 **Willetton Senior High School**

**2022 Semester One Examination**

**Question/Answer Booklet**

**ACCOUNTING AND FINANCE**

**Year 11 ATAR**

**Unit 1**

First Name:

Last Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Teacher: Burgoyne / Bridger

**Time allowed for this paper**

Reading time before commencing work: Ten minutes

Working time for paper: Two and a half hours

**Materials required/recommended for this paper**

*To be provided by the supervisor*

This Question/Answer Booklet

Extended Answer Booklet

Multiple-choice answer sheet

Information booklet

***To be provided by the candidate***

Standard items: pens (blue/black preferred), pencils (including coloured), sharpener, correction fluid/tape, eraser, ruler, highlighters.

Special items: non-programmable calculators approved for use in this examination.

**Important note to candidates**

No other items may be taken into the examination room. It is **your** responsibility to ensure that you do not have any unauthorised material. If you have any unauthorised material with you, hand it to the supervisor **before** reading any further.

**Structure of this paper**

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| --- | --- | --- | --- | --- | --- |
| Section | Number of questions available | Number of questions to be answered | Suggested working time  (minutes) | Marks available | Percentage of exam |
| Section One:  Multiple-choice | 15 | 15 | 25 | 15 | 15 |
| Section Two:  Short answer | 3 | 3 | 90 | 96 | 70 |
| Section Three:  Extended answer | 2 | 1 | 35 | 30 | 15 |
|  | | | | | 100 |

**Section One: Multiple-choice 15% (15 Marks)**

This section has **15** questions. Answer **all** questions on the separate Multiple-choice answer sheet provided. For each question, shade the box to indicate your answer. Use only a blue or black pen to shade the boxes. Do not use erasable or gel pens. If you make a mistake, place a cross through that square then shade your new answer. Do not erase or use correction fluid/tape. Marks will not be deducted for incorrect answers. No marks will be given if more than one answer is completed for any question

Suggested working time for this section is 25 minutes.

1. What is the main purpose of preparing a trial balance?  
   1. Identifies every processing error.
   2. Ensures that all accounts have been closed.
   3. Checks if the ledger accounts balance.
   4. Makes a list of account balances before preparing financial statements.
2. An example of a service business would be
3. a lithium mine.
4. a legal firm.
5. a hardware store.
6. both a and b.
7. A current asset for a business is   
   1. a resource to be used over the life of the business.
   2. an item of value that can be converted into cash.
   3. a long-term resource that can be converted into cash.
   4. a valuable item that the business owner can claim.
8. Methods of exercising internal control over inventory would **not** include  
   1. conducting regular stock takes.
   2. introduction of a perpetual inventory system.
   3. electronic tagging of inventory items.
   4. regular bank reconciliation.
9. A disadvantage of the perpetual inventory system compared with the periodic inventory system is that it   
   1. is more expensive and time consuming to set up.
   2. does not enable stock losses to be identified.
   3. enables the cost of sales to be readily available.
   4. requires stock takes at the end of the period.
10. Input taxed services  
    1. require GST to be paid by the provider rather than the purchaser.
    2. are required to be shown separately in the BAS.
    3. are deemed to have had GST applied.
    4. include wages and salaries.
11. Sources of finance for a small proprietary company might include  
    1. bank overdraft, accounts receivable, share capital.
    2. leasing, supplier finance, bank loan.
    3. bank loan, public issue of shares, government grants.
    4. supplier finance, trading profit, accounts receivable.
12. Ethics may be defined as  
    1. a set of regulations laid down by the government.
    2. a code of conduct developed by professional associations.
    3. an informal set of moral principles.
    4. personal standards unconnected with business.
13. Distinguishing characteristics of a company compared to a sole trader would **not** include
14. going concern.
15. number of owners.
16. liability of owners for business debts.
17. means of transfer of ownership.
18. As a business operating in a small country town, which of the following is NOT a way of identifying with the local community
19. providing work experience for local school-children.
20. donating to the town bush-fire brigade.
21. ensuring that all taxes are paid on time.
22. supporting the local soccer team.
23. The Business Activity Statement (BAS) is required to
    1. declare all income and expenses for the reporting period.
    2. declare all GST received and paid to determine any refund applicable.
    3. report to the Australian Taxation Office regarding all income activity.
    4. report periodically, all applicable taxes to the Australian Taxation Office.
24. A source document  
    1. is a request for a customer to pay what is owed.
    2. provides details of a financial transaction.
    3. is used to enter transactions in the ledger.
    4. proves that a business has paid its debts.
25. Which of the following statements is **not** true regarding double entry accounting?  
    1. Credit entries are positive and debit entries are negative.
    2. Every transaction has a two-fold effect.
    3. All debit entries add up to the same figure as all credit entries.
    4. For every debit there is a corresponding credit.
26. A reason that the accounting period assumption is applied in business is so that  
    1. the continuous life of the business can be divided into arbitrary time periods.
    2. the owner’s private transactions are kept separate from business transactions.
    3. the perpetual inventory system can record inventory on a continuous basis.
    4. the stakeholders of the business can be provided with regular financial reports.
27. The bookkeeper incorrectly entered the owner’s private electricity bill of $350 plus $35 GST as ae business transaction. Select the correct double entry below, to fix this error.  
    1. DR electricity, CR bank, CR GST receivable
    2. DR drawings, CR electricity, CR bank
    3. DR drawings, CR electricity, CR GST receivable
    4. DR GST receivable, DR drawings, CR electricity

**End of Section One**

**Section Two: Short answer 70% (96 Marks)**

This section has **three** questions. Answer **all** questions. Write your answers in the space provided.

Show all calculations clearly in the space marked Workings for questions where calculations are applicable. Marks will be awarded principally for the relevant accounting and finance content.

Supplementary pages for planning/continuing your answers to questions are provided at the end of the Question/Answer booklet. If you use these pages to continue an answer, indicate at the original answer where the answer is continued, i.e. give the page number.

Suggested working time for this section is 90 minutes.

**Question 16 (36 Marks)**

Penny Schwartz registered her new business, Schwartz Ceramics, for GST on 5 March 2022.

The following transactions occurred during March 2022:

March 6 Penny deposited $50,000 to commence business.

10 Purchased inventory on credit from Italian Tiles for $5,000, plus GST.

14 Purchased trailer on credit from Trailer Galore for $1,800, plus GST.

19 Paid wages $2,000 and phone costs $650, inc. GST.

28 Cash sale to J Jenkins $1,100 inc. GST. Cost of sales $700

Credit sale to SM Low $1,694 inc. GST. Cost of sales $800

30 Paid Italian Tiles the amount owing, less 2% discount for payment within 21   
days.

31 SM Low returned $275 inc. GST, of ceramic tiles. Cost price $120.

31 Received bank interest $24

**Required:**

Prepare General Journal entries to record the March transactions. Narrations **are** required.

**Workings:**

**General Journal**

**Schwartz Ceramics**

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| **Date** | **Details** | **Debit** | **Credit** |
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**General Journal**

**Schwartz Ceramics**

**General Journal**

**Schwartz Ceramics**

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| **Date** | **Details** | **Debit** | **Credit** |
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**Question 17 (27 Marks)**

1. The following Trial balance has been prepared incorrectly. Rewrite the balances in the correct debit and credit columns. (15 marks)

**Pompol Designs**

**Trial Balance**

**as at 30 June 2022**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **Debit** | **Credit** | **Debit** | **Credit** |
| Stationery | 1,360 |  |  |  |
| Prepaid insurance |  | 3,240 |  |  |
| Investments |  | 40,200 |  |  |
| Superannuation payable |  | 10,000 |  |  |
| Bad debts |  | 220 |  |  |
| Cash at bank | 11,860 |  |  |  |
| Furniture |  | 29,400 |  |  |
| Discount allowed |  | 110 |  |  |
| Utilities | 7,200 |  |  |  |
| Interest on investments | 2,000 |  |  |  |
| Fees | 90,980 |  |  |  |
| GST receivable |  | 11,490 |  |  |
| GST payable | 2,100 |  |  |  |
|  | 115,500 | 94,460 |  |  |

1. Using the above balances, prepare the Profit and Loss ledger account for the period ending 30 June 2022. (8 marks)

**Pompol Designs**

**General Ledger**

**Profit & Loss Summary**

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1. Define the goods and services tax (GST) and then distinguish between input-taxed supplies and GST-free supplies, giving an example of each. (4 marks)

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**Question 18 (33 Marks)**

Morteous Florists prepared the following Trial Balance:

**Morteous Florists**

**Trial Balance**

**as at 30 June, 2022**

|  |  |  |
| --- | --- | --- |
| **Ledger Accounts** | **Debit** | **Credit** |
| Fixed Term Deposit (maturing 1 October 2022) | 10,000 |  |
| Discount Received |  | 1,120 |
| Bank Charges | 400 |  |
| Promotion Costs | 16,800 |  |
| Accounts Payable |  | 36,460 |
| Accounts Receivable | 20,900 |  |
| Drawings | 37,200 |  |
| Sales Returns | 6,800 |  |
| Cost of Sales | 224,000 |  |
| Interest on Loan | 2,400 |  |
| Loan – XYZ Bank (due February 2024) |  | 50,000 |
| Interest Income |  | 600 |
| Capital |  | 160,000 |
| Office wages | 165,000 |  |
| Rent | 140,000 |  |
| Sales |  | 500,000 |
| Insurance | 4,600 |  |
| Bank | 36,080 |  |
| Inventory | 84,000 |  |
|  | **748,180** | **748,180** |

(a) Prepare a classified income statement for the year ended 30 June, 2022. (14 marks)

**Morteous Florists**

**Income Statement**

**for the year ended 30 June, 2022**

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1. Prepare a classified Balance Sheet as at 30 June, 2022. (13 marks)

**Morteous Florists**

**Balance Sheet**

**as at 30 June, 2022**

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1. The bank account of Morteous Florists has an overdraft facility attached to the account.   
   Define the term “overdraft” and explain one advantage and one disadvantage of this source of finance for the owner of the business. (3 marks)

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1. Explain the purpose of the Balance Sheet. (3 marks)

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**End of Section Two**

**Section Three: Extended answer 15% (30 Marks)**

This section contains **two** questions. You must answer **one** question, question 19 **or** 20. Write your answer in the space provided.

If you use a page for planning, indicate this clearly at the top of the page.

Suggested working time for this section is 35 minutes.

**Question 19 (30 Marks)**

*Wagtail Pharmaceuticals Pty Ltd* has successfully produced a new COVID19 vaccine called Multistrain Plus which provides protection against all forms of future COVID variants. It has sourced a state government grant and a long-term loan from XYZ Bank to assist with production. The company also struck a sponsorship deal with the state government to advertise the benefits of the vaccine to the community as a cooperative initiative between the company and the state government.

1. Describe the **two** sources of finance gained by the company. (4 marks)
2. Explain **two** risk factors considered by XYZ Bank in granting the company the long-term loan. (6 marks)
3. Describe **one** advantage and **two** disadvantages of a small proprietary company for the shareholders. (6 marks)
4. Explain **one** cost and **one** benefit of the sponsorship arrangement between Wagtail Pharmaceuticals and the state government. (6 marks)
5. Distinguish between a service and a manufacturing business. Which type of business is Wagtail Pharmaceuticals Pty Ltd*?* Justify your answer. (4 marks)

1. Wagtail Pharmaceuticals Pty Ltd is keenly aware of the high demand for the vaccine will have on the community, and it has put in place control measures to avoid supply shortages. Describe **two** limitations of internal control that could still disrupt supply. (4 marks)

**OR**

**Question 20 (30 Marks)**

Oscar and Peterson own and operate OP Native Nursery. They have been in business for 12 years and are ready to expand their business by introducing two new partners who are keen to invest. The business currently sells water wise Australian native plants, but new partners want to extend the range to include water intensive tropical plants.

1. Explain ‘continuity of existence’. Describe **two** possible effects of introducing new partners to the continuity of the partnership. (7 marks)
2. Describe **three** benefits of a partnership form of business. (6 marks)
3. Explain if introducing tropical plants for sale will affect resource conservation for the business and whether it would be an environmentally friendly initiative for customers in a hot dry climate. (3 marks)
4. Describe **three** distinguishing characteristics between the periodic inventory system and the perpetual inventory system. (6 marks)
5. Explain what is meant by Corporate Social Responsibility (CSR) and give two examples of how OP Native Nursery could demonstrate CSR. (4 marks)
6. Contrast the distribution of profits between a partnership form of business and a proprietary limited company such as OP Native Nursery. (4 marks)

ANSWER SECTION THREE IN THE EXTRA BOOKLET.

**End of section three**