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**ACCOUNTING AND FINANCE**

**ATAR Year 11**

**Unit 1**

**TASK 4 - 2022**

**Assessment type:**

Test

**Content:**

Financial systems and fundamental principles

Recording, using and evaluating

**Conditions:**

55 minutes, closed book test

**Task weighting:**

5%

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

**Marks:**

|  |  |
| --- | --- |
| Section A: Q 1-8 | / 11 |
| Section B: Q 1-2 | / 39 |
|  |  |
| **TOTAL** | **/50** |

**Teacher**:

BURGOYNE / BRIDGER (Please circle)

**Section A: Multiple Choice and Short Answers [11 marks]**

**Circle the most correct answer in the following.**

1. Sadana runs a jewellery store. Her accountant discovered she paid for her daughter’s singing lessons of $3,000 from the business bank account. It is recorded as a decrease in the bank account and an increase in wage expense. This is a violation of which accounting principle?
   1. monetary assumption
   2. **accounting entity assumption**
   3. materiality
   4. historical cost
2. Equipment imported from the UK costing 58,000-pound sterling was recorded in the accounts of a local business at the equivalent value of $100,000 AUD. This demonstrates which of the following accounting principles?
   1. **monetary assumption applies**
   2. going concern assumption applies
   3. materiality assumption applies
   4. historical cost
3. Current market value of non-current assets are **NOT** generally reported in financial statements due to which accounting principle?
   1. going concern assumption
   2. accounting entity assumption
   3. **historical cost**
   4. accounting period assumption
4. Fran has a pizza shop. She sold a pizza delivery vehicle for cash and received a very good price of $20,000. The accountant could not find the transaction for this sale in the records so had to add it in due to which accounting principle?
   1. **materiality**
   2. accounting entity assumption
   3. going concern assumption
   4. historical cost
5. Lorenzo runs a successful delicatessen; however, he has decided to close his business as he is ready to retire. If he does not inform his accountant Eddy of his retirement, Eddy may not follow which principle when the accounts are prepared.
   1. materiality
   2. accounting entity assumption
   3. **going concern assumption**
   4. historical cost

**b a c a c**

**Short Answers**

1. Hans is the owner of Hans Hardware Store, he has an annual profit turnover of $1 million. During this financial year, he sustained $40,000 loss of inventory due to a fire in the store. He does not record this event in the financial reports. Explain the accounting principle and how it has been breached. (2 marks)

**Materiality**

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. **(1)**

In this situation Hans has lost $40,000 worth of inventory which if omitted from the reports can influence the decisions of the users. **(1)**

1. Explain the meaning of the ‘Accounting Entity Principle’ to a business owner. (2 marks)

-The life of a business is divided into intervals known as accounting periods. (1)

-The length of an accounting period can for example, one, three, six or 12 months. (1)

-An income statement is prepared for each accounting period. A balance sheet is prepared on the last day of an accounting period. (1)

1. Explain why closing entries are necessary. (2 marks)

* They ensure that the income and expenses of the current year cannot be included in the calculation of the profit and loss for the next year.  (1)
* Able to calculate P & L for a period. (1)
* Enable to compare periods. (1)

**Section B: Practical questions [39 Marks]**

**Question 1 (24 Marks)**

The following information has been taken from the accounting records of Kite Surf City Traders for the year ended 30 June 2022.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Account** | **Acc Type** | **Amount** | **Debit** | **Credit** |
| Office Furniture | A | 34 000 | 34 000 |  |
| Wages | Ex | 17 000 | 17 000 |  |
| Capital | Eq | ? |  | 54 000 |
| Cost of Sales | Ex | 50 000 | 50 000 |  |
| Inventory | A | 9 000 | 9 000 |  |
| Drawings | Eq | 8 000 | 8 000 |  |
| Interest on Loan | Ex | 2 000 | 2 000 |  |
| Sales | I | 90 000 |  | 90 000 |
| Accounts Receivable | A | 18 000 | 18 000 |  |
| Cash at Bank | A | 25 000 | 25 000 |  |
| Discount Allowed | Ex | 1 000 | 1 000 |  |
| Loan (5 year) | L | 18 000 |  | 18 000 |
| Discount Received | I | 2 000 |  | 2 000 |
| TOTAL |  |  | 164 000 | 164 000 |

**Required:**

1. Determine the balance of the Capital account. (2 marks)

2. Do the Closing Entries in the General Journal. (12 marks)

3. Transfer the General Journal entries to the General Ledger’s supplied. Include the opening balances and balance where necessary. (10 marks)

**GENERAL JOURNAL – JUNE 2022**



|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Details | Debit | Credit |  |
| 30/6/22 | Sales | 90 000 |  | 1 |
|  | Discount received | 2 000 |  | 1 |
|  | Profit and Loss Summary |  | 92 000 | 1 |
|  | *Close off income accounts* |  |  |  |
|  |  |  |  |  |
|  | Profit and Loss Summary | 70 000 |  | 1 |
|  | Wages |  | 17 000 | 1 |
|  | Cost of Sales |  | 50 000 | 1 |
|  | Interest on Loan |  | 2 000 | 1 |
|  | Discount allowed |  | 1 000 | 1 |
|  | *Close off expense accounts* |  |  |  |
|  |  |  |  |  |
|  | Profit and Loss Summary | 22 000 |  | 1 |
|  | Capital |  | 22 000 | 1 |
|  | *Transfer profit to Capital* |  |  |  |
|  |  |  |  |  |
|  | Drawings | 8 000 |  | 1 |
|  | Capital |  | 8 000 | 1 |
|  | *Close off Drawings to Capital* |  |  |  |

**GENERAL LEDGER OF KITE SURF CITY TRADERS**

**Profit & Loss Summary (4 marks)**



|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 30/6/22 | Wages | 17 000 | 30/6/22 | Sales | 90 000 |
|  | Cost of Sales | 50 000 |  | Discount received | 2 000 |
|  | Interest on Loan | 2 000 |  |  |  |
|  | Discount allowed | 1 000 |  |  |  |
|  | Capital | 22 000 |  |  |  |
|  |  | **92 000** |  |  | **92 000** |
|  |  |  |  |  |  |

**Capital (4 marks)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 30/6/22 | Drawings | 8 000 | 30/6/22 | Balance | 54 000 |
|  | Balance c/d | 68 000 |  | Profit and Loss Summary | 22 000 |
|  |  | **76 000** |  |  | **76 000** |
|  |  |  |  | Balance b/d | 68 000 |

**Drawings (2 marks)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 30/6/22 | Balance | 8 000 | 30/6/22 | Capital | 8 000 |
|  |  |  |  |  |  |

**Question 2 (15 Marks)**

The following is the trial balance for Hazza K’s Health Food Supplies taken from the financial records as at 30 June 2022.

**Trial Balance**

**Hazza K’s Health Food Supplies**

**For the year ending 30 June 2022**

|  |  |  |
| --- | --- | --- |
| **Account** | **Dr** | **Cr** |
| GST credits | 9,000 |  |
| GST payable |  | 8,700 |
| Bank overdraft |  | 4,300 |
| Sales salaries | 35,000 |  |
| Bank fees | 900 |  |
| Insurance | 4,100 |  |
| Mortgage (repayable 2027) |  | 35,000 |
| Discount received |  | 650 |
| Discount allowed | 300 |  |
| Bad debts | 450 |  |
| Accounts payable |  | 8,500 |
| Land | 220,000 |  |
| Buildings | 190,000 |  |
| Cost of sales | 95,000 |  |
| Office Salaries | 49,000 |  |
| Sales |  | 200,000 |
| Freight in | 1,500 |  |
| Freight out | 1,250 |  |
| Inventory | 55,000 |  |
| Accounts receivable | 18,000 |  |
| Capital |  | 426,850 |
| Drawings | 4,500 |  |
|  | **$684,000** | **$684,000** |

**Required:**

1. Complete the classified Income Statement of Hazza K’s Health Food Supplies for the year ending 30 June 2022. (15 marks)

**Hazza K’s Health Food Supplies   
 Income Statement  
 For the year ending 30 June 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **$** | **$** | **$** |  |
| Sales |  | 200,000 |  | 1 |
| Less: Discount allowed |  | 300 | 199,700 | 1 |
| Less Cost of sales | 95,000 |  |  | 1 |
| Freight in | 1,500 | 96,500 |  | 1 |
| Less discount received |  | 650 | 95,850 | 1 |
| Gross profit (1) |  |  | 103,850 | 1\* |
|  |  |  |  |  |
| Less other expenses |  |  |  |  |
| **Selling and distribution** |  |  |  |  |
| Bad debts | 450 |  |  | 1 |
| Freight out | 1,250 |  |  | 1 |
| Sales salaries | 35,000 | 36,700 |  | 1 |
| **General and adminstration** |  |  |  |  |
| Office salaries | 49,000 |  |  | 1 |
| Insurance | 4,100 | 53,100 |  | 1 |
| **Financial** |  |  |  |  |
| Bank Fees | 900 | 900 | 90,700 | 1 |
| Profit for the period (1) |  |  | 13,150 | 1\* |

**Up to 3 marks subtracted for poor setting out**



**Up to 3 marks subtracted for foreign items**