COMMERCE PRESENTATIONS AND PUBLICATIONS



ACCOUNTING ASSESSMENT TASK 2019

Unit 4 - Outcome 1 Extension of recording and reporting

Reading time: 10 minutes
Writing time: 50 minutes

QUESTION BOOK

Structure of book

Number of	Number of questions	Number of
Questions	to be answered	Marks
5	5	50

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

Materials supplied

- Question book of 5 pages.
- Answer book of 7 pages.

Instructions

- Write your full name (and teacher's name) in the space provided on the front page of the answer book.
- Answer all questions in the Answer book.
- All written responses must be in English.

At the end of the assessment task

Return all booklets to your teacher, unless otherwise directed.

Question 1 – Bob's Brooms (15 marks)

On 1 January 2017 Bob Stewart started his own business called Bob's Brooms, a small business that prepares reports on an annual basis on 30 June.

On the same day, the business took out a \$25 000 loan from MNC Bank. The business then purchased a Van for \$36 000 plus GST with cheque 3.

a. Record each transaction in the General Journal.

Narrations are **not** required.

3 marks

The Van is expected to have a useful life of four years and a residual value of \$12 000.

b. Explain how Bob should determine the appropriate method of depreciation for the Van.

4 marks

Bob has decided to depreciate the Van using the straight-line method.

On 30 June 2019 Bob sold the Van for \$12 000.

c. State how the \$12 000 received from the sale of the Van would be classified in the Cash Flow Statement of Bob's Brooms for the year ended 30 June 2019.

1 mark

- d. Complete the following accounts in the General Ledger as at 30 June 2019
 - Accumulated Depreciation Van
 - Loss on Disposal Van

5 marks

e. Explain why Bob's Brooms experienced a loss on disposal of the Van as at 30 June 2019. 2 marks

Question 2 - Wang's Watches (6 marks)

Grace Wang owns Wang's Watches, a small business that prepares reports on an annual basis on 30 June.

On 28 June 2019 Wang's Watches received a \$6 000 deposit for an order worth \$33 000 including GST that will not be completed until September 2019.

Grace has recorded the \$6 000 as Unearned Revenue and \$30 000 as a Credit Sale on 28 June 2019.

Discuss whether Grace's recording of these transactions is ethical and in accordance with qualitative characteristics.

Question 3 – Peta's Paint (13 marks)

Peta Jackson owns Peta's Paint, a small business that prepares reports on a quarterly basis ending 31 March, 30 June, 30 September and 31 December.

Peta has provided you with the following Pre-Adjustment Trial Balance extract as at 30 June 2019.

Peta's Paint Pre-Adjustment Trial Balance (extract) as at 30 June 2019

Account	Debit	Credit
Allowance for Doubtful Debts		160
Accounts Receivable	7 840	
Accumulated Depreciation - Van		5 700
Cash Sales		6 500
Credit Sales		9 500
Prepaid Rent Expense	26 400	
Sales Returns	500	
Van	30 000	
Wages	10 200	

Additional information as at 30 June 2019

- Skase Homes' debt of \$2 750 including GST needs to be written off.
- Van is depreciated using the reducing balance method at a rate of 40% per annum.
- Rent for the year ended 29 February 2020 was paid on 1 January 2019.
- Wages of \$1 700 are owing.
- Based on historical data, Peter has a policy to report 2% of Net Credit Sales as a doubtful debt for each period.
- a. Prepare the necessary balance day adjustment entries as at 30 June 2019 in the General Journal.

Narrations are **not** required.

10 marks

On 6 July 2019 Wages of \$2 800 were paid.

b. Show the effect on the accounting equation of recording this Wages payment.

3 marks

Question 4 – Shirley's Shirts (9 marks)

Shirley De Silva, the owner of Shirley's Shirts, has provided you with the following Post-Adjustment Trial Balance as at 30 June 2019.

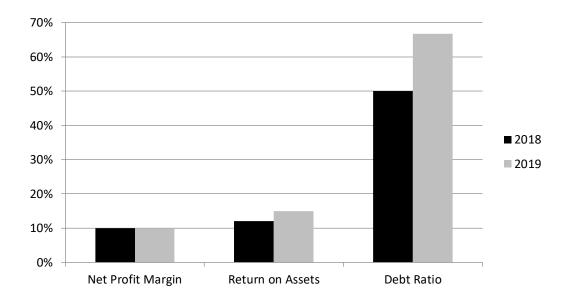
Shirley's Shirts Post-Adjustment Trial Balance as at 30 June 2019

Account	Debit	Credit
Accounts Payable		7 920
Accounts Receivable	5 115	
Accumulated Depreciation - Equipment		10 600
Advertising	3 200	
Bank	10 120	
Capital		59 819
Cash Sales		63 900
Cost of Sales	54 960	
Credit Sales		49 200
Depreciation Expense - Equipment	4 840	
Discount Expense	231	
Drawings	15 000	
Equipment	32 800	
GST Clearing		1 927
Freight Inwards	1 630	
Interest Expense	2 700	
Inventory	31 500	
Inventory Loss	2 040	
Inventory Write Down	1 290	
Loan – MNC Bank		30 000
Prepaid Rent Expense	8 000	
Profit on Disposal - Equipment		2 040
Rent Expense	24 000	
Sales Returns	3 180	
Unearned Revenue		4 000
Wages	28 800	
Totals	229 406	229 406

Prepare a fully classified Income Statement for the year ended 30 June 2019.

Question 5 – Grahame's Gifts (7 marks)

Grahame Boyd, the owner of Grahame's Gifts, has been presented with the following information.



The accountant notes that average Assets have remained constant between 2018 and 2019.

a. Explain to Grahame how it is possible for the Net Profit Margin to remain constant yet the Return on Assets improve.

2 marks

b. State one non-financial indicator Grahame could use to assess the performance of his business.

1 mark

c. Explain how the trend in the Debt Ratio could positively impact Grahame's Return on Owner's Investment.

2 marks

d. Explain how the trend in the Debt Ratio could negatively impact the stability of Grahame's Gifts.

2 marks

END OF QUESTION BOOKLET