

Exam Practice Guide

Unit 1

Accounting

Examination 1

Key Features:

- ✓ 92 original examination style questions on all examinable topics.
- ✓ Full solutions and a marking guide to all questions.
- ✓ Separated into key topic areas within each Area of Study, enabling students to master one topic at a time.
- ✓ Written by VCE assessors who mark the real examinations.
- ✓ Excellent resource for examination practice.

Helping VCE students be the best they can be.

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SAMPLE

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AREA OF STUDY 1: Going into business**Topic 1 – Establishing a small business*****The following information relates to Questions 1-5***

Trev Smith plans to start up Trev's Surf School, a small service business in Torquay offering surf lessons to school groups and the public. The business will operate on a cash only basis, employing two local surfers on a part time basis. Trev has set up a number of control procedures and will record all transactions in the Cash Receipts Journal and a Cash Payments Journal. He is in the process of buying new surf boards, wetsuits and fitting out a trailer with racks and storage shelves. The equipment is expected to last 2 years before it needs replacing. There are two other surf school operators in the area; however, one of these has just decided to close down.

Question 1

Explain why the cost for Trev may be greater than if he had purchased an existing business.

Explanation

2 marks

Question 2

Referring to the name of this particular ownership structure, describe two advantages for Trev of starting up the business with his friend John Jones, rather than what he has chosen to do which is go it alone.

3 marks

Question 3

Briefly explain two factors that could lead to the success of a small business such as this one.

Explanation

2 marks

Question 4

Other than an accountant, **state** two professionals that Trev may seek advice from in the setting up of his business.

2 marks

Question 5

State three reasons why Trev may wish to start up his own small business rather than work for one of the other surf schools.

3 marks

The following information relates to Questions 6-9

Cy Clops has recently started a new business 'Cy's Scooter Fixers' which repairs motorised scooters in the eastern suburbs of Melbourne. Cy works for himself and all his work is done in his home garage. Cy needs \$500,000 to purchase a shop in the area and another \$50,000 for equipment and fixtures and fittings. Cy's major competitor 'Mick Doohan' also repairs motorised scooters in the same area. Mick wants to merge the two businesses together to create a partnership, but Cy has declined Mick's offer for the moment.

Question 6

Identify the name of Cy's business structure

Identification:

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1 mark