****

**ACCOUNTING AND FINANCE**

**ATAR Year 11**

**Unit 1**

**TASK 7 - 2021**

**Assessment type:** Test

**Content:**

Accruals, Balance Day Adjustments, Definitions and Recognitions

Criteria of the Elements of the Financial Statements

**Conditions:** 55 minutes, closed book test

**Task weighting:** 6%

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

**Marks:**

|  |  |
| --- | --- |
| Section A: | / 11 |
| Section B: | / 47 |
|  |  |
| **TOTAL** | **/ 58** |

**Teacher**:

GRIMBLY / BRIDGER (Please circle)

**Section A (11 Marks)**

1. Sam’s Tech Services paid wages of $150,000 for the year ended 30 June 2021. Accrued wages at 30 June 2021 were $8,000. The business’s income statement for the 2021 financial year recorded a wage expense of $150,000. Does this business use accrual or cash accounting? Explain your answer. (3 marks)

2. Explain, using Recognition criteria as per the *Conceptual Framework,* why wages are an expense. When does the recognition of an expense occur? (4 marks)

4. Explain the difference between **bad debts** and **doubtful debts**? (4 marks)

**Section B (47 Marks)**

Trial Balance **extract** of MANGO EXPORTS on 30 June 2021 showed the following:

|  |  |
| --- | --- |
| **General Ledger Account** | **Acc Balance** |
| Prepaid Insurance | 6 000 |
| Accounts Receivable | 40 000 |
| Office Supplies | 9 000 |
| Unearned Income | 75 000 |
| Interest Income | 3 600 |
| Prepaid Rent | 45 000 |
| Wages | 98 000 |
| Allowance for Doubtful Debts | 9 500 |

**Additional Information**

**On June 30:**

* The last pay day was 17th of June 2021. Accrued wages on balance day were $9 000.
* Write off $5 000 in bad debts and set the allowance for doubtful debts at $6 000.
* Office Supplies on hand was valued at $2 000.
* The annual insurance premium was paid on 1 February 2018.
* On June 30, prepaid rent for the warehouse was $11 000.
* Interest earned but not received at June 30 is $2,400.

**On July 10**:

* Paid wages of $16,000, including the $9,000 of wages owing on 30 June 2021.

**Required:**

1. Prepare the general journal entries to account for the above balance day adjustments as well as the payment for wages on July 10. Show all workings.

(19 marks)

1. Post transactions from the General Journal to the General Ledger accounts provided. You are not required to post to those accounts not provided. Balance the ledger accounts where required. Closing entries are not required. (20 marks)
2. Prepare an extract of the Balance Sheet at 30 June 2021. (8 marks)

**Workings:**

1. **GENERAL JOURNAL**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Particulars** | **Debit** | **Credit** |
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| **Date** | **Particulars** | **Debit** | **Credit** |
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1. **GENERAL LEDGER**

**Accrued Expenses A/c**

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**Accounts Receivable A/c**

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**Bad Debts A/c**

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**Allowance for Doubtful Debts A/c**

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**Doubtful Debts A/c**

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**Office Supplies Assets A/c**

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**Prepaid Rent A/c**

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**Unearned Income A/c**

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**A/c**

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**A/c**

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1. **Balance Sheet (Extract) of Mango Exports**

**As At 30 June 2021**

**Current Assets**

|  |
| --- |
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**Current Liabilities**

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| --- |
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**SOLUTIONS**

**MANGO EXPORTS**

**GENERAL JOURNAL**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Details** | **Debit** | **Credit** |
| 30 June | Wage expense | 9,000 |  |
|  | Accrued expenses |  | 9,000 |
|  | *Accrued wages at year end* |  |  |
|  |  |  |  |
|  | Bad debts | 5,000 |  |
|  | Accounts receivable |  | 5,000 |
|  | *Bad debts written off* |  |  |
|  |  |  |  |
|  | Allowance for Doubtful Debts | 5,000 |  |
|  | Bad debts |  | 5,000 |
|  | *Transfer of bad debts* |  |  |
|  |  |  |  |
|  | Doubtful debts | 1,500 |  |
|  | Allowance for doubtful debts |  | 1,500 |
|  | *Allowance for doubtful debts set at $6,000* |  |  |
|  |  |  |  |
|  | Office expense | 7,000 |  |
|  | Office supplies |  | 7,000 |
|  | *Office supplies at year end* |  |  |
|  |  |  |  |
|  | Insurance expense | 2,500 |  |
|  | Prepaid insurance |  | 2,500 |
|  | *Insurance expenses for the year* |  |  |
|  |  |  |  |
|  | Rent expense | 34,000 |  |
|  | Prepaid rent |  | 34,000 |
|  | *Rent expense for the year* |  |  |
|  |  |  |  |
|  | Unearned income | 2,400 |  |
|  | Interest income |  | 2,400 |
|  | *Accrued interest on balance date* |  |  |
|  |  |  |  |
| 10 July | Accrued expenses | 9,000 |  |
|  | Wages | 7,000 |  |
|  | Cash at bank |  | 16,000 |
|  | *Payment of wages* |  |  |

**MANGO EXPORTS**

**GENERAL LEDGER**

**Accrued Expenses**



|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | 30/06/21 | Wage expense | 9,000 |
|  |  |  |  |  |  |

**Accounts Receivable**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 30/06/21 | Balance | 40,000 | 30/06/21 | Bad debts | 5,000 |
|  |  |  |  | Balance c/d | 35,000 |
|  |  | **40,000** |  |  | **40,000** |
| 1/7 | Balance b/d | 35,000 |  |  |  |
|  |  |  |  |  |  |

**Bad Debts**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 30/06/21 | Accounts receivable | 5,000 | 30/06/21 | Allowance for bad debts | 5,000 |
|  |  |  |  |  |  |

**Allowance for doubtful debts**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 30/06/21 | Bad debts | 5,000 | 30/06/20 | Balance | 9,500 |
| 30/06/21 | Balance c/d | 6,000 | 30/06/21 | Doubtful debts | 1,500 |
|  |  | **11,000** |  |  | **11,000** |
|  |  |  | 1/07/21 | Balance b/d | 6,000 |

**Doubtful debts**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 30/06/21 | Allowance for doubtful debts | 1,500 |  |  |  |
|  |  |  |  |  |  |

**Office supplies (asset)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 30/06/21 | Balance | 9,000 | 30/06/21 | Office expenses | 7,000 |
|  |  |  |  | Balance c/d | 2,000 |
|  |  | **9,000** |  |  | **9,000** |
| 1/7 | Balance c/d | 2,000 |  |  |  |
|  |  |  |  |  |  |

**Prepaid rent**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 30/06/21 | Balance | 45,000 | 30/06/21 | Rent expense | 34,000 |
|  |  |  |  | Balance c/d | 11,000 |
|  |  | **45,000** |  |  | **45,000** |
| 1/7 | Balance b/d | 11,000 |  |  |  |
|  |  |  |  |  |  |

**Unearned income**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 30/06/21 | Interest income | 2,400 | 30/06/21 | Balance | 75,000 |
|  | Balance c/d | 72,600 |  |  |  |
|  |  | **75,000** |  |  | **75,000** |
|  |  |  | 1/7 | Balance b/d | 72,600 |
|  |  |  |  |  |  |

**MANGO EXPORTS**

**BALANCE SHEET (extract)**

**As at 30 June 2021**

**Current Assets**

|  |  |
| --- | --- |
| Accounts receivable | 35,000 |
| Less: Allowance for doubtful debts | 6,000 |
|  | 29,000 |
| Office supplies | 2,000 |
| Prepaid insurance | 3,500 |
| Prepaid rent | 11,000 |
| **Total Current Assets** | **45,500** |

**Current Liabilities**

|  |  |
| --- | --- |
| Accrued expenses | 9,000 |
| Unearned income | 72,600 |
| **Total current liabilities** | **81,600** |
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|  |  |