****

**ACCOUNTING AND FINANCE**

**ATAR Year 11**

**Unit 1**

**TASK 4 - 2023**

**Assessment type:**

Test

**Content:**

Recording, processing and communicating financial information

**Conditions:**

55 minutes, closed book test

**Task weighting:**

7%

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

**Marks:**

|  |  |
| --- | --- |
| Section A | /5 |
| Section B | /9 |
| Section C | /21 |
| **TOTAL** | **/35** |

**Teacher**:

BURGOYNE / BRIDGER (Please circle)

**Section A: Multiple Choice Questions -** Circle the best answer.  **(5 marks)**

1. The accounting period assumption,
2. states that every debit must have a corresponding credit entry in the ledger.
3. requires profit to be calculated on June 30 of each year.
4. **divides the life of the business into time periods for the calculation of profit.**
5. None of the above.
6. Luna starts a new business. Her parents give her $50,000 to help set the business up. Luna uses this money to buy a delivery van and office equipment for the business. Luna records the $50,000 given to her as a liability. Which of the following concepts have been violated?
7. Accounting period
8. Materiality
9. Going concern
10. **Accounting entity concept**
11. Current market values of non-current assets are not generally reported in financial statements because the
12. accounting period assumption applies
13. **historical cost assumption applies**
14. current market value assumption applies
15. monetary assumption applies
16. A business is in financial trouble and faces imminent bankruptcy. If the business chooses not to disclose this information, they violate which accounting principle?
17. Accounting period
18. Historical
19. **Going concern**
20. Materiality
21. Which accounting principle is associated with the assumption that a company will continue on long enough to carry out its objectives and commitments?
22. Monetary
23. **Going concern**
24. Accounting entity
25. Historical

**Section B: Short Answer Questions (9 marks)**

**Question 6**

**For each of the following situations:**

1. **Identify and define the accounting principle that is being breached, and**
2. **explain how the accounting principle is being breached.**

T Wong runs a business in Australia called “Wong’s Widgets”.

1. T Wong pays her home water bill using the business bank account. (3 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Identifies and defines accounting principle and explains how it is being breached | 3 |
| Identifies and defines accounting principle and describes how it is being breached | 2 |
| Identifies and defines accounting principle only | 1 |
| Identifies accounting principle only | 0.5 |
| **Total** | **/3** |
| **Answer could include, but is not limited to** | |
| Explains – provides why and how (perhaps with an example)  The Accounting Entity Principleis being breached, as a business is considered separate and distinct from the owner. The owner’s personal financial transactions should be kept separate to the business financial transactions. Any amount taken out by the owner for personal use should be recorded as Drawings on the Balance Sheet. T Wong’s water bill is a personal expense so should not be paid for by the business.  Describes – provides characteristics and features  The Accounting Entity Principleis being breached, as a business is considered separate and distinct from the owner. The owner’s personal financial transactions should be kept separate to the business financial transactions.  Defines – States meaning and identifies essential qualities  The Accounting Entity Principleis being breached, as a business is considered separate and distinct from the owner.  Identifies  The Accounting Entity Assumption  Accept any other correct, relevant answer. | |

(b) ‘Wong’s Widgets’ has a bumper year with an annual profit of $500,000. However, during the year there was heavy rainfall and $60,000 worth of inventory was destroyed due to water damage. This event was not recorded in the financial reports.

(3 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Identifies and defines accounting principle and explains how it is being breached | 3 |
| Identifies and defines accounting principle and describes how it is being breached | 2 |
| Identifies and defines accounting principle only | 1 |
| Identifies accounting principle only | 0.5 |
| **Total** | **/3** |
| **Answer could include, but is not limited to** | |
| Explains – provides why and how (perhaps with an example)  The Materiality Principleis being breached. If omission of information from a financial report could influence the economic decisions of the users, then the information is considered material and should be presented in the reports. An accounting report should contain all the material information. In this situation $60,000 worth of inventory has been omitted from the reports, this can influence the decisions of the users.  Describes – provides characteristics and features  The Materiality Principleis being breached. If omission of information from a financial report could influence the economic decisions of the users, then the information is considered material and should be presented in the reports. In this situation $60,000 worth of inventory has been omitted from the reports.  Defines – States meaning and identifies essential qualities  The Materiality Principle Assumptionis being breached. If omission of information from a financial report could influence the economic decisions of the users, then the information is considered material and should be presented in the reports.  Identifies  The Materiality Principle  Accept any other correct, relevant answer. | |

1. ‘Wong’s Widgets’ finds a great deal and purchases laptops from the UK for the business. 2,300 British pounds are paid for the laptops. ‘Wong’s Widgets’ adds the British pound currency to the financial reports to accurately record the purchase.

(3 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Identifies and defines accounting principle and explains how it is being breached | 3 |
| Identifies and defines accounting principle and describes how it is being breached | 2 |
| Identifies and defines accounting principle only | 1 |
| Identifies accounting principle only | 0.5 |
| **Total** | **/3** |
| **Answer could include, but is not limited to** | |
| Explains – provides why and how (perhaps with an example)  The Monetary Principleis being breached, this principle requires all business events to be measured in terms of money and furthermore, that all transactions in accounting are recorded in the currency of the country in which the records and reports are kept. It is assumed that money values are more useful in making economic decisions. It is a more realistic unit of value and can be used to meaningfully measure financial performance, financial position and cash flows. In the example the business had added British pounds to the financial reports but as the business is based in Australia all values should be in Australian dollars.  Describes – provides characteristics and features  The Monetary Principleis being breached, this principle requires all business events to be measured in terms of money and furthermore, that all transactions in accounting are recorded in the currency of the country in which the records and reports are kept. In the example the business had added British pounds to the financial reports but it should be in Australian dollars.  Defines – States meaning and identifies essential qualities  The Monetary Principleis being breached, this principle requires all business events to be measured in terms of money and furthermore, that all transactions in accounting are recorded in the currency of the country in which the records and reports are kept.  Identifies  The Monetary Principle  Accept any other correct, relevant answer. | |

**Section C: Practical Questions (21 Marks)**

**Required:**

Do the ***closing entry*** for the ***expense accounts only*** in the General Journal for the year ended   
30 June 2023. (4 marks)

**General Journal**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Particulars** | **Debit** | **Credit** |
| 2023 June 30 | Profit & Loss | 371,500 |  |
|  | Office Salaries |  | 60,000 |
|  | Discount allowed |  | 1,500 |
|  | Cost of sales |  | 310,000 |
|  | *Close expenses accounts* |  |  |
|  |  |  |  |

**-1 for no narration**

**-1 for assets, income, liabilities included in journal**

**-3 MAX for poor setting out**

**Question 3 (17 marks)**

T The following are balances of some accounts of Sam’s Mobile Beautician at 30 June 2023:

|  |  |
| --- | --- |
| Fuel | 12,500 |
| Fees | 75,000 |
| Motor Vehicle expenses | 6,000 |
| Capital | 40,000 |
| Drawings | 7,000 |
| Interest Received | 500 |

**Required:**

a. Enter the above **balances** into the **ledger accounts** provided and show all relevant closing entries in the

**accounts**. (8 marks)

b. Prepare the **Profit and Loss account** for the year ended 30 June 2023. (5 marks)

c. Show the **Equity section** of the firm’s Balance Sheet at the above date. (4 marks)

a. **General Ledger**

\_\_\_\_\_\_\_\_\_\_\_Fuel\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Account

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2023 June 30 | Balance | 12,500 | 2023 June 30 | Profit & Loss Acc | 12,500 (1) |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Fees\_\_\_\_\_\_\_\_\_\_\_ Account

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2023 June 30 | Profit & Loss Acc | 75,000 (1) | 2023 June 30 | Balance | 75,000 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_ Motor Vehicle expenses \_\_\_\_\_\_\_\_\_\_\_\_\_ Account

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2023 June 30 | Balance | 6,000 | 2023 June 30 | Profit & Loss Acc | 6,000 (1) |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_Capital \_\_\_\_\_\_\_\_\_\_\_\_\_Account

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2023 June 30 | Drawings | 7,000 (1) | 2023 June 30 | Balance | 40,000 |
|  | Balance c/d | 90,000 (1) |  | Profit & Loss Acc | 57,000 (1) |
|  |  | **97,000** |  |  | **97,000** |
|  |  |  | Jul 1 | Balance b/d | 90,000 |

\_\_\_\_\_\_\_\_\_\_\_\_\_Drawings\_\_\_\_\_\_\_\_\_\_\_\_\_ Account

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2023 June 30 | Balance | 7,000 | 2023 June 30 | Capital | 7,000 (1) |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

\_\_\_\_\_\_\_\_\_\_Interest received\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Account

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2023 June 30 | Profit & Loss Acc (1) | 500 | 2021 June 30 | Balance | 500 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**-3 MAX for poor setting out (no balance b/d, no totals)**

**-2 MAX for missing dates**

b. **Profit and Loss Account**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2023 June 30 | Fuel | 12,500 (1) | 2021 June 30 | Fees | 75,000 (1) |
|  | Motor Vehicle expenses | 6,000 (1) |  | Interest received | 500 (1) |
|  | Capital (Profit) | 57,000 (1) |  |  |  |
|  |  | **75,500** |  |  | **75,500** |
|  |  |  |  |  |  |

**-2 MAX for poor setting out**

**-1 for missing totals**

c. **Balance Sheet (Extract)**

**of Sam’s Mobile Beautician**

**As at 30 June 2023**

|  |
| --- |
| **Equity** |
| Capital 40,000 (1) |
| Add profit 57,000 (1) |
| 97,000 |
| Less Drawings 7,000 (1) |
| 90,000 (1) |
|  |

**-1 for no subtotal**

**Up to -2 for poor setting out**