**COMMERCE PRESENTATIONS AND PUBLICATIONS**



ACCOUNTING ASSESSMENT TASK 2020

Unit 3 - Outcome 1B

**Recording and analysing financial data**

# Reading time: 10 minutes Writing time: 40 minutes

**QUESTION BOOK**

# Structure of book

|  |  |  |
| --- | --- | --- |
| *Number of**Questions* | *Number of questions**to be answered* | *Number of**Marks* |
| **5** | **5** | **30** |

* 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 6 pages.
* Answer book of 6 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 – Peta’s Party Supplies (7 marks)**

Peta Moody owns Peta’s Party Supplies, a small business that prepares reports on an annual basis on 31 December each year.

The following inventory card relates to the ‘Silver’ Christmas tree.

|  |
| --- |
| **ITEM:** ’Silver’ Christmas tree **Cost method:** First In, First Out**SUPPLIER:** Dukakis |
|  | **IN** | **OUT** | **BALANCE** |
| Date | Document | Qty | Cost | Total | Qty | Cost | Total | Qty | Cost | Total |
| 31/12 | Rec. 1412 |  |  |  | 1 | 105 | 105 | 10 | 105 | 1 050 |
|  |  |  |  |  |  |  |  | 20 | 75 | 1 500 |

On 31 December, Peta has decided to reduce the selling price of each ‘Silver’ Christmas tree from $330 including GST to $99 including GST (Memo 204).

Each customer who buys a ‘Silver’ Christmas tree will be given two free boxes of tree decorations. The cost of each box of decorations to Peta’s Party Supplies is $6 plus GST.

1. Calculate the net realisable value of one ‘Silver’ Christmas tree as at 31 December 2019.

1 mark

1. Record the General Journal entry required in relation to the valuation of the ‘Silver’ Christmas trees on 31 December 2019.

A narration **is** required.

3 marks

1. Referring to one qualitative characteristic, explain an ethical implication of Peta’s Party Supplies not recording the above General Journal entry on 31 December 2019.

3 marks

# Question 2 – Harry’s Hats (6 marks)

Harry Nguyen owns Harry’s Hats, a small business that chooses to apply product costing where appropriate.

Harry has provided the following invoice for his most recent purchase of inventory.

|  |
| --- |
| **ADANI****Date** 22/05/2020 **Tax Invoice** 1278 |
| **Charge to** Harry’s Hats |
| **Item** | **Qty** | **Unit Cost** | **$** |
| ‘Bec’ Hat 10 120 1 200‘Nadia’ Hat 15 140 2 100‘Ascot’ Scarf 40 55 2 2005 500Import Duties (15%) 825Cartage Inwards 310GST 581Total Owing 7 216 |

1. Prepare the General Journal entry required to record Invoice 1278. A narration is **not** required.

3 marks

Upon delivery to Harry’s store, Harry then decorates each hat with a piece of coloured ribbon and a fake flower. The fake flower costs Harry’s Hats $1.20 each and Harry estimates that $0.75 worth of coloured ribbon is used for each hat.

1. Discuss whether Harry should treat the coloured ribbon and fake flower costs as a product cost.

3 marks

# Question 3 – Lena’s Lighting (7 marks)

Lena Lin owns and operates Lena’s Lighting, a small business that chooses to use the First In, First Out cost assignment method.

The following transactions relate to the ‘Sunny’ light for June 2020.

|  |  |
| --- | --- |
| 10/06 | Purchased 10 ‘Sunny’ lights from Kapoor Electrics for $990 including GST. (Invoice 886) |
| 17/06 | Sold 6 ‘Sunny’ lights to Orrico Homes for $330 including GST each. (Invoice 241) |
| 27/06 | Orrico Homes returned two of the ‘Sunny’ lights and were given a full credit. (Credit Note 11) |
| 30/06 | Lena conducted a physical inventory count and determined there was an inventory gain of one ‘Sunny’ light. (Memo 23) |

1. Record the transactions in the ‘Sunny’ light inventory card for June 2020.
2. Explain how an inventory gain satisfies the definition of revenue.

4 marks

2 marks

1. Apart from identifying an inventory loss or gain, state one benefit of using inventory cards.
	1. mark

# Question 4 – Oliver’s Ovens (4 marks)

Oliver Clayton is the owner of Oliver’s Ovens, a small business that uses the Identified Cost assignment method.

The following inventory card relates to the ‘Hell’ oven for the month ended 30 June 2020.

|  |
| --- |
| **ITEM:** ’Hell’ oven **Cost method:** Identified Cost**SUPPLIER:** Gawn |
|  | **IN** | **OUT** | **BALANCE** |
| Date | Document | Qty | Cost | Total | Qty | Cost | Total | Qty | Cost | Total |
| 01/06 | Balance |  |  |  |  |  |  | 5 | 1250 | 6250 |
| 09/06 | Rec. 146 |  |  |  | 1 | 1250 | 1250 | 4 | 1250 | 5000 |
| 14/06 | Inv. 1964 | 20 | 1300 | 26000 |  |  |  | 4 | 1250 | 5000 |
|  |  |  |  |  |  |  |  | 20 | 1300 | 26000 |
| 19/06 | Inv. 58 |  |  |  | 1 | 1300 | 1300 | 4 | 1250 | 5000 |
|  |  |  |  |  |  |  |  | 19 | 1300 | 24700 |
| 23/06 | Inv. 67 |  |  |  | 1 | 1250 | 1250 | 3 | 1250 | 3750 |
|  |  |  |  |  |  |  |  | 19 | 1300 | 24700 |

1. Justify why Oliver’s Ovens would use the Identified Cost method in preference to the First In, First Out cost assignment method.
	1. marks
2. Explain the effect on the Gross Profit reported in the Income Statement for the month ended 30 June 2020 if Oliver’s Ovens used the First In, First Out cost assignment method instead of the Identified Cost method.

2 marks

# Question 5 – Barbara’s Books (6 marks)

Barbara Walters owns Barbara’s Books, a small business that offers customers credit terms of 2/7, n/30.

Barbara has negotiated credit terms of 2/7, n/21 with her supplier. Barbara has been presented with the following results.

Turnovers in Days

45

40

35

30

25

20

15

10

5

0

2018 2019 2020

Accounts Receivable Inventory Accounts Payable

1. State the trend in the Accounts Receivable Turnover.
2. Discuss one strategy Barbara could introduce to improve the Inventory Turnover.

1 mark

3 marks

1. Discuss the effect of the trend in the Accounts Payable Turnover on the liquidity of Barbara’s Books.

2 marks

# END OF QUESTION BOOKLET