 ACCOUNTING UNIT 3

Unit 3, Outcome 1: general journal, general ledger and inventory activities

jodie costanzo | welllington secondary college

Area of Study 1 in VCE Accounting Unit 3 (Financial Accounting for a Trading Business) focuses on the recording and analysing of financial data in a trading business. This article provides six learning activities that relate to the recording process in the General Journal and General Ledger. Solutions are provided.

Accompanying this article are two files that focus on the role of inventory cards and inventory valuation in the recording process. One is a teacher resource (PowerPoint file) containing 15 questions for students to answer. The other file is the answer sheet for student use. Refer to the Teacher notes for further information about these files.

Task details

Classroom activity

Recording activities for the General Journal and General Ledger

Unit/area of study

Unit 3: Financial Accounting for a Trading Business

Area of Study 1: ‘Recording and analysing financial data’

Outcome 1

‘Record financial data using a double entry system; explain the role of the General Journal, General Ledger and inventory cards in the recording process; and describe, discuss and analyse various aspects of the accounting system, including ethical considerations.’

Source: *VCE Accounting Study Design* (2019–2023), VCAA, page 21

No Dirt

Luke owns and operates No Dirt, a business that sells cleaning products. He uses a 200% mark-up on cost. He has provided you with the following source documents for January 2019.

|  |  |
| --- | --- |
| **Date** | **Transaction** |
| 01/01 | Paid $70 plus $7 GST for Advertising (EFT Summary). |
| 03/01 | Sold 35 Magic Cleaning Sprays on Credit to Nicole Qu for a total of $924 (including GST) (Inv. 121) (Cost Price $280). |
| 05/01 | Sold 5 Magic Cleaning Sprays to Breanna Bee for a total of $132 cash (including GST) (Rec. 34) (Cost Price $40). |
| 06/01 | Nicole Qu returned 5 faulty Magic Cleaning Sprays (Credit Note 34). |
|  | The 5 faulty Magic Cleaning Sprays were returned to the supplier—Natural Cleaning (Credit Note 665). |
| 09/01 | Purchased new labelling equipment for $2 200 including GST (EFT Summary). |
| 10/01 | Nicole Qu left an angry post about her faulty product on Instagram. The post went viral and customers were not happy. As a result of the negative publicity, Luke decided to donate 20 bottles of Magic Cleaning Spray to charity to help restore his public image. (Selling Price $480 + GST, Cost Price $160 + GST) (Memo 6). |
| 15/01 | Paid Wages $3 080 (EFT Summary). |
| 17/01 | Luke took 2 bottles of Magic Cleaning Spray home for personal use (Cost Price $8 + GST each) (Memo 7). |
| 20/01 | Luke contributed his old Van to the business with a fair value of $7 500 (Memo 8). |
| 27/01 | This month a payment of $70 for insurance was incorrectly debited to Advertising (Memo 9). |
| 28/01 | Paid $66 for Petrol (including GST) (EFT Summary). |

NO DIRT Order No. 12xcA

1221 Street Avenue Supplier: Whizz Bang Clean

VIC 3198 125 Thirteen Street

Seaford VIC 3198

|  |  |  |  |
| --- | --- | --- | --- |
| **Quantity** | **Description** | **Unit amount inc. GST**  **$** | **Total inc. GST**  **$** |
| 300 | Xtreme Mops | 9.90 | 2 970.00 |
| 1 000 | Organic Spay Bottles | 4.40 | 4 400.00 |
| Freight Charge (inc. GST) | | N/A—will pick up |  |
| **Total** | |  | 7 370.00 |

Signed:  Date: 31/01/2019

**NATURAL CLEANING** Date: 31/01/19

ABN. 09 881 119 009 Terms 10/7, n/30

1 Clean Court TAX INVOICE #3341

CLEANVILLE NSW 2210

Customer: No Dirt

|  |  |  |  |
| --- | --- | --- | --- |
| **Quantity** | **Description** | **Unit amount inc. GST**  **$** | **Total  inc. GST**  **$** |
| 1 500 | Magic Cleaning Spray | 8.80 | 13 200.00 |
|  |  |  |  |
| **Total** | |  | 13 200.00 |

NO DIRT Memo 10

1221 Street Avenue

VIC. 3198 Date: 31/01/2019

A physical stocktake revealed an inventory loss of $168.

Signed: Luke Rowe

Activity 1

Prepare General Journal entries for the month of January (narrations are required).

**General Journal**

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Details | Debit | Credit |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

Activity 2

Post your General Journal entries to the General Ledger.

**Advertising**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**GST Clearing**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  | **01/01** | **Balance** | **560** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Cash at Bank**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| **01/01** | **Balance** | **13 481** |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Accounts Receivable—Nicole Qu**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  |

**Sales**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Cost of Sales**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Inventory**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| **01/01** | **Balance** | **21 100** |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Sales Returns**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  |

**Accounts Payable—Natural Cleaning**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  | **01/01** | **Balance** | **3 344** |
|  |  |  |  |  |  |

**Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  |

**Wages**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  | |

**Drawings**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  |

**Van**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  |

**Capital**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  | **01/01** | **Balance** | **30 677** |
|  |  |  |  |  |  |

**Insurance**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  |

**Petrol**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  |

**Inventory Loss**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  |  |  |  |

Activity 3

Prepare a pre-adjustment Trial Balance as at 31 January 2019. You will use this information to solve the secret code in **Activity 6**.

**NO DIRT**

**Pre-adjustment Trial Balance as at 31 January 2019**

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| Advertising |  |  |
| GST Clearing |  |  |
| Cash at Bank |  |  |
| Accounts Receivable—Nicole Qu |  |  |
| Sales |  |  |
| Cost of Sales |  |  |
| Inventory |  |  |
| Sales Returns |  |  |
| Accounts Payable |  |  |
| Equipment |  |  |
| Wages |  |  |
| Drawings |  |  |
| Van |  |  |
| Capital |  |  |
| Insurance |  |  |
| Petrol |  |  |
| Inventory Loss |  |  |
|  |  |  |

Activity 4

Explain the purpose of preparing a pre-adjustment Trial Balance.

|  |
| --- |
| **Explanation** |
|  |
|  |
|  |
|  |
|  |
|  |

Activity 5

With reference to one accounting assumption, explain your treatment of the Xtreme Mops’ order.

|  |
| --- |
| **Explanation** |
|  |
|  |
|  |
|  |
|  |

Activity 6

Your task is to use the pre-adjustment Trial Balance information from **Activity 3** to crack the code and reveal the message, in the shortest amount of time.   
.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **A** | **B** | **C** | **D** | **E** | **F** | **G** | **H** | **I** | **J** | **K** | **L** | **M** |
| 160 Dr | 16 500 Cr | 2 000 Dr | 7 500 Dr | 32 436 Dr | 60 Dr | 55 637 Dr | 70 Dr | 38 177 Cr | 120 Cr | 16 Cr | 765 Dr | 120 Dr |
| **N** | **O** | **P** | **Q** | **R** | **S** | **T** | **U** | **V** | **W** | **X** | **Y** | **Z** |
| 168 Dr | 16 Dr | 960 Dr | 765 Cr | 280 Dr | 960 Cr | 3 080 Dr | 17 Dr | 16 500 Dr | 8 190 Dr | 34 Cr | 792 Dr | 121 Cr |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Account** | **Letter** |  | **Account** | **Letter** |
| Advertising |  |  | Advertising |  |
| GST Clearing |  |  | Inventory Loss |  |
| Cash at Bank |  |  | Van |  |
| Advertising |  |  |  |  |
| Accounts Receivable—Nicole Qu |  |  | Equipment |  |
| Sales |  |  | Cost of Sales |  |
|  |  |  | Inventory |  |
| Van |  |  | Van |  |
| Inventory |  |  | Capital |  |
| Accounts Payable |  |  | Wages |  |
| Capital |  |  |  |  |
| Wages |  |  | Cost of Sales |  |
|  |  |  | Capital |  |
| GST Clearing |  |  | Total |  |
| Inventory |  |  | Insurance |  |
| Petrol |  |  | Wages |  |
| Wages |  |  |  |  |

Solutions

Activity 1

**Prepare General Journal entries for the month of January (narrations are required).**

**General Journal**

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Details | Debit | Credit |
| 01/01 | Advertising | 70 |  |
|  | GST Clearing | 7 |  |
|  | Cash at Bank |  | 77 |
|  | Paid Advertising (EFT). |  |  |
| 03/01 | Accounts Receivable—Nicole Qu | 924 |  |
|  | Sales |  | 840 |
|  | GST Clearing |  | 84 |
|  | Cost of Sales | 280 |  |
|  | Inventory |  | 280 |
|  | Credit Sale of Goods (Inv. 121). |  |  |
| 05/01 | Cash at Bank | 132 |  |
|  | Sales |  | 120 |
|  | GST Clearing |  | 12 |
|  | Cost of Sales | 40 |  |
|  | Inventory |  | 40 |
|  | Sold goods for Cash (Rec. 34). |  |  |
| 06/01 | Inventory | 40 |  |
|  | Cost of Sales |  | 40 |
|  | Sales Returns | 120 |  |
|  | GST Clearing | 12 |  |
|  | Accounts Receivable—Nicole Qu |  | 132 |
|  | Return of faulty goods by customer (Credit Note 34). |  |  |
| 06/01 | Accounts Payable—Natural Cleaning | 44 |  |
|  | Inventory |  | 40 |
|  | GST Clearing |  | 4 |
|  | Returned faulty goods to supplier (Credit Note 665). |  |  |
| 09/01 | Equipment | 2 000 |  |
|  | GST Clearing | 200 |  |
|  | Cash at Bank |  | 2 200 |
|  | Purchased new equipment (EFT). |  |  |
| 10/01 | Advertising | 160 |  |
|  | Inventory |  | 160 |
|  | Owner donated 20 Magic Cleaning Sprays @ $8 each (Memo 6). |  |  |
| 15/01 | Wages | 3 080 |  |
|  | Cash at Bank |  | 3 080 |
|  | Paid Wages (EFT). |  |  |
| 17/01 | Drawings | 16 |  |
|  | Inventory |  | 16 |
|  | Owner withdrew inventory for personal use (Memo 7). |  |  |
| 20/01 | Van | 7 500 |  |
|  | Capital |  | 7 500 |
|  | Owner contributed a van to the business (Memo 8). |  |  |
| 27/01 | Insurance | 70 |  |
|  | Advertising |  | 70 |
|  | Correction of error—insurance debited to advertising (Memo 9). |  |  |
| 28/01 | Petrol | 60 |  |
|  | GST Clearing | 6 |  |
|  | Cash at Bank |  | 66 |
|  | Paid for Petrol (EFT). |  |  |
| 31/01 | Inventory | 12 000 |  |
|  | GST Clearing | 1 200 |  |
|  | Accounts Payable—Natural Cleaning |  | 13 200 |
|  | Purchased inventory on credit (Inv. 3341). |  |  |
| 31/01 | Inventory Loss | 168 |  |
|  | Inventory |  | 168 |
|  | A stocktake revealed inventory loss (Memo 10). |  |  |

Activity 2

**Post your General Journal entries to the General Ledger.**

**Advertising**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 01/01 | Cash at Bank | 70 | 27/01 | Insurance | 70 |
| 10/01 | Inventory | 160 |  |  |  |

**GST Clearing**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 06/01 | Cash at Bank | 7 | **01/01** | **Balance** | **560** |
| 06/01 | Accounts Receivable—Nicole Qu | 12 | 03/01 | Accounts Receivable—Nicole Qu | 84 |
| 09/01 | Cash at Bank | 200 | 05/01 | Cash at Bank | 12 |
| 28/01 | Cash at Bank | 6 | 06/01 | Accounts Payable—Natural Cleaning | 4 |
| 31/01 | Accounts Payable—Natural Cleaning | 1 200 |  |  |  |

**Cash at Bank**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| **01/01** | **Balance** | **13 481** | 09/01 | Equipment/GST Clearing | 2 200 |
| 05/01 | Sales/GST Clearing | 132 | 15/01 | Advertising/GST Clearing | 77 |
|  |  |  | 15/01 | Wages | 3 080 |
|  |  |  | 28/01 | Petrol/ GST Clearing | 66 |

**Accounts Receivable—Nicole Qu**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 03/01 | Sales/GST Clearing | 924 | 06/01 | Sales Returns/GST Clearing | 132 |

**Sales**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  | 03/01 | Accounts Receivable—Nicole Qu | 840 |
|  |  |  | 05/01 | Cash at Bank | 120 |

**Cost of Sales**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 03/01 | Inventory | 280 | 06/01 | Inventory | 40 |
| 05/01 | Inventory | 40 |  |  |  |

**Inventory**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| **01/01** | **Balance** | **21 100** | 03/01 | Cost of Sales | 280 |
| 06/01 | Cost of Sales | 40 | 05/01 | Cost of Sales | 40 |
| 31/01 | Accounts Payable—Natural Cleaning | 12 000 | 06/01 | Accounts Payable—Natural Cleaning | 40 |
|  |  |  | 10/01 | Advertising | 160 |
|  |  |  | 17/01 | Drawings | 16 |
|  |  |  | 31/01 | Inventory Loss | 168 |

**Sales Returns**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 06/01 | Accounts Receivable—Nicole Qu | 120 |  |  |  |

**Accounts Payable—Natural Cleaning**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 06/01 | Inventory/GST Clearing | 44 | **01/01** | **Balance** | **3 344** |
|  |  |  | 31/01 | Inventory/GST Clearing | 13 200 |

**Equipment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 09/01 | Cash at Bank | 2 000 |  |  |  |

**Wages**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 15/01 | Cash at Bank | 3 080 |  |  |  | |

**Drawings**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 17/01 | Inventory | 16 |  |  |  |

**Van**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 20/01 | Capital | 7 500 |  |  |  |

**Capital**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
|  |  |  | **01/01** | **Balance** | **30 677** |
|  |  |  | 20/01 | Van | 7 500 |

**Insurance**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 27/01 | Advertising | 70 |  |  |  |

**Petrol**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 28/01 | Cash at Bank | 60 |  |  |  |

**Inventory Loss**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  2019  2019 | Cross-reference | Amount | Date  2019 | Cross-reference | Amount |
| 31/01 | Inventory | 168 |  |  |  |

Activity 3

**Prepare a pre-adjustment Trial Balance as at 31 January 2019. You will use this information to solve the secret code in *Activity 6*.**

**NO DIRT**

**Pre-adjustment Trial Balance as at 31 January 2019**

|  |  |  |
| --- | --- | --- |
| **Account** | **Debit** | **Credit** |
| Advertising | 160 |  |
| GST Clearing | 765 |  |
| Cash at Bank | 8 190 |  |
| Accounts Receivable—Nicole Qu | 792 |  |
| Sales |  | 960 |
| Cost of Sales | 280 |  |
| Inventory | 32 436 |  |
| Sales Returns | 120 |  |
| Accounts Payable |  | 16 500 |
| Equipment | 2 000 |  |
| Wages | 3 080 |  |
| Drawings | 16 |  |
| Van | 7 500 |  |
| Capital |  | 38 177 |
| Insurance | 70 |  |
| Petrol | 60 |  |
| Inventory Loss | 168 |  |
|  | **55 637** | **55 637** |

Activity 4

**Explain the purpose of preparing a pre-adjustment Trial Balance.**

The purpose of the pre-adjustment Trial Balance is to check that the total debit entries equal the total credit entries in the General Ledger accounts. This helps to ensure that the double entry process has been done accurately and identifies if any recording errors have been made. Such errors can then be rectified before final reports are prepared.

Activity 5

**With reference to one accounting assumption, explain your treatment of the Xtreme Mops’ order.**

The Xtreme Mops were ordered on 31 January 2019 by No Dirt. Whizz Bang Clean has been asked to supply the mops; however, placing an order is not considered a financial transaction. The order could be changed or cancelled. According to the period assumption, reports are prepared for a particular period of time and profit determination involves a process of recognising financial transactions that have been incurred for that same period. As no financial transaction has yet taken place, the document for the mops (Order Number 12xcA) will be omitted until further documentation is received to provide evidence that a financial transaction has taken place.

Activity 6

**Your task is to use the pre-adjustment Trial Balance information from *Activity 3* to crack the code and reveal the message, in the shortest amount of time.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Account** | **Letter** |  | **Account** | **Letter** |
| Advertising | **A** |  | Advertising | **A** |
| GST Clearing | **L** |  | Inventory Loss | **N** |
| Cash at Bank | **W** |  | Van | **D** |
| Advertising | **A** |  |  |  |
| Accounts Receivable—Nicole Qu | **Y** |  | Equipment | **C** |
| Sales | **S** |  | Cost of Sales | **R** |
|  |  |  | Inventory | **E** |
| Van | **D** |  | Van | **D** |
| Inventory | **E** |  | Capital | **I** |
| Accounts Payable | **B** |  | Wages | **T** |
| Capital | **I** |  |  |  |
| Wages | **T** |  | Cost of Sales | **R** |
|  |  |  | Capital | **I** |
| GST Clearing | **L** |  | Total | **G** |
| Inventory | **E** |  | Insurance | **H** |
| Petrol | **F** |  | Wages | **T** |
| Wages | **T** |  |  |  | |

Teacher notes

This student resource addresses the following (selected) key knowledge and key skills outlined in Area of Study 1 in Unit 3. Note that some key knowledge points and key skills are not covered in this resource. In addition, where part of a key knowledge point or key skill is covered, the applicable words are highlighted in bold.

Key knowledge

* the General Journal and General Ledger and their use in recording transactions, both manually and using ICT, including:
* cash payments (GST on settlement discounts excluded)
* cash receipts (GST on settlement discounts excluded)
* credit sales of inventory
* credit purchases of inventory
* sales returns from accounts receivable
* purchase returns to accounts payable
* inventory loss or gain
* correction of errors
* inventory used for advertising purposes (GST excluded)
* drawings of inventory by the owner (GST excluded)
* contribution of non-current assets at fair value by the owner
* the purpose and use of the pre-adjustment Trial Balance.

Key skills

* use correct accounting terminology
* **explain** and apply relevant qualitative characteristics and **accounting assumptions**
* apply theoretical knowledge to simulated situations
* **identify and manually record financial data in the General Journal, General Ledger and inventory cards** and to construct graphical representations
* explain the purpose of a Trial Balance
* distinguish between product and period costs in relation to Inventory valuation.

Activities

This resource is part of a set of files that focus on the recording process for a trading business. In addition to this article there are two files relating to inventory cards and inventory valuation. These are:

* a teacher PowerPoint file, which comprises 15 questions for students to answer. In response to each question, students determine the answer and then check their ‘bingo card’ to see if there is a match. If yes, they place a ‘X’ through the answer. There is only one card that can win. **Note:** The anwers to each question appear in the ‘notes’ section of the relevant slide.
* a student answer sheet in the form of ‘bingo cards’. This file contains a set of 26 bingo cards with possible answers to the questions. Only one of the cards will win bingo. Print the file and cut out the cards. Provide **each** student with one card, or if you have a small class, each student will have multiple cards.

**Copyright notice:** *Compak* is a membership service of the Victorian Commercial Teachers Association (VCTA). Copyright of *Compak* material is vested in VCTA and individual contributors, subject to the *Copyright Act 1968* (Cwlth).

VCTA gives permission for the reproduction or alteration of *Compak* material if used by VCTA members for non-commercial, educational (classroom) purposes. For purposes other than classroom use, permission to reproduce, alter or transmit *Compak* material should be sought from VCTA.

*Compak* articles must not be placed on publicly accessible online spaces (including those accessed by students).

Some *Compak* material includes links to external (third-party) websites. These are provided for information purposes only and VCTA does not exercise any editorial control over these sites or endorse any of the opinions of the individual or organisation.

Every effort has been made to trace the copyright holders of all third-party content where this is included in *Compak* articles.

© VCTA and individual contributors

**Disclaimer:** This resource has been written by the author (Jodie Costanzo) for use with students of VCE Accounting. This does not imply that it has been endorsed by the Victorian Curriculum and Assessment Authority (VCAA). The current [*VCE Accounting Study Design*](http://www.vcaa.vic.edu.au/Pages/vce/studies/account/accountindex.aspx) (2019–2023) can be accessed directly via the VCAA website. VCE is a registered trademark of VCAA. While every care is taken, we accept no responsibility for the accuracy of information or advice contained in *Compak.* Teachers are advised to preview and evaluate all *Compak* classroom resources before using them or distributing them to students.