****

**ACCOUNTING AND FINANCE**

**ATAR Year 11**

**Unit 2**

**TASK 7 - 2022**

**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: | / 15 |
| Section B: | / 40 |
|  |  |
| **TOTAL** | **/ 55** |

**Teacher**:

BURGOYNE/ BRIDGER (Please circle)

**SECTION A: Multiple choice and short answers (15 Marks)**

**Circle the most correct answer in the following. Multiple choice are 1 mark each.**

1. An asset is defined in the *Conceptual Framework* as a present economic resource controlled by an entity as a result of past events. An economic resource in this context is defined as:
2. a resource that a business owns.
3. a right that has the potential to produce economic benefits.
4. a right that will produce economic benefits.
5. an obligation to transfer a resource.
6. As at 30 June 2022, a business will have earned $1,720 interest that has not yet been received. When preparing financial statements this would need to be included as;
7. accrued expense
8. accrued income
9. unearned income
10. prepaid expense
11. Under an accrual system of accounting:
12. income is recognised at the time when it is recorded in an accounting system.
13. income is recognised at the time the sale is made or the service is provided.
14. income is recognised at the time when it is incurred.
15. income is recognised when the cash is received.
16. Using an accrual accounting method, expenses relevant to an accounting period which remain unpaid at the end of the period should:
17. be shown as part of the non-current liabilities in the Balance Sheet at the end of the accounting period.
18. be shown as an expense in the Income Statement for the period and shown as a current liability in the Balance Sheet at the end of the period.
19. be shown as an expense in the Income Statement for the period and shown as non-current asset in the Balance Sheet at the end of the period.
20. be shown as an expense in the Income Statement for the period and shown as a non-current liability in the Balance Sheet at the end of the period.
21. The business “Gym Fit”, receives $11,000 (GST inclusive) of unearned income on the 1 June 2022 and makes the following journal entry:

|  |  |  |  |
| --- | --- | --- | --- |
| Date |  | DR | CR |
| 1/6/22 | Cash at bank | 11,000 |  |
|  | Fees |  | 10,000 |
|  | GST Payable |  | 1,000 |

Does “Gym Fit” use:

1. the accrual accounting method.
2. the cash accounting method.
3. both the accrual and cash accounting method.
4. Not enough information to tell what accounting method is used.
5. If $400 of accrued telephone expenses was incorrectly debited as a prepayment, the balance sheet:
6. would have current assets overstated by $400
7. would have current assets understated by $400
8. would have current liabilities overstated by $400
9. would have non-current liabilities understated by $400
10. Which of the following is recorded in the accounting system as a current asset?
11. unearned income
12. accrued wages
13. accrued income
14. accrued expense

8. Using the *Conceptual Framework* definition, explain why a loan from a financial institution would be considered a liability for accounting purposes. (4 marks)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Discuss two (2) recognition criteria that also have to be met before the loan can be included in

the business balance sheet. (4 marks)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SECTION B (45 Marks)**

“Hot Air Ballooning” commenced business on 1 January 2022, and has supplied the financial information for the six months ended 30 June 2022. The business is not registered for GST.

**Hot Air Ballooning**

**Trial Balance**

**as at 30 June 2022**

|  |  |  |
| --- | --- | --- |
| Account | Dr  $ | Cr  $ |
| Cash at bank | 15,600 |  |
| Accounts receivable | 15,200 |  |
| Wages | 60,100 |  |
| Hot Air Ballons | 520,700 |  |
| Advertising | 5,430 |  |
| Repairs | 12,764 |  |
| Oil and fuel | 4,320 |  |
| Interest on loan | 673 |  |
| Loan (due 2023) |  | 20,000 |
| Telephone | 2,470 |  |
| Unearned income |  | 2,000 |
| Prepaid utilities | 663 |  |
| Allowance for doubtful debts |  | 900 |
| Fees |  | 585,020 |
| Capital |  | 30,000 |
|  | **637,920** | **637,920** |

**Additional Information**

* Wages due but not yet paid amounted to $300.
* Fees of $2,000 were received on 1 June 2022 for two months in advance.
* Prepaid utilities on balance day amounted to $221.
* Interest earned but not received was $500.
* Bad debts of $3,200 are to be written off.
* Allowance for doubtful debts is to be raised at 3.5% of **net** accounts receivable.

**Required:**

1. Prepare the general journal entries to account for the above balance day adjustments. Show

all workings. (14 marks)

1. Post transactions from the General Journal to the General Ledger accounts provided at

30 June 2022. Balance the ledger accounts where required. Closing entries are not required. (21 marks)

1. Prepare an extract of the Balance Sheet at 30 June 2022. (5 marks)

**Workings:**

**GENERAL JOURNAL**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Particulars** | **Debit** | **Credit** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| **Date** | **Particulars** | **Debit** | **Credit** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |



**GENERAL LEDGER**

**Wage Expense**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**Prepaid expenses**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Accrued Income**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Accounts Receivable A/c**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Bad Debts A/c**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Allowance for Doubtful Debts A/c**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Doubtful Debts A/c**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Fees**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**A/c**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**A/c**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

* + - 1. **Balance Sheet (Extract) of Hot Air Balloons**

**As At 30 June 2022**

**Current Assets**

|  |
| --- |
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |