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**ACCOUNTING AND FINANCE**

**ATAR Year 11**

**Unit 1**

**TASK 2 - 2023**

**Assessment type:**

Test

**Content:**

Recording, processing and communicating financial information

**Conditions:**

50 minutes, closed book test

**Task weighting:**

7%

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

**Marks:**

|  |  |
| --- | --- |
| Section A | /10 |
| Section B | /6 |
| Section C | /24 |
| **TOTAL** | **/40** |

**Teacher**:

BURGOYNE / BRIDGER (Please circle)

**Section A: Multiple Choice Questions -** Circle the best answer.  **(10 marks)**

1. An asset, office furniture, was purchased on credit for $16,000. The value of equity due to the accounting equation has
2. increased.
3. **remained unchanged.**
4. decreased.
5. none of the above.
6. A manufacturing business
7. purchases inventory for resale at a profit.
8. provides a service in return for a fee.
9. **converts raw materials into finished goods for resale at a profit.**
10. sells goods and services to retailers.
11. The owner of a business has Cash at Bank $5,000, GST credits $2,000, a Motor Vehicle worth $40,000, Accounts Payable of $4,000 and a Accrued Expenses for $3,000. The Capital must equal:
12. **$40,000**
13. $34,000
14. $54,000
15. $60,000
16. Which of the following is **NOT** a liability?
17. **Cash at Bank**
18. Short term loan
19. Accounts Payable
20. Bank Overdraft
21. Which of the following is a satisfactory statement of the balance sheet equation?
22. Assets + liabilities = owner’s equity
23. Assets + owner’s equity = liabilities
24. **Assets – liabilities = owner’s equity**
25. Assets = liabilities – owner’s equity
26. Which statement provides the best representation of the accounting cycle?
27. document, process, record, report
28. ledger, source document, trial balance, journal
29. source document, ledger, journal, trial balance
30. **document, record, process, report**
31. Charlie loves to design and make skateboards. Charlie has decided to sell these skateboards to local surf shops. Charlie’s business would be classified as:
32. retail
33. **wholesale**
34. manufacturing
35. service
36. Identify which part of the accounting cycle a receipt from a customer would belong to.
37. **documents**
38. ledgers
39. reports
40. trial balance
41. An $21,000 loan was taken out in April 2022 and needs to be repaid by January 2023. What would the loan be classified as?
42. A non-current asset
43. An expense
44. **A current liability**
45. A non-current liability
46. Which of the following entities would be best suited to retailing?
47. Airbnb and Telstra
48. Coles and Jim’s Mowing
49. **Big W and Woolworths**
50. Crown Casino and The C Restaurant

**Section B: Short Answer Questions (6 marks)**

**Question 11**

1. Explain why Cash at Bank is an Asset, using the definition from the *Conceptual Framework.*

(3 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Explains why Cash at Bank is an Asset, using the definition from the *Conceptual Framework.* | 3 |
| Describes Cash at Bank according to the *Conceptual Framework.* | 2 |
| States a valid point about Cash at Bank as an asset. | 1 |
| **Total** | **3** |
| Answer could include:  Explains – provides why and how (perhaps with an example)  An asset is defined as ‘a present economic resource controlled by the entity as a result of past events.’ Cash at bank is money that is presently in the bank and is an economic resource. The entity has control over how this money is deposited and withdrawn. The money is sitting in the bank account due to past events. For example, a customer making a payment would result in money being deposited into the bank account as a result of a sale (past event), the entity has control over how this money will be spent or saved, the money in the bank is an economic resource.  Describes – provides characteristics and features  An asset is defined as ‘a present economic resource controlled by the entity as a result of past events.’ Cash at bank is money that is presently in the bank and is an economic resource. The entity has control over how this money is deposited and withdrawn. The money is sitting in the bank account due to past events.  Defines – States meaning and identifies essential qualities  Cash is an asset. An asset is defined as ‘a present economic resource controlled by the entity as a result of past events.’  Accept any other correct, relevant answer. | |

1. Explain the Double Entry principle. (3 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Explains the double entry system | 3 |
| Describes the double entry system only | 2 |
| Defines the double entry system only | 1 |
| **Total** | **/3** |
| **Answer could include, but is not limited to** | |
| Explains – provides why and how (perhaps with an example)  Every financial transaction has equal and opposite effects in at least two different accounts. Double entry is based on the accounting equation Assets = Liabilities + Equity, in which each entry is recorded to maintain the relationship. The total debit accounts must equal the total credit accounts. For example, if a business takes out a $6,000 loan, the cash (asset) account is debited to $6,000 and the outstanding debt (liability) account is credited $6,000.  Describes – provides characteristics and features  Every financial transaction has equal and opposite effects in at least two different accounts. Double entry is based on the accounting equation Assets = Liabilities + Equity, in which each entry is recorded to maintain the relationship. The total debit accounts must equal the total credit accounts. (at least 2 points)  Defines – States meaning and identifies essential qualities  The total debit accounts must equal the total credit accounts.  Accept any other correct, relevant answer. | |

**Section C: Practical Questions (24 Marks)**

**Question 12** (12 marks)

The following are some account balances of C Burgoyne’s Records at 31 January 2023:

|  |  |
| --- | --- |
| Office Equipment | 2 500 |
| Cash at Bank | 6 000 |
| GST Payable | 4 000 |
| Account Payable | 50 000 |
| Motor Vehicle | 17 000 |
| Prepaid Insurance | 2 000 |
| Accounts Receivable | 12 000 |
| Inventory | 15 000 |
| Accrued Expenses | 1 300 |
| Office Furniture | 4 000 |

Prepare a classified balance sheet, in the vertical format, at 31 January 2023.

**Burgoyne’s Records**

**Balance Sheet**

**31 January 2021**

|  |  |
| --- | --- |
| **Current Assets** | $ |
| Cash at Bank | 6 000 (1) |
| Prepaid Insurance | 2 000 (1) |
| Accounts Receivable | 12 000 (1) |
| Inventory | 30 000 (1) |
| *Total Current Assets* | *50 000* |
| **Non-Current Assets** |  |
| Office Equipment | 2 500 (1) |
| Motor Vehicle | 17 000 (1) |
| Office Furniture | 4 000 (1) |
| Shop Fittings & Furniture | 20 000 (1) |
| *Total Current Assets* | *43 500* |
| Total Assets | 93 500 |
| **Current Liabilities** |  |
| Accounts Payable | 50 000 (1) |
| Accrued Expenses | 1 300 (1) |
| *Total Current Liabilities* | *51 300* |
| Total Liabilities | 51 300 |
| Net Assets | 42 200 ( 1 for correct calculation) |
| *Equity* |  |
| Capital | 42 200 (1) |
| Total Equity | 42 200 |

**Classification (up to -2 marks) Foreign items (up to -2 marks)**

**Setting out (up to -2 marks)**

**Omission of Capital (but Equity correct) -1 mark TOTAL MAX deduction is -3 marks**

**Question 13** (12 marks)

From the following information at 30 June 2023, prepare an Income Statement for Manny’s Motor Repair Shop.

|  |  |
| --- | --- |
| Office Wages | 35, 600 |
| Internet and Telephone | 5,600 |
| Interest income | 1,800 |
| Rent expense | 12,200 |
| Bad debt | 1,230 |
| Fees | 257,000 |
| Office Equipment | 18 000 |
| Postage | 300 |
| Bank Charges | 420 |
| Advertising | 3,200 |
| Land | 160,000 |

Prepare an income statement for the year ended 30 June 2021. You may or may not use all the columns.

**Income Statement**

**Manny’s Motor Repair Shop**

**For the year ending 30 June 2021**

|  |  |  |  |
| --- | --- | --- | --- |
| **Income** |  |  |  |
| Fees |  | 257,000 **(1)** |  |
| Less Discount Allowed |  | 1,650 **(1)** | 255 350 |
| *Add other income* |  |  |  |
| Interest Income |  | 1,800 | 1,800 **(1)** |
|  |  |  | 257,150 |
| **Less expenses** |  |  |  |
| *Selling expenses* |  |  |  |
| Bad debt | 1,230 **(1)** |  |  |
| Advertising | 3,200 **(1)** | 4,430 |  |
| *General & Administration Expenses* |  |  |  |
| Internet & Phone | 5,600 **(1)** |  |  |
| Office Wages | 35,600 **(1)** |  |  |
| Rent expenses | 12,200 **(1)** |  |  |
| Postage | 300 **(1)** | 53,700 |  |
| *Financial Expenses* |  |  |  |
| Bank Charges | 420 **(1)** | 420 | 58,550 |
| Profit for the period |  |  | 198,600 **(2)** ( 1 for correct calculation and 1 for correct number) |

**Classification (up to -2 marks)**

**Setting out (up to -2 marks)**

**Inclusion of Office Furniture (any foreign items) (-1)**