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**ACCOUNTING AND FINANCE**

**ATAR Year 11**

**Unit 1**

**TASK 3 - 2023**

**Solution**

**Assessment type:**

Test

**Content:**

Recording, processing and communicating financial information

**Conditions:**

55 minutes, closed book test

**Task weighting:**

11%

**Student Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Marks:**

|  |  |
| --- | --- |
| Section 1 MCQ | /8 |
| Section 2 Practical | /29 |
| Section 3 Short Answer | /12 |
| **TOTAL** | **/49** |

**Teacher**:

BRIDGER/BURGOYNE (Please circle)

**Section 1 - Mutiple Choice Solutions**

|  |  |
| --- | --- |
| 1 | **D** |
| 2 | **C** |
| 3 | **D** |
| 4 | **D** |
| 5 | **A** |
| 6 | **D** |
| 7 | **D** |
| 8 | **C** |

Section 2

**QUESTION 9 29 Marks**

The accountant of Poison Dwarf Decorations has prepared the following General Journal entries for the last week of March, 2023. The narrations have been deliberately left out.

**General Journal**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Particulars** | **Debit** | **Credit** |
| Mar 24 | Inventory | 29 000 |  |
|  | GST Credits | 2 900 |  |
|  | Accounts Payable (Rouge Retailers) |  | 31 900 |
|  |  |  |  |
| Mar 26 | Cash at Bank | 3 850 |  |
|  | Sales |  | 3 500 |
|  | GST Payable |  | 350 |
|  |  |  |  |
|  | Cost of Sales | 2 200 |  |
|  | Inventory |  | 2 200 |
|  |  |  |  |
| Mar 26 | Rent | 5 700 |  |
|  | GST Credits | 570 |  |
|  | Cash at Bank |  | 6 270 |
|  |  |  |  |
| Mar 28 | Bad Debts | 6 000 |  |
|  | GST Payable | 600 |  |
|  | Accounts Receivable (Millenium Moderns) |  | 6 600 |
|  |  |  |  |
| Mar 29 | Rouge Retailers | 31 900 |  |
|  | Cash at Bank |  | 30 943 |
|  | Discount Revenue |  | 957 |
|  |  |  |  |
|  | Discount Revenue | 87 |  |
|  | GST Credits |  | 87 |
|  |  |  |  |

**You are required to:**

1. Post the above transactions to the General Ledger. (23 Marks)

***Note***: Some accounts have existing balances. Also balance the ***relevant*** ledger accounts at the end of the month

1. Prepare a Trial Balance for Poison Dwarf Decorations as at 31 March, 2023 (6 marks)

**GENERAL LEDGER OF POISON DWARF DECORATIONS**

***Cash at Bank***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Mar 24 | Balance b/d | 90 000 | Mar 26 | Rent/GST | 6 270 **1** |
| Mar 26 | Sales/GST | **1** 3 850 | Mar 29 | Rouge Retailers | 30 943 **1** |
|  |  |  | Mar 31 | Bal c/d | 56 637 **1** |
|  | Bal b/d | 93 850 |  |  | 93 850 |
| Apr 1 | Bal b/d | 56 637 |  |  |  |

**Accounts Receivable (Millenium Moderns)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Mar 24 | Balance b/d | 6 600 |  | Bad Debts/GST | 6 600 **1** |
|  |  |  |  |  |  |

***Inventory***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Mar 24 | Balance b/d | 130 000 | Mar 26 | Cost of Sales | 2 200 **1** |
| Mar 29 | Rouge Retailers | 29 000 **1** | Mar 31 | Bal c/d | 156 800 **1** |
|  |  | 159 000 |  |  | 159 000 |
| Apr 1 | Bal b/d | 156 800 |  |  |  |
|  |  |  |  |  |  |

***Capital***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | Mar 24 | Balance b/d | 226 600 |
|  |  |  |  |  |  |

***GST Credits***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Mar 24 | Accounts Payable (Rouge Retailers) | 2 900 **1** | Mar 29 | Discount Rec’d | 87 **1** |
| Mar 26 | Cash | 570 **1** | Mar 31 | Bal c/d | 3 383 **1** |
|  |  | 3 470 |  |  | 3 470 |
| Apr 1 | Bal b/d | 3383 |  |  |  |

***Rouge Retailers***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Mar 29 | Cash/Disc Rec’d | 31 900  **1** | Mar 24 | Inventory/GST | 31 900  **1** |
|  |  |  |  |  |  |

***Sales***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | Mar 26 | Cash | 3 500 **1** |

***GST Payable***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Mar 28 | Millenium Moderns | 600 **1** | Mar 26 | Cash | 350 **1** |
|  |  |  | Mar 31 | Bal c/d | 250 **0.5** |
|  |  | 600 |  |  | 600 |
|  | Bal b/d | 250 |  |  |  |
|  |  |  |  |  |  |

***Cost of Sales***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Mar 26 | Inventory | 2 200 **1** |  |  |  |
|  |  |  |  |  |  |

***Rent Expense***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Mar 26 | Cash | 5 700 **1** |  |  |  |
|  |  |  |  |  |  |

***Discount Revenue***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Mar 29 | GST Credits | 87 **1** | Mar 29 | Accounts Payable (Rouge Retailers) | 957 **1** |
| Mar 31 | Bal c/d | 870 **0.5** |  |  |  |
|  |  | 957 |  |  | 957 |
|  |  |  | Apr 1 | Bal b/d | 870 |
|  |  |  |  |  |  |

***Bad Debts***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Mar 28 | Accounts Receivable (Millenium Moderns) | 6 000 **1** |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

Up to 3 marks off for setting out incorrectly.

Up to 2 marks off for lack of or incorrect dates.

**Poison Dwarf Decorations - Trial Balance as at 31 March 2023**

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| Cash at Bank **1/2** | 56 637 |  |
| Inventory **1/2** | 156 800 |  |
| GST – Credits **1/2** | 3 383 |  |
| Capital **1/2** |  | 226 600 |
| Sales **1/2** |  | 3 500 |
| GST – Payable **1/2** | 250 |  |
| Cost of Sales **1/2** | 2 200 |  |
| Rent **1/2** | 5 700 |  |
| Discount Revenue **1/2** |  | 870 |
| Bad Debts **1/2** | 6 000 |  |
| **1** | 230 970 | 230 970 |

**Question 10**

1. **What are the two main reasons for preparing a trial balance? (2 marks)**

* It helps to check that the debits and credits in the General Ledger are equal. Due to the nature of the double accounting entry system, the total debits must always equal the total credits. **1**
* Listing all the General Ledger account totals in the Trial Balance at the end of a financial period makes it easier to prepare the Income Statement and Balance Sheet. **1**

1. **What errors can be detected through preparation of a Trial Balance? (4 marks)**

* **Omitting** (Omission)a debit or credit entry, e.g. only recording the figure in one account and forgetting to enter it in the other account. **1**
* A **transposin**g(Transposition) error, e.g. if you enter $964 as the debit amount in one account and $946 as the credit amount in another account. **1**
* Incorrectly record an amount in both accounts as a debit or in both accounts as a credit. **1**
* Incorrectly adding up the totals of the debit and credit sides of the Trial Balance. **1**

1. **Which errors can’t be detected through preparation of a Trial Bal? (4 marks)**

* The incorrect amount was entered in both accounts, i.e. the debit and credit entries were both incorrect. **1**
* The transaction was recorded more than once.  **1**
* A transaction was left out. **1**
* The transaction was recorded in the wrong account,
* e.g. Electricity expenses was incorrectly allocated to Telephone expenses. **1**

1. **What is Internal Control (2 marks)**

Internal control is when a business uses good business practices to ensure that their assets are safeguarded (or protected) **1** and that the effectiveness and efficient of business operations are improved whenever and however they can be**. 1**