
\$100 per machine hour
30 minutes per refrigerator
\$200 000 per year
\$400 000 per year
\$500 000 per year
\$200 000 per year

It is considered by the marketing manager that the selling price for the Diamond refrigerator should be \$800 per unit and it is anticipated that sales will be 8 500 during the year given the level of advertising proposed.

Required

(a) In relation to the proposed new Diamond refrigerator calculate the break-even point in units.

Workings

SAMPLE EXAM

(b) What profit is expected from the new Diamond refrigerator?

Workings:

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c) If the target profit for this new Diamond refrigera	ator is \$900 000 per year what dollar value o
sales would need to be achieved per year?	[4 mark
	[
Workings:	

Question 8 cont.

(d) The marketing manager has suggested that the level of advertising could be increased at a cost of an extra \$100 000 and that this would lead to an increase of 1 000 refrigerators during the year. Calculate the new break-even point in units and the new profit level.

Workings:

[3 marks]

(e)	Considering the proposals from both the production manager and marketing mana	ger do
. ,	you consider that the manufacture of the new Diamond refrigerator is warranted?	-
		[2 marks

[2 marks]

	6		
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	-		

Part A

Fine China Supplies are using a computerised accounting package to keep their records. They record all their stock items using the perpetual inventory method. They are registered for GST using the accrual method and they also report their financials using the accrual method. The GST collected and paid is recorded into a liability account called Tax Payable.

The following transactions for Fine China Supplies occurred during the month of June.

- i. 2 June 2007 bought 10 milk jugs for cash for \$5.50 each at a total cost of \$55.00 (inclusive of GST).
- ii. 3 June 2007 sold 5 milk jugs for cash for \$12.65 each. A total cost of \$63.25 (inclusive of GST)
- iii. 5 June 2007 bought 10 milk jugs for cash at a cost of \$8.80 each. A total cost of \$88.00 (inclusive of GST).
- iv. 6 June sold 5 milk jugs for cash for \$13.75 each. A total cost of \$68.75. (inclusive of GST)

The Stock Valuation Detail report from Fine China Supplies is show below:

🕫 FINE CHINA SUPPLIES - Q	uickBooks Pr	emier: Multi U	ser Accoun	ting 200	6/07			
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Stock								
Milk Jugs								
Cheque	02/06/2007	WEDGWOOD		10 50	00.0	10	5	50.00
Sales Receipt\Tax	03/06/2007	V Wright	38	-5		5	5	25.00
Cheque	05/06/2007	WEDGWOOD		10 80	00.0	15	7	105.00
Sales Receipt\Tax	06/06/2007	V Wright	39	-5		10	7 _	70.00
Total Milk Jugs					-	10	_	70.00
Total Stock					-	10	_	70.00
▶ TOTAL					-	10	_	70.00

Required

(a) What is the stock asset value as at 6 June?

[1 mark]

[1 mark]

(c) What is the average cost of the milk jugs on 6 June?

(b) What is the average cost of the milk jugs on 3 June?

Question 9 cont.

(d) What is average cost and how is it calculated?

[2 marks]

 (e)	Explain why the average cost (Avg Cost) of the milk jugs has changed on the transaction on 5 June.
 (f)	Calculate the value which will be debited to the cost of sales account on the cash sale of 6 June.
	[1 mark]
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Part B

When 12 Dinner Sets are purchased on credit the accounts affected in a computerised system are as follows:

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<u>Type</u> ◊ Date	♦ Num	♦ Name	o_ Men	no ♦ <u>It</u>	em Desc	ription	< <u> </u>	lecount	♦ <u>Qty</u>	♦ <u>Sales Pri</u> ♦	Debit	◇ <u>Credit</u> ◇	
Bill 12/05/200	7 w111	WEDGWOOD						nts Payab				4,752.00 🖣	
		WEDGWOOD	DINNER S	SET DI	NNER SET		Stock A	Asset	12	360.00	4,320.00		
		WEDGWOOD	Total Ta>	< Contract of the second se			Tax Pa	yable			432.00		
											4,752.00	4,752.00	
TOTAL											4,752.00	4,752.00	
													·) ·

Required

Write down the analysis of the transaction that will be created when one of the dinner sets is sold on 14 May 2007 for \$550.00 cash.

[5 marks]

Date	Details	0	Debit	Credit
		<i>S</i>		

Part C

Which is the only journal used in double entry Computerised Accounting software? Explain why the other journals are not used.

[2 marks]

A small newsagency is having difficulty selling a particular brand of cigarettes to its customers. The brand pays high commission percentages to the newsagent for the sale of cigarettes, called "Dynamic". The newsagent has decided to lower the price of the Dynamic brand to just below that of the other popular brands of cigarettes – the commission paid will still exceed the price reduction. The decision was made based on the fact that many in the age group of 18-21 years will be able to afford the Dynamic brand and, as it will be slightly less expensive than their usual brands, they may be enticed to purchase the Dynamic cigarettes. Explain the social and ethical responsibilities that this newsagent has to the community and the possible implications this type of action may have.

	[4 marks
	6
0	
5	
25	

Briefly explain the differences between a partnership form of business and a small proprietary company.

[6 marks]

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Discuss the Goods and Services Taxation System. Include in your discussion:

- an explanation of the goods and services tax
- who must register for GST
- an example of an item which is GST exempt
- how GST is collected
- an explanation of input tax credits
- an explanation of Business Activity Statements, including the meaning of 'tax period'.

[10 marks]

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ADDITIONAL SPACE FOR WORKINGS

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# ACKNOWLEDGEMENTS

### SECTION B

- Question 4: Adapted from: Tasmanian Qualifications Authority. (2006). *Tasmanian Certificate of Education: Accounting Senior Secondary 5C: External assessment 2006* (pp. 4–5). Retrieved October, 2007, from <u>http://www.tqa.tas.gov.au/4DCGI/_WWW_doc/007807/RND01/ACC5C_Pap</u> <u>er_06.pdf</u>.
- **Question 6:** Adapted from: Kirkwood, K., Ryan, C., Falt, J., & Stanley, T. (1992). *Accounting: An introductory perspective* (3rd ed.). Melbourne, Vic: Longman Cheshire, p. 542.

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