



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

<i>Number of Questions</i>	<i>Number of questions to be answered</i>	<i>Number of Marks</i>
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.

- Explain to Grahame how it is possible for the Net Profit Margin to remain constant yet the Return on Assets improve. 2 marks
- State one non-financial indicator Grahame could use to assess the performance of his business. 1 mark
- Explain how the trend in the Debt Ratio could positively impact Grahame’s Return on Owner’s Investment. 2 marks
- Explain how the trend in the Debt Ratio could negatively impact the stability of Grahame’s Gifts. 2 marks

END OF QUESTION BOOKLET