**COMMERCE PRESENTATIONS AND PUBLICATIONS**

**ACCOUNTING ASSESSMENT TASK 2020**

**Unit 3 - Outcome 1A**

**Recording and analysing financial data**

SUGGESTED ANSWERS/SOLUTIONS

**Note to teachers and students**

**All completed assessment material (including question booklets) should be collected by the teacher and returned to students upon the completion of Unit 3.**

**Question 1 – Geoff’s Gardening Supplies (14 marks)**

1. **Prepare a classified Balance Sheet for Geoff’s Gardening Supplies as at 1 January 2020.**

**7 marks**

**Geoff’s Gardening Supplies Balance Sheet**

**as at 1 January 2020**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **$** | **$** |  | **$** | **$** |
| **Current Assets** |  |  | **Current Liabilities** |  |  |
| Bank | 21 800 |  | Accounts Payable | 27 500 |  |
| Inventory | 25 000 |  | Loan – MNC Bank | 4 800 | 32 300 |
| GST Clearing | 3 700 | 50 500 |  |  |  |
| **Non-Current Assets** |  |  | **Non-Current Liabilities** |  |  |
| Equipment | 12 000 |  | Loan – MNC Bank |  | 15 200 |
| Van | 19 000 | 31 000 | **Owner’s Equity** |  |  |
|  |  |  | Capital |  | 34 000 |
| **Total Assets** |  | 81 500 | **Total Equities** |  | 81 500 |

**1 mark *–*** Bank

**1 mark *–*** GST Clearing

**1 mark *–*** Inventory and Accounts Payable

**1 mark *–*** Non-Current Assets section of the Balance Sheet

**1 mark *–*** Loan – CCA Bank amount in Current Liabilities section of the Balance Sheet

**1 mark *–*** Loan – CCA Bank amount in Non-Current Liabilities section of the Balance Sheet

**1 mark *–*** Owner’s Equity section of the Balance Sheet

**1 mark deducted maximum *–*** not having Total Assets / Total Equities label and totals **or**

including Bank Overdraft

1. **Explain one ethical issue Geoff should consider before choosing to purchase Inventory from Lombok Industries.**

**2 marks**

Ethical considerations refer to the impact choices made by the business has on society and the environment. **(1 mark)**

Geoff needs to consider the choice to support Australian businesses even though purchasing the inventory from overseas would most likely be cheaper due to the lower costs of production **OR** the carbon emissions associated with importing the inventory from overseas would have a negative impact on the environment **OR** whether the employees at Lombok Industries are provided with a safe workplace and are remunerated fairly **OR** whether the products Lombok Industries produce are safe for Australian use and meet Australian regulatory standards. **(1 mark)**

1. **With reference to the qualitative characteristic of faithful representation, explain why fair values should be used when non-cash assets are contributed to the business by an owner.**
2. **marks**

Faithful representation outlines that the amount recorded is representative of the real world economic event, is complete, free from material error and neutral without bias. **(1 mark)**

As the fair value is the price that would be received if the asset was sold at the time it was transferred to the business, in the absence of a professional valuation, a market value estimate would be appropriate as the amount would be deemed to be free of material error and is more closely linked to a real world economic event than the original purchase price would be.. **(1 mark)**

1. **Referring to the definition of a liability, explain how the loan balance owing to MNC Bank was classified on the Balance Sheet of Geoff’s Gardening Supplies as at 1 January 2020.**
2. **marks**

The loan owing to MNC Bank would be treated as a liability on the Balance Sheet of Geoff’s Garden Supplies as at 1 January 2020 as it represents a present obligation as a result of past events. **(1 mark)**

Under the heading of Current Liabilities, $4 800 would be reported as this amount represents the amount reasonably expected to be repaid within the next 12 months. **(1 mark)**

The remaining amount owing on the loan of $15 200 would be reported under the heading of Non-Current Liabilities as it represents the amount reasonably expected to be repaid in a period greater than the next 12 months. **(1 mark)**

**Question 2 – Clare’s Carpets (16 marks)**

1. **Record each of the source documents in the General Journal. A narration is required for Invoice 147 only.**

**General Journal**

**14 marks**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Details** | **Debit** | **Credit** |
| 06/02 | Sales |  | 15 000 |
|  | GST Clearing |  | 1 500 |
|  | Accounts Receivable – TQ Hotels | 16 500 |  |
|  | Cost of Sales | 6 000 |  |
|  | Inventory |  | 6 000 |
|  | Sale of 60 ‘Fergus’ carpets to TQ Hotels (Invoice 147) |  |  |
| 07/02 | GST Clearing | 927 |  |
|  | Bank |  | 927 |
| 09/02 | Advertising | 700 |  |
|  | GST Clearing | 70 |  |
|  | Bank |  | 770 |
| 10/02 | Sales Returns | 2 000 |  |
|  | GST Clearing | 200 |  |
|  | Accounts Receivable – TQ Hotels |  | 2 200 |
|  | Inventory | 800 |  |
|  | Cost of Sales |  | 800 |
| 18/02 | Bank | 13 585 |  |
|  | Discount Expense | 715 |  |
|  | Accounts Receivable – TQ Hotels |  | 14 300 |

**1 mark** – Sales and GST Clearing entries on 06/02

**1 mark** – Accounts Receivable entry on 06/02

**1 mark** – Cost of Sales entry on 06/02

**1 mark** – Inventory entry on 06/02

**1 mark** – Narration on 06/02 (include quantity and type of inventory and invoice number)

**1 mark** – entry on 07/02

**1 mark** – Advertising and GST Clearing entry on 09/02

**1 mark** – Bank entry on 09/02

**1 mark** – Sales Returns and GST Clearing entries on 10/02

**1 mark** – Accounts Receivable entry on 10/02

**1 mark** – Inventory entry on 10/02

**1 mark** – Cost of Sales entry on 10/02

**1 mark** – Bank and Discount Expense entries on 18/02

**1 mark** – Accounts Receivable entry on 18/02

1. **With reference to the qualitative characteristic of verifiability, explain the importance of source documents in the accounting process.**

**2 marks**

According to the qualitative characteristic of verifiability, for accounting data to be recorded it needs to be accurate so that all users will come to the same conclusion. **(1 mark)**

For information to be accurate, verifiability requires that the accounting data needs to be able to be verified by a source document through the auditing process. **(1 mark)**

**END OF SUGGESTED SOLUTIONS**