**Task 1 for submission**

*Parts A and B address* ***Unit Objective 1 - Comprehend accounting concepts, principles and processes relating to accounting and end-of-month reporting for a service business.*** *The cognitive verbs,* ***describe*** *and* ***explain*** *are components of* ***comprehend*** *ie to show your comprehension of a concept, principle or process, you must describe or explain the concept, principle or process.*

**Part A**

In 50 – 75 word paragraphs, **describe** the following accounting concepts:

1. Unlimited liability – under the sole trading and partnership forms of ownership, the owner and the business are not considered to be separate legal entities from the business. They may therefore be personally liable for all debts of the business if they cannot be repaid.
2. Legal entity – A legal entity is an entity (EG: A Company) that has its own legal capacity, rights and obligations. The entity is usually formed by a number of people and is considered legally separate to the individuals. This means that they are a separate entity to the individuals, meaning they will not be personally liable for the debts of the business if they cannot be repaid.

**Part B**

In 50 – 75 word paragraphs, **explain:**

1. the ownership structure of a sole trader

A sole trader is a one person business where the one owner supplies most of the funds to commence the business, runs the business, is responsible for its debts and takes all the profit and bears all the losses. The structure of a sole trader means the business is not considered a separate legal entity to the business and has unlimited liability, meaning the owner maybe be liable for the debt of the business if they are unable to be repaid.

1. the ownership structure of a company

Companies can be formed with only one owner, but are usually formed by a number of owners or shareholders who are regarded as a separate legal entity from the company. The owners therefore have limited liability, meaning they are not liable for the debts of the company (the company is responsible for its own debts). Companies are governed by the Corporations Act 2001 and can be either private or public companies.

Private companies are usually family concerns and have Pty Ltd after their name. Public companies invite ownership for the general public (shareholders) and are required to have Ltd after their name. Being separate legal entities, companies pay their tax at the company tax rate.

1. the interrelationship between assets, liabilities and owner’s equity in the accounting equation

The accounting equation is A = L + OE and can be rearranged to OE = A – L or L = A -OE. The equation shows the relationship between the sources of funds for a business (L & OE) and the uses of funds (A). The relationship between A, L & OE is always an equality, so no matter what transaction takes place, the accounting equation will always remain in balance.

*Part C addresses* ***Unit Objective 3 – analyse and interpret financial data and information relating to accounting and end-of-month reporting for a service business.***

**Part C**

**Analyse** and **interpret** the financial reports for *Flight Centre Travel Group Ltd* and *Artiste Perfection* (provided in PPT 2). Select the correct responses to the following questions.

1. *Flight Centre Group Ltd* is a
2. Non-profit organisation
3. Partnership
4. Public Company
5. Private Company
6. *Flight Centre’s* Statement of Profit or Loss has a number of differences compared to a sole trader’s Statement of Profit or Loss. Which account would not appear in a sole trader’s Statement of Profit or Loss?
7. Basic earnings per share
8. Finance expenses
9. Wages
10. Freight expenses
11. Which account would not appear in a sole trader’s Statement of Profit or Loss?
12. Service revenue
13. Income tax expenses
14. Supplies expenses
15. Council rates
16. Flight Centre’s Balance Sheet (Statement of Financial Position) has a number of differences compared to a sole trader’s Statement of Financial Position. Which account would not appear in a sole trader’s Statement of Financial Position?
17. Inventories
18. Property
19. Goodwill
20. Retained profits
21. Which account would not appear in a sole trader’s Statement of Financial Position?
22. Plant and equipment
23. Intangible assets
24. Reserves
25. Drawings