

Accounting 2019 v2.0

IA2: Sample assessment instrument

Examination — combination response (25%)

This sample has been compiled by the QCAA to assist and support teachers in planning and developing assessment instruments for individual school settings.

Student name

Student number

Teacher

Exam date

Marking summary

Criterion	Marks allocated	Provisional marks
Comprehending	5	
Synthesising and solving	7	
Analysing	6	
Evaluating	4	
Communicating	3	
Overall	25	

Conditions

Technique	Examination — combination response
Unit	Unit 3: Monitoring a business
Topic/s	Topic 2: Fully classified financial statement reporting for a trading GST business
Time	2 hours + 15 minutes planning time
Seen/Unseen	<ul style="list-style-type: none">• Unseen short-response, practical and extended response items• Stimulus for Part B is unseen• Stimulus for Part C is seen and must be provided five days prior to the administration of the examination. The original student copy of the stimulus is not to be brought into the examination
Other	<ul style="list-style-type: none">• Templates are provided for students to complete their response. These may not include formulae.• A computerised accounting package may not be used to produce responses for this examination.• Only non-programmable calculators permitted.

Instructions

You are required to complete each part of the examination as follows:

- Parts A and B on the assessment paper in the space provided.
- Part C using word processing software.

Part A

Question 1	50–100 word response
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Explain how adopting the historical cost principle may limit the usefulness of financial statements.

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AAA Solutions
Statement of Financial Position (extract)
as at 30 June 2023

	\$	\$
Current Assets		
Accounts Receivable	150 000	
Less Provision for Doubtful Debts	5 000	145 000

Using the Statement of Financial Position (extract) above, explain the relationship between accounts receivable and provision for doubtful debts.

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Part B

Question 1

Context

George Abbot, the owner of Abbot Stationery Supplies, needs to borrow additional funds to purchase the building next door.

The owner of the building told George she was going to list the building for sale next month. George indicated that he was interested in purchasing the building. He contacted the bank and they told him to submit a loan application as soon as possible. The loan application requires him to provide the bank with the net worth of the business.

George's accounts clerk, John, is on annual leave until next week, so he has decided to use the information and data John left on his desk to prepare the financial statements for the year ended 30 June 2022, and solve the goal-oriented problem by finding the net worth of the business.

Task

Using the financial data and information provided by John on pages 6–10, and the general journal (extract) and partially completed fully classified statements completed by George on pages 11–13, synthesise and solve the problem by:

- a. identifying and correcting the conceptual errors in the general journal (extract) and the partially completed financial statements (note: correct consequential errors but do not identify them as errors)
- b. completing the fully classified Statement of Profit or Loss and the fully classified Statement of Financial Position
- c. commenting in the space provided whether the goal-oriented problem has been solved.

Unseen stimulus

John left seven items on his desk:

Term deposit details	
Amount:	\$20 000
Term:	3 years
Interest rate	3% per annum
Lodgement date:	1/7/21
Maturity date:	30/6/24
Pay interest:	Half-yearly from date of lodgement — due on 31 December and 30 June; paid on the first day of the month following the due date

Post-it note


The annual stocktake was conducted last week and revealed a shortage of 20 desk organisers at \$10 each, 10 calculators at \$20 each and 10 memory sticks at \$10 each.

Post-it note

Need to make an adjustment to wages at the EOFY. EOFY is on a Saturday. Employees are paid weekly on Wednesday for a five-day week worked from Thursday to Wednesday. Weekly salaries — \$2 100.

Asset Register				
Type:		Motor Vehicle – Ford Rambler		
Estimated residual value:		\$10 000	Estimated life:	5 years
Depreciation method:		Diminishing balance	Depreciation rate:	30%
Date	Particulars	Asset Balance \$	Depreciation \$	Accumulated Depreciation \$
2020 August 1	AAA Vehicles	60 000		
2021 June 30			16 500	16 500

Asset Register				
Type:		Furniture		
Estimated residual value:		\$2 000	Estimated life:	4 years
Depreciation method:		Straight-line	Depreciation rate:	-
Date	Particulars	Asset Balance \$	Depreciation \$	Accumulated Depreciation \$
2020 July 1	Grafton Furniture	10 000		
2021 June 30			2 000	2 000

 Send	To...	George Abbot
	Cc...	
	Bcc...	
Subject	Provision for Doubtful Debts	

Hi George

I would like to increase the balance at year end of Provision for Doubtful Debts from 3% to 3.5% of Accounts Receivable. We will need to have a conversation when I return from leave to discuss our bad debts issue.

John

*Sounds good! Go ahead!
George*

General journal (extract)

George prepared the following general journal entries to record the adjustments on 30 June.

General Journal (extract)

Date 2022	Particulars	Debit	Credit
June 30	Accrued Revenue	300	
	Interest Revenue		300
	Provision for Doubtful Debts	1 430	
	Bad and Doubtful Debts		1 430
	Bad and Doubtful Debts	240	
	Provision for Doubtful Debts		240
	Inventory adjustment	500	
	Inventories		500
	Depreciation on Motor Vehicles	13 050	
	Accumulated Depreciation on Motor Vehicles		13 050
	Wages	1 260	
	Accrued Expenses		1 260
	Depreciation on Furniture and Fittings	4 000	
	Accumulated Depreciation on Furniture and Fittings		4 000

Comment on whether the information in the reported Financial Statements can solve the goal-oriented problem.

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Part C

Question 1

400–500 word response

Context

Geraldine Walker owns Walker Hardware, one of three hardware stores in Walford. The business currently offers 60-day credit terms and has a 'no refund' policy. Customers are automatically granted credit on request. This is the only hardware store in the area that offers credit.

Task

Using the seen stimulus on pages 15–16, create a 400–500 word business report (extract) to:

- analyse and interpret the financial data and information of Walker Hardware relating to profitability
- evaluate current accounting practices to make decisions and propose recommendations to improve the business's profitability.

Seen Stimulus

Geraldine Walker owns Walker Hardware, one of three hardware stores in Walford. The business currently offers 60-day credit terms and has a 'no refund' policy. Customers are automatically granted credit on request. This is the only hardware store in the area that offers credit.

Account Name	as at 30 June 2022 \$	as at 30 June 2023 \$	% change
Accounts Payable	74 000	115 000	55.4%
Accounts Receivable	20 000	35 000	75%
Accrued Advertising	3 000	2 000	-33.3%
Advertising	8 000	11 000	37.5%
Audit Fees	2 000	2 000	0%
Bad Debts	1 000	11 000	1000%
Bank DR	28 000		
Bank overdraft		28 000	
Capital — G Walker	500 000	454 700	-9.1%
Cost of Goods Sold	250 000	270 000	8%
Delivery Vehicle Expenses	8 000	7 000	-12.5%
Delivery Vehicles (net)	34 000	30 000	-11.8%
Depreciation on Delivery Vehicles	4 000	4 000	0%
Depreciation on Furniture	8 000	8 000	0%
Drawings	77 000	12 400	-83.9%
Furniture (net)	30 000	38 000	26.7%
Insurance	8 000	8 000	0 %
GST Payable CR	18 000	16 000	-11.1%
Interest Expense	10 000	8 000	-20%
Inventories	65 000	60 000	-7.7%
Land and Buildings	359 700	468 400	30.2%
Loan from XZU	100 000	92 000	-8%
Patents	60 000	60 000	0%
Prepaid Insurance	3 000	6 000	100%
Rates	7 000	7 000	0%
Sales	505 000	510 000	1%
Sales Returns	5 000	10 000	100%
Shares in AS Co Ltd	50 000		
Stationery	1 500	1 500	0%
Telephone	800	800	0%
Wages	160 000	160 000	0%

	2021 \$	2022 \$	2023 \$	% change
Cash sales		450 000	400 000	-11.1%
Credit sales		55 000	110 000	100%
Net credit sales		52 000	105 000	101.9%
Gross profit		250 000	230 000	-8%
Net profit		31 700	1 700	-94.6%
Total operating expenses		218 300	228 300	4.6%
Inventories	64 000			
Accounts receivable	5 000			
Total assets		649 700	697 400	7.3%
Total current assets		116 000	101 000	-12.9%
Total non-current assets		533 700	596 400	11.7%
Total liabilities		195 000	253 000	29.7%
Total current liabilities		95 000	161 000	69.5%
Total non-current liabilities		100 000	92 000	-8%
Total owner's equity	500 000	454 700	444 000	-2.4%

Ratio	2022	2023	Industry average
Gross profit	50%	46%	52%
Net profit	6.34%	0.34%	4.4%
Rate of return on owner's equity	6.6%	0.38%	5%
Current	1.22:1	0.63:1	
Rate of turnover of inventories	3.88 times per year	4.32 times per year	7 times per year
	94 days	84 days	52 days
Rate of turnover of accounts receivable	4.16 times per year	3.82 times per year	10 times per year
	88 days	96 days	36 days

Instrument-specific marking guide (IA2): Examination — combination response (25%)

Criterion: Comprehending

Assessment objectives

1. comprehend accounting concepts, principles and/or processes relating to fully classified financial statement reporting for a trading GST business

The student work has the following characteristics:	Marks
<ul style="list-style-type: none"> • identification of significant characteristics in the response • thorough understanding of accounting concepts, principles and/or processes • perceptive use of accounting terminology. 	4–5
<ul style="list-style-type: none"> • identification of appropriate characteristics in the response • adequate understanding of accounting concepts, principles and/or processes • adequate use of accounting terminology. 	2–3
<ul style="list-style-type: none"> • identification of inappropriate characteristics in the response • vague or partial understanding of accounting concepts, principles and/or processes • inconsistent and/or narrow use of accounting terminology. 	1
<ul style="list-style-type: none"> • does not satisfy any of the descriptors above. 	0

Criterion: Synthesising and solving

Assessment objectives

5. synthesise and solve an accounting problem relating to fully classified financial statement reporting for a trading GST business

The student work has the following characteristics:	Marks
<ul style="list-style-type: none"> • effective application of significant and relevant accounting principles and processes to identify errors relating to fully classified financial statement reporting for a trading GST business • effective application of accounting principles and processes to correct the errors • solution produced that thoroughly solves the problem. 	6–7
<ul style="list-style-type: none"> • appropriate application of relevant accounting principles and processes to identify substantial errors relating to fully classified financial statement reporting for a trading GST business • appropriate application of accounting principles and processes to correct the errors • solution produced that effectively solves the problem. 	4–5
<ul style="list-style-type: none"> • fundamental application of accounting principles and processes to identify minimal errors relating to fully classified financial statement reporting for a trading GST business • application of fundamental accounting principles and processes to correct minimal errors • solution produced that solves elements of the problem. 	2–3

The student work has the following characteristics:	Marks
<ul style="list-style-type: none"> inconsistent application of accounting principles and processes to identify superficial errors rudimentary application of accounting principles and processes to correct aspects of the errors inappropriate or partial solution produced. 	1
<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0

Criterion: Analysing

Assessment objectives

3. analyse and interpret financial data and information relating to fully classified financial statement reporting for a trading GST business

The student work has the following characteristics:	Marks
<ul style="list-style-type: none"> examines financial data and information through the identification of significant and relevant relationships thorough interpretation of trends in the financial data and information thorough and logical explanation of issues for one area of performance. 	5–6
<ul style="list-style-type: none"> examines financial data and information through the identification of relationships interpretation of trends in the financial data and information explanation of issues for one area of performance. 	3–4
<ul style="list-style-type: none"> examines financial data or information through the identification of superficial relationships superficial interpretation of financial data or information narrow or partial statements about the issues. 	1–2
<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0

Criterion: Evaluating

Assessment objectives

4. evaluate accounting practices relating to fully classified financial statement reporting for a trading GST business to make decisions and propose recommendations

The student work has the following characteristics:	Marks
<ul style="list-style-type: none"> perceptive judgments for proposed changes to accounting practices relating to one area of performance thoroughly justified decisions for the area of performance relevant to the accounting context convincing recommendations for the area of performance pertinent to the accounting context. 	3–4
<ul style="list-style-type: none"> judgments for proposed changes to accounting practices relating to one area of performance decisions for the area of performance relevant to the accounting context 	2

The student work has the following characteristics:	Marks
<ul style="list-style-type: none"> recommendations for the area of performance suitable for the accounting context. 	
<ul style="list-style-type: none"> rudimentary or partial judgments for proposed changes to accounting practices relating to one area of performance inconsistent or partial decisions for the accounting context inconsistent or partial recommendations for the accounting context. 	1
<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0

Criterion: Communicating

Assessment objectives

6. create a business report (extract) that communicates meaning to the business owner of a trading GST business.

The student work has the following characteristics:	Marks
<ul style="list-style-type: none"> succinct, with effective language choices to communicate analysis, interpretation and evaluation to the business owner logical sequencing and organisation of ideas in a business report (extract) minimal errors in spelling, grammar and punctuation. 	3
<ul style="list-style-type: none"> appropriate language choices to communicate analysis, interpretation and evaluation to the business owner clear sequencing and organisation of ideas in a business report (extract) some errors in spelling, grammar and punctuation evident. 	2
<ul style="list-style-type: none"> inappropriate language choices to communicate business data, information or advice unclear or fragmented sequencing of ideas in a business report (extract) frequent errors in spelling, grammar and punctuation. 	1
<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0



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