

ACCOUNTING

ACC315116

Pages: 24

Questions: 10

Answer Booklets: 4

Formula Sheet: 1

Preparation time for this exam: 15 minutes

Suggested working time: 3 hours

Instructions:

- There are **four (4)** sections to this exam paper:
 - **Section A** – answer **both** questions
 - **Section B** – answer **all** questions
 - **Section C** – answer **both** questions
 - **Section D** – answer **all** questions.
- Answer **all** items within each question.
- Answer each section in the corresponding **Answer Booklet**.
- It is recommended that you use a **calculator**.
- The exam is **three (3) hours** in length. The suggested working time is provided in the instructions for each section.
- The Accounting Formula Sheet can be used throughout this exam.
- All answers must be written in **English**.
- You **must** make sure your answers address the listed criteria.

Guide to Exam Structure

		Questions available	Questions to answer	Suggested working time	Marks available
Section	A	2	2	35 minutes	35 marks and A+ to z rating
Section	B	3	3	40 minutes	40 marks
Section	C	2	2	65 minutes	65 marks
Section	D	3	3	40 minutes	40 marks and A+ to z rating
Totals		10	10	180 minutes (3 hours)	180 marks and A+ to z rating

Criteria

You **must** make sure your answers address:

- Criterion 1 describe accounting and financial terms, concepts and principles
- Criterion 2 apply double-entry accounting terms, concepts and processes to record and control financial information
- Criterion 3 apply accrual accounting terms, concepts and processes to select and organise data to prepare financial reports
- Criterion 4 apply financial concepts and processes to prepare and assess financial information and make business decisions
- Criterion 6 communicate financial ideas and information.

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Section A

- Answer **both** questions in the supplied **Section A** answer booklet.
 - This section is worth **35 marks** and it is suggested that you spend **approximately 35 minutes** on this section.
 - This section assesses **Criterion 1** and **Criterion 6**.
-

Question 1

a) Answer **all** the following items:

- Explain the role of source documents in the accounting process. Provide **two (2)** examples.
- What is a chart of accounts? Describe its function and purpose.
- Define a non-current asset. Provide **two (2)** examples.
- Identify **three (3)** examples of errors that may not be disclosed in a trial balance.

(4 x 3 = 12 marks)

b) Answer **one (1)** of the following items:

- Describe **two (2)** limitations of the Accounting Reports (Income Statement and Balance Sheet) in providing relevant information about a business.
- Describe **three (3)** possible sources of funds a business may access to fund expansion.

(1 x 3 = 3 marks)

c) Answer **two (2)** of the following items:

- Explain the difference between depreciation expense and accumulated depreciation.
- How does cash-based accounting differ from accrual accounting?
- Explain the difference between accrued revenue and unearned revenue.
- Explain the difference between straight line depreciation and diminishing balance depreciation.

(2 x 4 = 8 marks)

Question 2

a) Answer **two (2)** of the following items:

- i. Why do businesses provide for bad and doubtful debts? Provide **two (2)** strategies a business might use to minimise these.
- ii. What is the accounting period assumption and how does it affect the preparation of the Accounting Reports?
- iii. Explain the **matching principle** and its effect on the Accounting Reports, giving **one (1)** example.

(2 x 4 = 8 marks)

b) Answer **one (1)** of the following items:

- i. The owner of a business purchased some artwork this month for personal use. The artwork has now gone up in value due to the artist retiring. He tells you to record it as a business purchase at the new value.

What accounting assumptions and/or qualitative characteristics would be breached if you did this? Evaluate the impact of the breach.
- ii. The owner now sells inventory to a customer in the USA. He tells you to record the sale in US dollars so the profit doesn't look as high. He also suggests you use a different depreciation method on assets this year to reduce the profit figure so he pays less tax.

What accounting assumptions and/or qualitative characteristics would be breached if you did this? Evaluate the impact of the breach.

(1 x 4 = 4 marks)

Section B

- Answer **all** questions in the supplied **Section B** answer booklet.
 - This section is worth **40 marks** and it is suggested that you spend **approximately 40 minutes** on this section.
 - This section assesses **Criterion 2**.
-

Question 3

Wernham & Hogg is a company formed to sell plant-based food products. The following events and transactions occurred in the quarter ending 30 September 2023.

Date	Transaction
7 July	Owner David Brent introduced the following assets and liabilities to the business: Cash \$4,000, Equipment \$50,000, Account Payable – EPG Food Distributors \$4,400, Loan \$40,000.
8 July	Cash sales was \$8,800, GST inclusive. Cost price of the goods sold was \$5,000 (excluding GST).
12 July	Purchased inventories on credit from EPG Food Distributors \$3,850 (GST inclusive) Tax Invoice no. 11.
16 July	Paid wages \$2,000.
12 Aug	Customer returned goods purchased on 8 July and was paid a cash refund of \$88 (GST inclusive). The goods had a cost price of \$40.
18 Aug	Returned \$770 (GST inclusive) worth of inventories to EPG Food Distributors and was issued with Adjustment Note no. 22.
25 Aug	Paid EPG Food Distributors in full.
1 Sep	Credit sales were \$1,100 (GST inclusive) to Summer High School on Invoice no. 05. Cost price for goods was \$455.
18 Sep	Owner David Brent took inventory from the business for personal use to the value of \$55 (including GST) and withdrew \$220 cash.
30 Sep	Chq no. 15. Paid TasTAFE \$10,000 for a staff training course.

Question 3 continues

Question 3 continued

You are required to provide General Journal entries for the transactions shown on the previous page.

Make sure that you:

- a) Record GST in all applicable entries.
- b) Enter dates and narrations for each entry.

(20 marks)

Question 4

The following extract of accounts shows recording of selected transactions. Assume the business uses an accrual accounting system for reporting and a cash system for paying GST.

Cash at Bank

Date	Particulars	\$	Date	Particulars	\$
1 Jun	Balance b/d	6,000	30 Jun	ATO (B)	7,000
7 Jun	Pure Pty Ltd (A)	22,000	21 Jun	Wages (C)	20,000

Pure Pty Ltd

Date	Particulars	\$	Date	Particulars	\$
1 Jun	Balance b/d	25,000	7 Jun	Cash at Bank (A)	20,000

GST Clearing

Date	Particulars	\$	Date	Particulars	\$
30 Jun	Cash at Bank (B)	7,000	1 Jun	Balance b/d	5,000
			7 Jun	Cash at bank (A)	2,000

Wages

Date	Particulars	\$	Date	Particulars	\$
21 Jun	Cash at Bank (C)	20,000	1 Jun	Balance b/d	0

Question 4 continues

Question 4 continued**Alternative account structure****Cash at Bank**

Date	Particulars	DR\$	CR\$	BAL \$
1 Jun	Balance b/d			6,000
7 Jun	Pure Pty Ltd (A)	22,000		28,000
21 Jun	Wages (C)		20,000	8,000
30 Jun	ATO (B)		5,000	3,000

Pure Pty Ltd

Date	Particulars	DR\$	CR\$	BAL \$
1 Jun	Balance b/d			25,000
7 Jun	Cash at Bank (A)		20,000	5,000

GST Clearing

Date	Particulars	DR\$	CR\$	BAL \$
1 Jun	Balance b/d			5,000
7 Jun	Pure Pty Ltd (A)		2,000	7,000
30 Jun	Cash at Bank (B)	5,000		2,000

Wages

Date	Particulars	DR\$	CR\$	BAL \$
1 Jun	Balance b/d			0
21 Jun	Cash at Bank (C)	20,000		20,000

You are required to:

- Explain the entries marked **(A)**.
- Explain the entries marked **(B)**.
- Explain the entries marked **(C)**.

(2 + 2 + 1 = 5 marks)

Question 5

The following details relate to cash transactions for *Al's Accordians & Music* during October 2023 and the bank reconciliation statement for September.

- The error in the Cash Receipts Journal is in the business's records.
- The error in the Cash Payments Journal is in the bank's records.

Cash Receipts Journal (extract)		
Date	Particulars	Bank (\$)
2023		
1 Oct	Sales	96
2	B. Jones	115
5	Sales	899
8	Rent	70
9	K. Little	210
10	Sales	1,615
11	Sales	62
12	Sales	879
15	R. Roberts	124
18	Sales	383
19	F. Pringle	42
25	Sales	1,886
26	Sales	80

Cash Payments Journal (extract)		
Date	Cheque no.	Bank (\$)
2023		
1 Oct	872	424
2	873	315
3	874	72
5	875	29
8	876	246
10	877	184
12	879	290
15	880	527
16	881	46
	882	1,718
18	883	88
22	884	82
24	885	65
26	886	270

Question 5 continues

Question 5 continued

Al's Accordians & Music

Bank Reconciliation Statement as at 30 September 2023

		\$	\$
	Credit as per bank statement		5,720
Add	Deposit not yet credited		519
			<hr/> 6,239
Less	Unpresented cheques		
	No. 861	430	
	No. 864	36	
	No. 865	19	
	No. 869	86	571
			<hr/> 571
	Debit balance as per Cash at Bank account	\$	5,668

Question 5 continues

Question 5 continued

Al's Accordians & Music				
Bank Statement				
Date	Particulars	Dr	Cr	Balance
2023				
1 Oct	Balance			5,720 Cr
	Deposit		519	
	861	430		5,809 Cr
2	Deposit		96	5,905 Cr
	872	424		5,481 Cr
5	Deposit		1,014	6,495 Cr
9	Deposit		70	
	876	246		
	864	36		6,283 Cr
10	Deposit		210	
	873	305		6,188 Cr
11	Deposit		1,615	7,803 Cr
12	Deposit		162	
	Rent		800	
	874	72		8,693 Cr
13	Deposit		879	9,572 Cr
16	Deposit		124	
	Dishon. Cheque – Marsden	214		
	879	290		9,192 Cr
17	881	46		9,238 Cr
18	Deposit – D Johnson		920	
	883	88		10,070 Cr
19	Deposit		383	
	Deposit		42	
	882	1,718		8,685 Cr
23	Bank fee	10		8,675 Cr
25	877	184		8,491 Cr
26	Deposit		1,886	
	885	65		10,312 Cr
28	Account-keeping fee	15		10,297 Cr

Question 5 continues

Question 5 continued

Answer **all** the following questions:

- a) Enter any additional entries and total the Cash Receipts Journal for the month ended 31 October 2023.
- b) Enter any additional entries and total the Cash Payments Journal for the month ended 31 October 2023.
- c) Prepare and balance the Cash at Bank ledger account for October 2023. The T-Account Format or Columnar Format may be used.
- d) Prepare the Bank Reconciliation Statement for *Al's Accordians & Music* as at 31 October 2023.

(3 + 4 + 3 + 5 = 15 marks)

Section C

- Answer **all** questions in the supplied **Section C** answer booklet.
 - This section is worth **65 marks** and it is suggested that you spend **approximately 65 minutes** on this section.
 - This section assesses **Criterion 3**.
-

Question 6

This trial balance was extracted from the general ledger of *Jimmy's Cars* as at 30 June 2023.

	\$	\$
Sales		939,800
Interest		200
Sales Returns	20,000	
Cost of Goods Sold	650,000	
Cash at Bank	15,250	
Drawings	5,250	
Delivery Truck	11,000	
Delivery Truck Accum Depn		1,000
Inventory	300,000	
GST Clearing		3,300
Sales staff commissions	80,000	
Delivery Truck Running Costs (incl Rego)	6,100	
Accounts Receivable	20,000	
Provision for Bad & Doubtful Debts		800
Rent for yard	1,800	
Accounts payable		5,000
Office Wages	7,000	
Insurance	1,100	
Loan		220,000
Interest on Loan	17,600	
Capital		5,000
Investments	40,000	
	1,175,100	1,175,100

Question 6 continues

Question 6 continued

Additional Information:

- Interest due on investment on balance day \$1,000.
- A provision for Bad & Doubtful debts was 4% of Accounts Receivable but Jimmy wants this doubled to 8%.
- Registration for the delivery truck is \$1,200 paid for the year in advance on 1 June every year.
- Depreciation of delivery truck is 15% using diminishing balance method.

Prepare **both** of the following:

- a) A properly classified Income Statement in narrative form for *Jimmy's Cars* for the year ended 30 June 2023. (25 marks)
- b) A properly classified Balance Sheet in narrative form for *Jimmy's Cars* as at 30 June 2023. (20 marks)

Question 7

Income Statement for *Deadloch Boats & Marine* extract 30 June 2023.

Revenue	\$
Cash sales	232,000
Cost of Goods Sold	190,000
Gross Profit	42,000
Interest received	600
	42,600
Less Expenses	
Wages	42,300
Other expenses	27,300
	69,600
Net Profit/Loss	<u>\$(27,000)</u>

Balance Sheet for *Deadloch Boats & Marine* extract 30 June 2023.

	2023	2022
Assets	\$	\$
Cash at bank	-	31,000
Inventories	125,000	135,000
Computers	9,500	9,800
Furniture	12,000	11,000
Liabilities		
Overdraft	25,900	-
Loan ME Bank	20,000	64,000
Net Assets	\$100,600	\$122,800
Owner's Equity	\$100,600	\$122,800

Question 7 continues

Question 7 continued

You are required to:

- a) Reconstruct the Inventory Account to calculate the amount of cash paid to suppliers (of inventory items).

(4 marks)

- b) Reconstruct the Capital Account to calculate any capital contribution or drawings.

(4 marks)

- c) Create a Cash Flow Statement for *Deadloch Boats & Marine* for the period ended 30 June 2023.

(12 marks)

Section D

- Answer **all** questions in the supplied **Section D** answer booklet.
 - This section is worth **40 marks** and it is suggested that you spend **approximately 40 minutes** on this section.
 - This section assesses **Criterion 4** and **Criterion 6**.
-

Question 8

The following data has been extracted from the Balance Sheet of a business:

	\$
<i>Current assets</i>	
Cash at bank	6 500
Accounts Receivable	489
Inventory	800
<i>Current liabilities</i>	
Accounts Payable	6 693
<i>Non-current assets</i>	
Property Plant & Equipment	71
<i>Non-current liabilities</i>	
Long Service Leave	340
Long term loan	700
<i>Owner's Equity</i>	
Capital	217
Drawings	90

You are required to calculate:

- a) Debt ratio
- b) Equity ratio
- c) Quick Asset Ratio.

(2 + 2 + 2 = 6 marks)

Question 9

The following data is extracted from the accounts of the *DOSE Social Club*.

Income Statement Summary

	2021	2022	2023
	\$	\$	\$
Net Sales	19,604	23,994	29,634
Cost of Goods Sold	580	1,000	8,566
Gross Profit	19,024	22,994	21,068
Interest expense	140	341	200
Other operating expense	11,170	16,000	19,293
Net profit	7,714	6,651	1,575

Balance Sheet Summary

	2020	2021	2022	2023
Total assets	14,100	21,982	27,216	31,790
Total liabilities	100	70	70	3,070
Owner's equity	14,000	21,912	27,146	28,720

Calculated Ratios

	2021	2022	2023	Industry Average
	%	%	%	%
Gross profit ratio	97	96	71	60
Net profit ratio	39	28	5	25
Rate of return on owner's equity	34	29	7	9
Rate of return on total assets	33	29	7	20

- Analyse profitability as indicated by the gross profit ratio and the net profit ratio.
- Outline the difference between profitability as shown by the net profit ratio and profitability as shown by the rate of return on owner's equity.
- Assess the rate of return on owner's equity if current bank deposit rates were 7%.
- Describe the trend of the rate of return on total assets. What does this trend suggest about the operations of the business?
- Recommend whether you would support investment in *DOSE Soccer Club* and why.

(8 + 4 + 4 + 4 + 4 = 24 marks)

Question 10

Austands Pty Ltd

Cash budget for 3 months ending March 2024

	January	February	March
Estimated cash receipts	\$ (000)	\$ (000)	\$ (000)
Collections from Accounts Receivable	88	88	88
Grants	375	240	15
Total estimated receipts	463	328	103
Estimated cash payments			
Payments to Accounts Payable	10	10	10
Wages	9	10	11
Land & Buildings	200	250	300
Drawings			28
GST Payable			89
Uniforms			2
Total estimated payments	219	270	440
Bank Balance at start	200 Dr	44 Cr	102 Cr
Excess receipts over payments	244	58	
Excess payments over receipts			337
Bank Balance at end	44 Cr	102 Cr	235 Dr

The bank has set an overdraft limit of \$200,000.

- Comment on the estimated cash position of *Austands Pty Ltd*.
- Explain the effect of the bank's imposed overdraft limit.
- Suggest **two (2)** strategies to address the problem with the overdraft.

(5 + 2 + 3 = 10 marks)

End of Exam

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ACCOUNTING

ACC315116

Section **A** Answer Booklet

Pages: 12
Questions: 2

Marker Use Only		
Criterion 1	Describe accounting and financial terms, concepts and principles.	35
Criterion 6	Communicate financial ideas and information.	Alpha

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End of Section A Answer Booklet

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Section **B** Answer Booklet

Pages: 12
Questions: 3

Marker Use Only		
Criterion 2	Apply double-entry accounting terms, concepts and processes to record and control financial information.	40

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Question 4

Marker use

a).....
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/2

b).....
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/2

c).....
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/1

**Total
Q4
/5**

Question 5

a) and b)

/7

Cash Receipts Journal (extract)		
Date	Particulars	Bank (\$)
2023		
1 Oct	Sales	96
2	B. Jones	115
5	Sales	899
8	Rent	70
9	K. Little	210
10	Sales	1,615
11	Sales	62
12	Sales	879
15	R. Roberts	124
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8	876	246
10	877	184
12	879	290
15	880	527
16	881	46
	882	1,718
18	883	88
22	884	82
24	885	65
26	886	270

Question 5 continues

Question 5 continued

Marker use

c) Answer using **either** T-Account Format **or** Columnar Format.

/3

Cash at Bank

Date	Particulars	\$	Date	Particulars	\$

OR

Cash at Bank

Date	Particulars	Debit (\$)	Credit (\$)	Balance (\$)

End of Section B Answer Booklet

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Section **C** Answer Booklet

Pages: 12
Questions: 2

Marker Use Only		
Criterion 3	Apply accrual accounting terms, concepts and processes to select and organise data to prepare financial reports.	65

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Question 6

Marker use

a).....

/25

Net Sales	\$	\$	\$
Less Cost of Sales			
<i>Gross profit</i>			
Add Other Revenue			
Less Other Expenses			
<i>Selling and distribution expenses</i>			

Question 6 a) continues

Question 6 a) continued

Marker use

<i>General & administrative expenses</i>	\$	\$	\$
<i>Finance expenses</i>			
Net Profit			\$

Question 6 continues

Question 6 continued

Marker use

b).....

/20

ASSETS	\$	\$	\$	\$
Current Assets				
Add Non-Current Assets				
<i>Other financial assets</i>				
<i>Property, plant and equipment</i>				
<i>Intangibles</i>				
Total Assets				\$

Question 6 b) continues

Question 6 b) continued

Marker use

Less Liabilities	\$	\$	\$	\$
Current Liabilities				
Non-Current Liabilities				
Total Liabilities				\$
NET ASSETS				\$
OWNER'S EQUITY				

Total
Q6
/ 45

Question 7

Marker use

a)

Inventory

/4

Date	Particulars	\$	Date	Particulars	\$
	Balance b/d	135,000			

b)

Capital

/4

Date	Particulars	\$	Date	Particulars	\$

Question 7 continues

Question 7 continued

Marker use

c)

Cash flows from operating activities	\$	\$
Inflows		
Outflows		
Net Cash provided by Operating Activities		
Cash Flows from Investing Activities		
Inflows		
Outflows		
Net Cash provided by Investing Activities		
Cash Flows from Financing Activities		
Inflows		
Outflows		
Net Cash provided by Financing Activities		
Net Increase (Decrease) in Cash Held		
Cash at Beginning of the Reporting Period		
Cash at End of the Reporting Period		

/12

Total
Q7
/20

End of Section C Answer Booklet

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Section **D** Answer Booklet

Pages: 12
Questions: 3

Marker Use Only		
Criterion 4	Apply financial concepts and processes to prepare and assess financial information and make business decisions.	40
Criterion 6	Communicate financial ideas and information.	Alpha

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Question 8

Marker use

a)

Debt Ratio

/2

Calculations

Answer:

Equity Ratio

/2

Calculations

Answer:

Quick Asset (Acid test) Ratio

/2

Calculations

Answer:

**Total
Q8
/6**

End of Section D Answer Booklet

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