**Student Name:**

**PES**

**2020 ACCOUNTING UNIT 3**

## Outcome 2

## PREPARING AND INTERPRETING ACCOUNTING REPORTS

**SOLUTIONS & MARKING GUIDE**

**Structure of book**

|  |  |  |
| --- | --- | --- |
| *Number of*  *Questions* | *Number of questions*  *to be answered* | *Number of*  *marks* |
| 5 | 5 | 40 |

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

**Materials supplied**

* Question Book of 5 pages.
* Answer Book of 8 pages.

**Instructions**

* Write your name and your teacher’s name in the space provided on the front page of both this Question Book and the Answer Book.
* Answer all questions in the Answer Book.

**At the end of the task**

* Place this Question Book on top of the Answer Book and wait for both to be collected.

**Students are not permitted to bring mobile phones and/or any other unauthorized electronic devices into the SAC room.**

**Question 1** (20 marks)

1. 3 + 6 = 9 marks

**Friso Supplies**

**General Ledger**

**Capital**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date**  **2020** | **Cross-reference** | **Amount** | **Date**  **2020** | **Cross-reference** | **Amount** |
| 31/12 | Drawings | 25 000 | 1/1 | Balance | 440 000 |
|  | Balance | 610 000 | 30/8 | Bank | 65 000 |
|  |  |  |  | Vehicle | 20 000 |
|  |  |  | 31/12 | P/L Summary | 110 000 |
|  |  | 635 000 |  |  | 635 000 |
|  |  |  | 1/1 | Balance | 610 000 |

*Award 3 marks if Drawings amount is correct OR:*

*1 mark for Opening and Closing Balances*

*1 mark for Bank/Vehicle*

*1 mark for P/L Summary*

**Inventory**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date**  **2020** | **Cross-reference** | **Amount** | **Date**  **2020** | **Cross-reference** | **Amount** |
| 1/1 | Balance | 20 500 | 31/12 | Cost of Sales | 150 000 |
| 31/12 | Accounts Payable | 152 500 |  | Accounts Payable | 2 500 |
|  | Cost of Sales | 2 500 |  | Balance | 23 000 |
|  |  | 175 500 |  |  | 175 500 |
| 1/1 | Balance | 23 000 |  |  |  |

**Accounts Payable**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date**  **2020** | **Cross-reference** | **Amount** | **Date**  **2020** | **Cross-reference** | **Amount** |
| 31/12 | Inventory/GST Clearing | 2 750 | 1/1 | Balance | 19 000 |
|  | Discount Revenue | 6 218 | 31/12 | Inventory/GST Clearing | 167 750 |
|  | Bank | 149 232 |  |  |  |
|  | Balance | 28 550 |  |  |  |
|  |  | 186 200 |  |  | 186 750 |
|  |  |  | 1/1 | Balance | 28 550 |

**Question 1 CONTINUED**

*Award 6 marks if Bank amount in Accounts Payable account is correct OR:*

*1 mark for both Cost of Sales entries in Inventory Account*

*1 mark for both Accounts Payable entries in Inventory account*

*I mark for Inventory Gain*

*1 mark for all balances in both accounts*

*1 mark for both Inventory/GST Clearing entries in Accounts Payable account*

*1 mark for Discount Revenue*

1. 3 marks

|  |
| --- |
| **Explanation:** Under the period assumption **[1]** the life of the business is broken into periods of time so that profit |
| can be determined. As a result, revenue and expense accounts should be closed at the end of the period to |
| determine profit for the current period **[1]**. |
| In doing so these accounts are reset to zero in preparation for the next period. By contrast, asset, liability and |
| owner’s equity will exist into the future so they are not closed but balanced so that they can carry forward |
| into the next period **[1]**. |

c. 5 marks

**Friso Supplies**

**Cash Flow Statement (extract) for the year ended 31 December 2020**

|  |  |  |  |
| --- | --- | --- | --- |
|  | $ | $ |  |
| **OPERATING ACTIVTIES** |  |  |  |
| Cash Sales | 60 000 |  | **[1]** |
| GST Received | 6 000 |  |
| Accounts Receivable# | 269 500 | 335 500 | **[1]** |
| Accounts Payable# | (149 232) |  | **[1]** |
| Other Expenses\* | (105 500) |  | **[1]** |
| GST Settlement | (13 000) |  | **[1]** |
| GST Paid | (5 000) | (272 732) |
| **NET CASH FLOWS FROM OPERATIONS** |  | **62 768** |  |

\*Other Expenses may also be shown as- Interest (500); Wages (55 000), Other Expenses (50 000)

#The titles for Accounts Receivable and Accounts Payable will be a reflection of the Examiners Report 2020

**Question 1 CONTINUED**

d. 3 marks

|  |
| --- |
| **Explanation:** Net profit is calculated as revenue earned less expenses incurred under accrual accounting **[1]**. Net |
| Cash from Operations is based on the cash inflows less cash outflows from day to day trading activities **[1]**. |
| **Examples could include:** |
| Payments to Accounts Payable were greater than the cost of sales so the impact is greater on cash then it is on |
| Net Profit **[Award 1 mark for a valid example]** |
| The inventory gain will increase net profit but have no impact on cash as it is not a revenue |
|  |
|  |

**Question 2** (4 marks)

|  |
| --- |
| **Discussion:** A business should be concerned about the impact of their financial decisions on the environment |
| and the people (including their customers, employees and other stakeholders). |
| In making financial decisions, they should always try to act in an ethically responsible manner. |
| If your business is aware that they are using suppliers to source their inventory from suppliers who employ unsafe |
| Work practices and/or do not pay their employees a fair (living wage) this could have a negative impact on their |
| business. |
| Many consumers are more aware and are making socially responsible choices when purchasing their goods and |
| if they discover that your business purchasing from supplies who have unsafe work practices and who do not pay |
| fair wages (like in the Rana Plaza disaster) your business could lose sales as well as profits as customers |
| choose to shop elsewhere and to not be associated with these unethical practices. |
| Whilst choosing ethically responsible suppliers may mean higher costs and lower profits the business needs to |
| weigh up these financial choices carefully. |
| People are quick to use social media and other outlets to highlight businesses that act unethically and this can |
| have negative financial impact on your business. Whilst businesses are looking for ways to cut costs and increase |
| profits they should ensure that they always act in an ethical manner. |

*Mark globally*

*Students should refer to financial and ethical considerations to be awarded full marks*

**Question 3** (7 marks)

a. 2 marks

**Inventory Card**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Item: ProGo Waterproof camera Code: PGH20**  **Supplier: GoPro Ltd** | | | |  | **Cost Assignment Method: Identified Cost** | | | | | |
| **Date 2019** | **Document** | **IN** | | | **OUT** | | | **BALANCE** | | |
| **Qty** | **Cost** | **Total** | **Qty** | **Cost** | **Total** | **Qty** | **Cost** | **Total** |
| Mar. 1 | Balance |  |  |  |  |  |  | 10 | 250 | 2 500 |
| 5 | 225 | 1 125 |
| 3 | CrN. 23 | 1 | 225 | 225 |  |  |  | 10 | 250 | 2 500 |
| 6 | 225 | 1 350 |
| 6 | Inv. 564 |  |  |  | 3 | 250 | 750 | 7 | 250 | 2 750 |
| 2 | 225 | 450 | 4 | 225 | 900 |
| 12 | Memo 43 |  |  |  | 7 | 40 | 280 | 11 | 210 | 2 310 |
| 4 | 15 | 60 |
| **22** | **Memo 46** |  |  |  | **2** | **210** | **420** | **9** | **210** | **1 890** |
| **30** | **Memo 47** |  |  |  | **1** | **210** | **210** | **8** | **210** | **1 680** |
|  |  |  |  |  |  |  |  |  |  |  |

*1 mark per line*

**Question 3 CONTINUED**

b. 2 marks

|  |
| --- |
| **3 March** |
| A sales return on 1 ProGo Waterproof Camera by a customer to the business |
| **12 March** |
| An inventory write down of 11 ProGo Waterproof cameras to Net Realisable Value to $210 each |

*1 mark for each description*

c. 3 marks

|  |
| --- |
| **Description:** Memo 43 is an inventory write down which will increase Expenses and decrease Net Profit in the |
| Income Statement by $340. |
| This transaction will decrease Assets (inventory) in the Balance Sheet and decrease Owner’s Equity by $340 |
| There will be no impact on the Cash Flow Statement as the write down does not involve cash. |
|  |

*1 mark for each report – 2 effects*

*All the report titles must be included*

*The overall amount must be included at least once.*

**Question 4** (5 marks)

|  |
| --- |
| **Working Space** |

**Huilong Traders**

**Balance Sheet as at 31 March 2020**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **$** | **$** |  | **$** | **$** |
| **Current Assets** |  |  | **Current Liabilities** |  |  |
| Bank | 17 580 |  | Loan | 5 000 |  |
| Inventory | 7 550 |  | Accounts Payable | 8 800 | 13 800 |
| Accounts Receivable | 770 |  |  |  |  |
| GST Clearing | 950 | 26 850 |  |  |  |
|  |  |  | **Owner’s Equity** |  |  |
| **Non-Current Assets** |  |  | Capital | 18 500 |  |
| Equipment | 3 500 |  | Add Net Profit | 250 | 18 750 |
| Office Furniture | 2 200 | 5 700 |  |  |  |
|  |  | **32 550** |  |  | **32 550** |

*Award 1 mark for Net Profit and Capital*

*Award 1 mark for Bank and GST Clearing*

*Award 1 mark for Inventory and Accounts Receivable*

*Award 1 mark for each of the other two sections of the Balance Sheet*

**Question 5** (4 marks)

**Rotar’s Acoustics**

**Income Statement (extract) for the quarter ended 31 March 2020**

|  |  |  |  |
| --- | --- | --- | --- |
| **Revenue** | **$** | **$** |  |
| Cash Sales | 32 000 |  | **[1]** |
| Credit Sales | 47 000 | 79 000 |
| Less Sales Returns |  | 2 800 |
|  |  | 76 200 |
| **Less Cost of Goods Sold** |  |  |  |
| Cost of Sales | 50 800 |  | **[1]** |
| Add Customs Duties | 430 | 51 230 |
| **Gross Profit** |  | 24 970 |  |
| Add Inventory Gain | 260 |  | **[1]** |
| Less Inventory Write Down | (700) | (440) |
| **Adjusted Gross Profit** |  | 24 530 |  |
| **Add Other Revenue** |  |  |  |
| Discount Revenue |  | 140 | **[1]** |
|  |  | 24 670 |  |

**END OF ANSWER BOOKLET**