**Unit 1**

***Assessment Task One***

|  |  |  |  |
| --- | --- | --- | --- |
| **Student Name:** | **Solutions** | **CG:** |  |

**Time allowed:** 1 hour

**Material required/recommended for this assessment**

To be provided by the supervisor

This Question/Answer Booklet

To be provided by the candidate

*Standard Items:* Pens, pencils, eraser or correction fluid, ruler

*Special Items:* Non-programmable calculators satisfying the conditions set by the School

Curriculum and Standards Authority for this course

**Marking Key**

|  |  |  |
| --- | --- | --- |
| Question | **Marks Allocated** | **Marks**  **Gained** |
| **Multiple Choice** | 5 |  |
| **6** | 6 |  |
| **7** | 7 |  |
| **8** | 7 |  |
| **9** | 30 |  |
| **Total** | **55** |  |

**Multiple Choice**

Each question has only one correct response. Signify your answer by circling the label (**a**, **b**, **c** or **d**) of the correct response. If you change your answer, completely erase your original answer. Questions where two or more responses are selected will score no marks.

Circle the letter of the best answer in the following multiple choice questions

1. A Balance Sheet is a report that shows:

1. the profit/loss in detail for a period of time
2. the amount of money that a business owes its creditors
3. **A = L + EQ**
4. None of the above

2. The investment in a company is best referred to as:

1. equity
2. **shares**
3. assets
4. all of the above

3. Which of the following business names may not be accepted for registration?

1. Johnson and Sons
2. Clippers Hair Dressers
3. Bert’s Corner Store
4. **Crown Jewellery Company**

4. A contract between an individual and their creditors to pay a lump sum less than the full amount owing is:

**(a) a debt agreement.**

(b) a personal insolvency agreement.

(c) voluntary bankruptcy

(d) a declaration of intention to present a debtor’s petition

5. Which of the following is a current asset?

1. Vehicle used for delivery
2. Furniture and equipment
3. Cash used for owner’s private affairs
4. **Inventory**

**( /5 marks)**

**Question Six**

Given the following transactions state the effect on each part of the accounting equation. Use the following symbols to show movement.

Increase Decrease No Change

Example:

Purchased Inventory on credit **A L EQ**

(a) Owner contributed home Computer to the business **A↑ L - EQ ↑**

(b) Received payment from a Debtor **A - L - EQ -**

(c) Purchased Office Equipment on credit **A↑ L ↑ EQ -**

(d) Purchase Stationery Stock on credit **A↑ L ↑ EQ -**

(e) Owner withdrew Equipment for personal use **A↓ L - EQ ↓**

(f) Paid back Loan in full **A ↓ L ↓ EQ -**

**( /6 marks)**

**Question Seven**

Christopher owns a Pet Shop called Christopher’s Pets. He has built a very successful business over a five year period. Christopher diligently completes his financial statements every two months. The balance sheets of Christopher’s Pets indicate that all non-current assets have correctly been recorded at their purchase price. Christopher conducts many business transactions with businesses in Singapore to purchase cheaper pet food. He always remembers to record these transactions in Australian currency in his records. At the end of a busy week, Christopher usually takes money from the week’s income to pay for some of his home bills, which he has not had time to attend to. Christopher records this by debiting his Drawings account and crediting the business Cash at Bank account.

**Required**

Identify **three** accounting assumptions which have been applied in the description of Christopher’s Pets. Use examples from the information above to describe how **two** of these assumptions have been applied by Christopher’s Pets.

**Students should have identified and described the following assumptions and provided a specific example from the information provided:**

**Accounting Period (1)**

**The life of a business is broken into regular time periods to calculate profit as accurately as possible. (1) Christopher applies this assumption as he completes financial reports every two months. (1)**

**Monetary Assumption (1)**

**All transaction are recorded in a common monetary unit. (1) Christopher applies this assumption as he records details of his importing activities in Australian dollars. (1)**

**Accounting Entity (1)**

**The business is regarded as a separate body from the owner and the business. records must be kept separate from the owner. (1) Christopher applies this assumption as he records cash for his home bills as drawings in the business books. (1)**

**Or**

**Historical Cost Principle (1)**

**Assets are recorded at their acquisition cost.(1) Christopher records all his non-current assets at their purchase price (1)**

**3 marks allocated to three named assumptions and 2 marks each to two assumptions described**

**Question Eight**

Stephanie is about to open a cake business but is confused about accounting and legal entity. Explain to her the difference and recommend the type of business ownership structure she should use to commence business, which will help with her liability.

**Stephanie will need to be made aware that from an accounting point of view all business structures are considered to have separate accounting entity. (1) That is business records are kept separate from the personal records of the owner. (1)**

**This is different for most structures with regards to legal entity where the law sees the owner and business as one (1) thus in the event of bankruptcy personal assets can be used to pay outstanding debts. (1)**

**The only exception is a Company structure where there is separate legal entity(1) and therefore Stephanie will be protected in the event a company has debt as her personal assets cannot be used (1) therefore we would advise her to form a Proprietory Company. (1)**

**( /7 marks)**

**Question Nine**

Bob Basketcase owns a sport store called NBL Traders. The following information has been provided to you as at 31 March 2020.

Cash at Bank $32 000 Shop Equipment $67 000

Inventory $55 670

Debtors: Creditors:

NBA Suppliers $10 500 Perth Wildcats $ 13 420

Nike Wholesalers $24 370 Melbourne United $ 6 310

Loan – Westpac (due Jan 2024) $27 000

Mortgage on Premises $60 000

Premises $123 000 Office Supplies $ 2 460

Other transactions followed:

April 2 Bob provided additional cash for business expansion $35 000.

1. Received payment from Nike Wholesalers in full.
2. Purchased Office Supplies $3 500.
3. Sold inventory on credit to Brisbane Bullets $12 250.

10 Paid $10 220 to the Perth Wildcats.

12 Paid Coles for family food $350 with personal credit card.

1. Purchased Computer from JB HiFi for $3 750, repayable in 3 years.
2. Bob withdrew inventory for own use $1 575.

***Required:***

1 Prepare an analysis chart (attached) for all business transactions ending 20 April 2020.

( /14 marks)

2 Prepare a *fully classified* Balance Sheet as at 20 April 2020.

( /16 marks)

**Transaction Analysis Chart for NBL Traders**

**Opening Capital Eq=A - L**

**208 270 =315 000 – 106 730**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Transaction** | **Accounts**  **Effected** | **Asset, Liability or**  **Equity** | **Increase (↑)**  **or**  **Decrease (↓)** | **Change in Balance Sheet Items/Accounts** |
| **April 2** | **Additional cash contributed by owner** | **Bank**  **Equity** | **CA**  **Eq** | **🡩35 000**  **🡩35 000** | **Bank 67 000✓**  **Capital 243 270✓** |
| **6** | **Received payment in full from**  **Nike Wholesalers** | **Debtor – Nike**  **Bank** | **CL**  **CA** | **🡩24 370**  **🡫24 370** | **Debtor – Nike 0✓**  **Bank 91 370✓** |
| **7** | **Purchased Office Supplies** | **Office Supplies**  **Bank** | **CA**  **CA** | **🡩3 500**  **🡫3 500** | **Office Supplies 5 960✓**  **Bank 87 870✓** |
| **8** | **Sold Inventory on credit to Brisbane Bullets** | **Debtor – Brisbane Bullet**  **Inventory** | **CA**  **CA** | **🡩12 250**  **🡫12 250** | **Debtor – Brisbane**  **Bullets 12 250✓**  **Inventory 43 420✓** |
| **10** | **Paid Perth Wildcats** | **Bank**  **Debtor – Perth Wildcats** | **CA**  **CA** | **🡫10 220**  **🡫10 220** | **Bank 77 650✓**  **Debtor – Wildcats 3 200✓** |
| **14** | **Purchased computer on credit from JB HiFi** | **Computer**  **Loan – JB HiFI** | **NCA**  **NCL** | **🡩3750**  **🡩3750** | **Computer 3 750✓**  **Loan – JB HiFi 3 750✓** |
| **19** | **Owner withdrew Inventory** | **Capital**  **Inventory** | **Eq**  **CA** | **🡫1 575**  **🡫1 575** | **Capital 241 695✓**  **Inventory 41 845✓** |
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**NBL Traders**

**Balance Sheet**

**As at 20 April 2020**

|  |  |  |  |
| --- | --- | --- | --- |
| **Current Assets** | **$** | **Current Liabilities** | **$** |
| Bank | 77 650**✓** | **Creditors:** |  |
| Inventory | 41 845**✓** | Perth Wildcats | 3 200**✓** |
| **Debtors:** |  | Melbourne United | 6 310**✓** |
| NBA Suppliers | 10 500**✓** |  |  |
| Brisbane Bullets | 12 250**✓** |  |  |
| Office Supplies | 5 960**✓** |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| **Non Current Assets** |  | **Non Current Liabilities** |  |
| Shop Equipment | 67 000**✓** | Loan - Westpac | 27 000**✓** |
| Premises | 123 000**✓** | Mortgage on Premises | 60 000**✓** |
| Computer | 3 750**✓** | Loan – JB HiFi | 3 750**✓** |
|  |  |  |  |
|  |  | **Equity** |  |
|  |  | Capital | 241 695**✓** |
|  |  |  |  |
| **Total Assets** | **340 955✓** | **Total Equities** | **340 955✓** |
|  |  |  |  |