**Student Name:**

**PES**

**2019 ACCOUNTING UNIT 3**

## Outcome 1 – Set 1

## RECORDING AND ANALYSING FINANCIAL DATA

**QUESTION BOOK**

**Structure of book**

|  |  |  |
| --- | --- | --- |
| *Number of*  *Questions* | *Number of questions*  *to be answered* | *Number of*  *marks* |
| 5 | 5 | 60 |

* Students are permitted to bring into the SAC room: pens, pencils, highlighters, erasers, sharpeners, rulers and one scientific calculator.
* Students are NOT permitted to bring into the SAC room: blank sheets of paper and/or white out liquid/tape.

**Materials supplied**

* Question Book of 7 pages.
* Answer Book of 10 pages.

**Instructions**

* Write your name and your teacher’s name in the space provided on the front page of both this Question Book and the Answer Book.
* Answer all questions in the Answer Book.

**At the end of the task**

* Place this Question Book on top of the Answer Book and wait for both to be collected.

**Students are not permitted to bring mobile phones and/or any other unauthorised electronic devices into the SAC room.**

**Question 1 (27 marks)**

Bridgette Bradhurst owns and operates Aussie Tourist, a small business, which sells luggage. The business uses the perpetual method of inventory recording and the identified cost assignment method. Credit terms for customers are 5/7, n30. Bridgette has a 12-month reporting period ending 30 June each year.

The business sells a number of different luggage items and the details of one item - the Lite Air Travel Bag that sells for $165 including GST - is shown below:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Inventory Item:** Lite Air Travel Bag **Supplier:** Sampsonite  **Location:** Keysborough **Cost Assignment Method:** Identified Cost | | | | | | | | | | |
| **Date**  **2019** | **Details** | **IN** | | | **OUT** | | | **BALANCE** | | |
| **Qty** | **Cost** | **Total** | **Qty** | **Cost** | **Total** | **Qty** | **Cost** | **Total** |
| June 1 | Balance |  |  |  |  |  |  | 10 | 70 | 700 |

During the month of June 2019 the following transactions relating to this inventory item occurred:

|  |  |  |  |
| --- | --- | --- | --- |
| Image result for luggage  **Sampsonite**  Date: 14/06/2019 Invoice: B19 | | | |
| **Charge to:** Aussie Tourist | | | |
| **Item** | **Qty** | **Unit Cost** | **$** |
| Lite Air Travel Bags 30 60 1 800  GST (10%) 180  Total **$**1 980 | | | |

|  |
| --- |
| **EZY Bank**  **Date** 14/06/2019  **To** Speedy Couriers  **For** Delivery of Lite Air Travel Bags    **Amount** $165 (including GST)  **A/C Name** Aussie Tourist  **CHQ No.** 618 |

Sold 13 Lite Air Travel Bags on credit to a new customer Travel Bags Ltd (invoice 67 on 20 June 2019). Bridgette had purchased this particular inventory on the 14 June.

1. Record the transactions for June into the Inventory card provided.

3 marks

1. Justify your treatment of Cheque 618.

2 marks

On 21 June 2019 Travel Bags Ltd returned 1 Lite Air Travel Bag due to a faulty zipper and was issued with Credit Note D54.

1. Record the transaction for 21 June in the General Journal.

Narrationsare **not** required.

4 marks

On 25 June 2019, after closer inspection, Bridgette found that 4 other Lite Air Travel Bags from this purchase also had faulty zippers so she returned these 5 inventory items to Sampsonite for a full credit – Credit Note CN23.

1. Update the Inventory card to reflect the transactions from 21 and 25th June.

2 marks

The accountant has suggested to Bridgette that she adopt the FIFO method of cost assignment, as it is an easier method of cost allocation.

1. Explain the impact of using the FIFO method of cost assignment on Net Profit and Inventory rather than the Identified Cost method for the Air Lite Travel Bags.

3 marks

On 26 June 2019 Travel Bags Ltd paid their account in full via direct debit to the business bank account.

1. Record this transaction in the General Journal.

A narration **is** required

4 marks

1. Show how the Accounts Receivable Account for Travel Bags would appear in the General Ledger of Aussie Tourist

3 marks

At 30 June 2019 Bridgette conducted a physical inventory count and determined that she had 9 @ $70 and 13 @ $65 Lite Air Travel Bags on hand.

1. Prepare the General Journal entry required on 30 June 2019 to update the Inventory account.

A narration **is not** required

2 marks

Bridgette has a business policy of accepting all returns from customers regardless of their reason.

1. Discuss the appropriateness of Bridgette accepting all returns from customers.

4 marks

**Question 2 (6 marks)**

The owner of the business is concerned that the business is frequently in bank overdraft. All purchases and sales of inventory are on credit with credit terms 2/7,n30 for Accounts Payable and 4/10,n30 for Accounts Receivable.

Using the data provided explain to the owner why they are frequently overdrawn and justify two strategies that the owner could implement that will overcome this problem.

**Question 3 (15 marks)**

Garry Player established Top Shot a small business specialising in selling elite golf clubs on 1 January 2019 with the following transactions:

|  |  |
| --- | --- |
| Bank of Karingal Your local bank  Funds transfer report:  Top Shot (A/c: 332 001 454) | |
| From | Garry Player |
| Bank name | JPC Bank (Aus.) |
| Date of deposit | 1 / 1 / 2019 |
| Amount | $35 000 |
| Payee reference | 001 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Titlest Golf Equipment**  22 Grace St, Essendon VIC 3041  ABN: 11 049 411 049 | | | |
| Top Shot  15 Edgar Street, Essendon, 3041  ABN: 22 654 885 001 | | **Tax invoice 107**  1 January 2019  Terms: n30 | |
| **Item** | **Quantity** | **Unit Price** | **Total** |
| Ping Irons | 10 | 110 | 1 110.00 |
| Callaway Drivers | 6 | 400 | 2 400.00 |
| GST (10%) |  |  | 351.00 |
| **Total** | | | **3 861.00** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **TLA Suppliers**  32 Dinah Parade, Keilor East VIC 3033  ABN: 63 552 412 100 | | | | |
| Top Shot  ABN: 22 654 885 001 | | | **Tax invoice (Rec. 135)**  1 January 2019 | |
| **Items** | **Quantity** | **Unit Price** | | **Total** |
| Display Fittings | 4 | 200 | | 800 |
| Plus GST (10%) | | | | 80 |
| Total | | | | **$880** |
| Amount paid | | | | $880 |
| Balance owing | | | | nil |

In addition Garry negotiated a $10 000 bank overdraft for the business and contributed his personal computer valued at $750 that he paid $1 650 including GST in June 2018.

Garry also paid $1 200 plus GST for advertising of the new business on 1 January 2019 using cheque 78 and purchased Equipment for $11 880 including GST using cheque 79.

1. Prepare the General Journal entry required to establish the double entry accounting system for Top Shot as at 1 January 2019.

A narration is **not** required

8 marks

1. Explain how the use of source documents in the accounting system assists in internal control.

2 marks

1. With reference to appropriate qualitative characteristics, discuss the valuation used to record the personal computer contributed by the owner.

5 marks

**Question 4 (5 marks)**

Xi Ping Trading is a small business selling a variety of discount household items, gifts and souvenirs. My Tran, the owner, has always been environmentally conscious but has recently announced that she will no longer provide single-use plastic bags as packaging for customers.

While she is encouraging customers to bring their own bags she recognises that new customers will not know of this policy and some regular customers will take some time to adjust.

She is considering selling re-usable plastic bags for $2 each (plus GST) and cloth bags for $5 each (plus GST). One of her employees has suggested that customers will not like this strategy as they may see it as a means of increasing revenue and it may cost her customers in the long-run.

Discuss the ethical issues in the owner’s proposal.

**Question 5 (7 marks)**

Peak Fitness prepared the following Pre-Adjusted Trial Balance as at 30 June 2019.

|  |  |  |
| --- | --- | --- |
| **Account** | **$** | **$** |
| Bank | 1 400 |  |
| Buying Expenses | 800 |  |
| Capital – B. Bromidis |  | 48 420 |
| Cost of Sales | 23 200 |  |
| Accounts Payable |  | 15 100 |
| Accounts Receivable | 17 000 |  |
| Discount Expense | 310 |  |
| Discount Revenue |  | 290 |
| Drawings | 1 100 |  |
| GST Clearing |  | 720 |
| Inventory | 28 900 |  |
| Sales |  | 33 900 |
| Sales Returns | 450 |  |
| Shop Fittings | 30 000 |  |
| Wages | 2 350 |  |
|  |  |  |

**Additional Information**

An error in recording was found after the preparation of the Trial Balance. An invoice for Buying Expenses for $220 (including GST) had been incorrectly recorded as Drawings.

A physical count of inventory showed Inventory on Hand of $29 500

1. Record the additional information in the General Journal of Peak Fitness. 4 marks
2. Describe the importance of the preparation of the Trial Balance in the accounting system

3 marks

**END OF QUESTION BOOKLET**