**Section Three**

***Assessment Task Five***

|  |  |  |  |
| --- | --- | --- | --- |
| **Student Name:** | **Solution** | **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** | 45 |  |
| **7** | 10 |  |
| **Total** | **60** |  |

**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.

1. If a business is not registered for GST,
   1. it will not have an ABN number.
   2. customers will not deal with it.
   3. **it cannot claim GST credits.**
   4. it will not be able to trade legally.
2. The perpetual inventory method requires that inventory is
   1. counted in a stocktake before profit is determined.
   2. put on the shelves according to the date it was purchased.
   3. sold at a price greater than which it was purchased.
   4. **recorded at both cost price and selling price when sold.**
3. Which of the following items are exempt from the GST:
   1. Mobile phone expenses
   2. Advertising
   3. **Bank fees**
   4. Insurance

4. The general journal entry to record payment of a creditor is:

**(a) debit Creditor and credit Bank.**

(b) debit Creditor, GST credits and credit bank.

(c) debit Bank and credit Creditor.

(d) debit Bank and credit, Creditor and GST Credits.

5. Which of the following GST characteristics apply to the purchase of fresh food:

(a) ‘furthering an enterprise’.

(b) involves consideration.

(c) is exempt from GST.

**(d) All of the above.**

**( /5 marks)**

**Question Six**

Cameron registered her new business, **Classy Enterprises**, for GST on 5 January 2021.

The following transactions occurred during **January 2021**.

|  |  |
| --- | --- |
| Jan 6 | Cameron deposited $50,000 from his personal bank account into the business bank account to start the business. |
|  |  |
| Jan 10 | Purchased inventory on credit from Bence Traders for $5,000, plus GST. |
| Jan 14 | Purchased computer equipment on credit from Max’s Computer World for $1,800, plus GST. |
| Jan 19 | Returned damaged inventory to Bence Traders $1,000 plus GST. |
| Jan 20 | Sold inventory as follows:  Cash sale to Daniel $1,100 including GST. Cost of sales $700.  Credit sale to Brannan $1,500 plus GST. Cost of sales $800. |
| Jan 25  Jan 30 | Paid Bence Traders the amount owing, less 2% discount for payment within 21 days.  Received payment of $1,595 from Brannan in full settlement of amount owing.  **\*Note: All discounts need a GST write-back.** |

**Required:**

1. Prepare General Journal entries for transactions on these dates only:

**January 20**

**Classy Enterprises**

**General Journal**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Ledger Accounts | F | Debit | Credit |
| Jan 20 | Bank  Sales  GST Payable  Sold inventory for cash | CA/CL1  I2  CL2 | 1 100**✓** | 1 000**✓**  100**✓** |
| 20 | Cost of Sales  Inventory  Cost price of inventory sold | E1  CA2 | 700**✓** | 700**✓** |
| 20 | Debtor – Brannan  Sales  GST Payable  Sold inventory on credit | CA3  I2  CL1 | 1 650**✓** | 1 500**✓**  150**✓** |
| 20 | Cost of Sales  Inventory  Cost price of inventory sold | E1  CA2 | 800 | 800  **✓** |

**✓ 1 Mark**

**-1 for omission of narration/folio/dates up to 4 marks**

**( /9 marks)**

(b) Complete all of the necessary ledger accounts.

**Cameron Enterprises**

**General Ledger**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **F** | **Amount** | **Date** | **Particulars** | | **F** | **Amount** |
| **Capital** | | | | | | | | |
|  |  |  |  | **Jan 6** | **Bank** | |  | **50 000½** |
|  |  |  |  |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
| **Bank** | | | | | | | | |
| **Jan 6** | **Capital** |  | **50 000½** | **Jan 25** | | **Creditor - Bence Traders** |  | **4 312✓** |
| **20** | **Sales** |  | **1 000½** | **31** | | **Balance c/d** |  | **48 383** |
| **20** | **GST Payable** |  | **100½** |  | |  |  |  |
| **30** | **Debtor – Brannan** |  | **1 595✓** |  | |  |  |  |
|  |  |  | **52 695** |  | |  |  | **52 695** |
| **Feb 1** | **Balance b/d** |  | **48 383** |  | |  |  |  |
| **Inventory** | | | | | | | | |
| **Jan 10** | **Creditor - Bence Traders** |  | **5 000✓** | **Jan 19** | **Creditor - Bence Traders** | |  | **1 000✓** |
|  |  |  |  | **20** | **Cost of Sales** | |  | **700½** |
|  |  |  |  | **20** | **Cost of Sales** | |  | **800½** |
|  |  |  |  | **31** | **Balance c/d** | |  | **2 500** |
|  |  |  | **5 000** |  |  | |  | **5 000** |
| **Feb 1** | **Balance b/d** |  | **2 500** |  |  | |  |  |
| **Creditor - Bence Traders** | | | | | | | | |
| **Jan 19** | **Inventory** |  | **1 000✓** | **Jan 10** | **Inventory** | |  | **5 000✓** |
| **19** | **GST Credits** |  | **100½** | **10** | **GST Credits** | |  | **500½** |
| **25** | **Bank** |  | **4 312✓** |  |  | |  |  |
| **25** | **Discount Received** |  | **88✓** |  |  | |  |  |
|  |  |  | **5 500** |  |  | |  | **5 500** |
| **GST Credits** | | | | | | | | |
| **Jan 10** | **Creditor - Bence Traders** |  | **500½** | **Jan 19** | **Creditor - Bence Traders** | |  | **100½** |
| **14** | **Max’s Computer World** |  | **180½** | **25** | **Discount Received** | |  | **8✓** |
|  |  |  |  | **31** | **Balance c/d** | |  | **572** |
|  |  |  | **5 180** |  |  | |  | **5 180** |
| **Feb 1** | **Balance b/d** |  | **572** |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
| **Creditor- Max’s Computer World** | | | | | | | | |
|  |  |  |  | **Jan 10** | **Computer Equipment** | |  | **1 800½** |
| **Jan 31** | **Balance c/d** |  | **1 980** | **10** | **GST Credits** | |  | **180½** |
|  |  |  | **1 980** |  |  | |  | **1 980** |
|  |  |  |  | **Feb 1** | **Balance b/d** | |  | **1 980** |
|  |  |  |  |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
| **Debtor- Brannan** | | | | | | | | |
| **Jan 20** | **Sales** |  | **1 500½** | **Jan 30** | **Bank** | |  | **1 595✓** |
| **20** | **GST Payable** |  | **150½** |  | **Discount Allowed** | |  | **55✓** |
|  |  |  | **1 650** |  |  | |  | **1 650** |
|  |  |  |  |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
| **Cost of Sales** | | | | | | | | |
| **Jan 20** | **Inventory** |  | **700½** |  |  | |  |  |
| **20** | **Inventory** |  | **800½** | **Jan 31** | **Balance c/d** | |  | **1 500** |
|  |  |  | **1 500** |  |  | |  | **1 500** |
| **Feb 1** | **Balance b/d** |  | **1 500** |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
| **Discount Allowed** | | | | | | | | |
| **Jan 20** | **Debtor - Brannan** |  | **55✓** | **Jan 20** | **GST Payable** | |  | **5✓** |
|  |  |  |  | **31** | **Balance c/d** | |  | **50** |
|  |  |  | **55** |  |  | |  | **55** |
| **Feb 1** | **Balance b/d** |  | **50** |  |  | |  |  |
| **Discount Received** | | | | | | | | |
| **Jan 25** | **GST Credits** |  | **8✓** | **Jan 25** | **Creditor - Bence Traders** | |  | **88✓** |
| **31** | **Balance c/d** |  | **80** |  |  | |  |  |
|  |  |  | **88** |  |  | |  | **88** |
|  |  |  |  | **Feb 1** | **Balance b/d** | |  | **80** |
|  |  |  |  |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
| **GST Payable** | | | | | | | | |
| **Jan 31** | **Discount Allowed** |  | **5✓** | **Jan 31** | **Bank** | |  | **100½** |
| **31** | **Balance c/d** |  | **245** | **31** | **Debtor - Brannan** | |  | **150½** |
|  |  |  | **250** |  |  | |  | **250** |
|  |  |  |  | **Feb 1** | **Balance b/d** | |  | **245** |
|  |  |  |  |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
| **Computer Equipment** | | | | | | | | |
| **Jan 14** | **Creditor – Max’s Computer World** |  | **1 800½** |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
|  |  |  |  |  |  | |  |  |
| **Sales** | | | | | | | | |
|  |  |  |  | **Jan 20** | **Bank** | |  | **1 000½** |
| **Jan 31** | **Balance c/d** |  | **2 500** |  | **Debtor - Brannan** | |  | **1 500½** |
|  |  |  | **2 500** |  |  | |  | **2 500** |
|  |  |  |  | **Feb 1** | **Balance b/d** | |  | **2 500** |

**✓ 1 Mark**

**-1 for poor balancing of accounts (up to 2 marks)**

**-1 for dates (up to 2 marks)** **( /27 marks)**

(c) Complete the Trial Balance below:

**Cameron Enterprises**

**Trial Balance**

**As at 31 January 2021**

|  |  |  |  |
| --- | --- | --- | --- |
| **Ledger Account** | **F** | **Debit** | **Credit** |
| Capital | EQ1 |  | **50 000** |
| Bank | CA/CL1 | **48 383** |  |
| Inventory | CA2 | **2 500** |  |
| Creditor – Bence Traders | CL1 | **0** | **0** |
| GST Credits | CA3 | **572** |  |
| Creditor – Max’s Computer World | CL2 |  | **1 980** |
| Debtor - Brannan | CA4 | **0** | **0** |
| Cost of Sales | E1 | **1 500** |  |
| Discount Allowed | E2 | **50** |  |
| Discount Received | I1 |  | **80** |
| GST Payable | CL3 |  | **245** |
| Computer Equipment | NCA1 | **1 800** |  |
| Sales | I2 |  | **2 500** |
| **Totals** |  | **54 805** | **54 805** |

**-1 for each omission of entry**

**-1 omission of totals**

**( /4 marks)**

**Question Seven**

Mitchell the owner of “Big Bang” Enterprises has introduced the GST system to his bookkeeping as required. He has admitted he really doesn’t know a lot of the terms used. Identify and explain the following terms he really should know:

* GST
* GST Registration and ABN
* GST input tax credit
* GST free supplies
* Reporting GST

**Mitchell should be aware of the Goods and Services Tax being a charge of 10%✓ added to the price of most products sold in Australia. ✓**

**A business that has annual sales of $75 000 or more must register with the Australian Taxation Office to collect GST✓ and must also apply for an Australian Business Number (ABN). ✓**

**Big Bang Enterprises is able to claim back any GST paid in the course of operating its business and this known as a GST input tax credit. ✓**

**GST free supplies are products that have been specifically exempted from**

**GST ✓and include fresh food, medical services, education, child care services and exports. ✓✓**

**Big Bang Enterprises will have to send to the ATO, a statement setting out the GST payable and the GST input tax credits✓ known as a business activity statement (BAS). ✓**

**( /10 marks)**

**END OF ASSESSMENT**