Time allowed

- Perusal time: 10 minutes
- Working time: 3 hours

Examination materials provided

- Paper One – Question book
- Paper One – Response book

Equipment allowed

- QSA-approved equipment
- non-programmable calculator

Directions

You may write in this book during perusal time.

Paper One has three parts, each of equal value:

- Part A — Knowledge, interpretation and evaluation
- Part B — Routine practical procedures
- Part C — Challenging practical application

Attempt all questions.

Suggested time allocation

- Part A: 50 minutes
- Part B: 1 hour 10 minutes
- Part C: 1 hour

Assessment

Assessment standards are at the end of this book.

After the examination

Take this book when you leave the examination room.
Planning space
Part A — Knowledge, interpretation and evaluation

Suggested time allocation: 50 minutes.

Part A has six questions. Respond to all questions.

Write your responses in the response book provided.

Question 1
State the accounting equation and explain its effect on the balance sheet.

Question 2
Describe how GST is dealt with at the end of the accounting period.

Question 3
Explain the connection between balance day adjustments and the accounting period assumption.

Question 4
Provide an explanation of the term “net realisable value”. Give an example to support your response.

Question 5
You are currently employed as the accountant at Work and Wear Clothing, a large private company on the Gold Coast with 15 office staff and a sewing plant employing 50 full-time staff and approximately 30 part-time and casual staff. The business designs and manufactures corporate uniforms for people in a variety of industries in Australia and overseas. Currently, all transactions are recorded on a computerised office system. The owner is considering moving to an e-business structure.

A. Explain four major benefits of introducing an e-business structure to Work and Wear Clothing.

B. Outline at least two security issues that such a structure could face.

Question 6
Businesses use accounting-specific internal controls as procedures designed to safeguard the assets of a firm and to check the accuracy and reliability of its financial data. Outline five effective management practices designed to safeguard assets. Provide an example for each practice.

End of Part A
Question 1

On 1 October 2006, T Turner purchased machinery from Dickson & Co for $16500 (inclusive of GST). Freight and installation costs of $3300 (inclusive of GST) were paid by cheque. Insurance and registration of $1100 (inclusive of GST) were also paid. The machinery was expected to last for five years, with an estimated residual value of $5900. Depreciation of 25% per annum is to be charged according to the “reducing” (diminishing) method.

On 30 September 2008, the machinery was traded in for another from Machinery Supplies for $6500 (no GST applies). At that time, the new machinery was purchased for $8800 (inclusive of GST). The estimated life of this machine is four years, with a residual value of $2000, and the “straight line” method of depreciation is to be used.

You are required to:

A. Show the journal entries necessary to record the above transactions for the two accounting periods 1 July 2007–30 June 2009. No narrations are necessary. Round to the nearest $.

B. Prepare the following ledger accounts:
   • Machinery
   • Accumulated Depreciation on Machinery
   • Disposal of Machinery.
Question 2

A Roberts operates a small business in Brisbane not affected by GST. From the information overleaf, you are required to:

A. Complete the cash journal extracts for A Roberts.
B. Complete the Bank account in the General Ledger.
C. Prepare a bank reconciliation statement as at 31 August 2009.

A Roberts
Bank Reconciliation Statement as at 31 July 2009

<table>
<thead>
<tr>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit balance as per bank statement</td>
<td>5000.00</td>
</tr>
<tr>
<td>Add</td>
<td>Deposits not yet credited</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Less</td>
<td>Unpresented cheques:</td>
</tr>
<tr>
<td></td>
<td>No. 951</td>
</tr>
<tr>
<td></td>
<td>133</td>
</tr>
<tr>
<td></td>
<td>134</td>
</tr>
<tr>
<td>Debit balance as per Cash at Bank account</td>
<td>$4566.00</td>
</tr>
</tbody>
</table>

Question 2 continues overleaf
Cash Receipts Journal of A Roberts

<table>
<thead>
<tr>
<th>Date</th>
<th>Rec No</th>
<th>Particulars</th>
<th>F</th>
<th>A/c Rec</th>
<th>Sales</th>
<th>Other</th>
<th>Details</th>
<th>Cash at Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug 3</td>
<td>25</td>
<td>C Ranger</td>
<td></td>
<td>100.00</td>
<td></td>
<td></td>
<td></td>
<td>100.00</td>
</tr>
<tr>
<td>8</td>
<td>26</td>
<td>A Jenkins</td>
<td></td>
<td>360.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CRS</td>
<td>Sales</td>
<td></td>
<td>446.00</td>
<td></td>
<td></td>
<td></td>
<td>806.00</td>
</tr>
<tr>
<td>13</td>
<td>27</td>
<td>D Flower</td>
<td></td>
<td>300.00</td>
<td></td>
<td></td>
<td></td>
<td>520.00</td>
</tr>
<tr>
<td></td>
<td>CRS</td>
<td>Sales</td>
<td></td>
<td>220.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>CRS</td>
<td>Sales</td>
<td></td>
<td>340.00</td>
<td></td>
<td></td>
<td></td>
<td>340.00</td>
</tr>
<tr>
<td>27</td>
<td>28</td>
<td>M Lacey</td>
<td></td>
<td>650.00</td>
<td></td>
<td></td>
<td></td>
<td>1100.00</td>
</tr>
<tr>
<td></td>
<td>CRS</td>
<td>Sales</td>
<td></td>
<td>450.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cash Payments Journal of A Roberts

<table>
<thead>
<tr>
<th>Date</th>
<th>Chq No</th>
<th>Particulars</th>
<th>F</th>
<th>A/c Pay</th>
<th>Purchases</th>
<th>Wages</th>
<th>Other</th>
<th>Cash at Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug 7</td>
<td>145</td>
<td>Wages</td>
<td></td>
<td></td>
<td>500.00</td>
<td></td>
<td></td>
<td>500.00</td>
</tr>
<tr>
<td>9</td>
<td>146</td>
<td>G Powers</td>
<td></td>
<td></td>
<td>19.90</td>
<td></td>
<td></td>
<td>19.90</td>
</tr>
<tr>
<td></td>
<td>147</td>
<td>M Mellow</td>
<td></td>
<td></td>
<td>120.90</td>
<td></td>
<td></td>
<td>120.90</td>
</tr>
<tr>
<td></td>
<td>148</td>
<td>S Williams</td>
<td></td>
<td></td>
<td>292.50</td>
<td></td>
<td></td>
<td>292.50</td>
</tr>
<tr>
<td>14</td>
<td>149</td>
<td>Wages</td>
<td></td>
<td></td>
<td>530.00</td>
<td></td>
<td></td>
<td>530.00</td>
</tr>
<tr>
<td></td>
<td>150</td>
<td>T Roma</td>
<td></td>
<td></td>
<td>234.00</td>
<td></td>
<td></td>
<td>234.00</td>
</tr>
<tr>
<td>21</td>
<td>151</td>
<td>Electricity</td>
<td></td>
<td></td>
<td></td>
<td>560.00</td>
<td></td>
<td>560.00</td>
</tr>
<tr>
<td></td>
<td>152</td>
<td>B Morris</td>
<td></td>
<td></td>
<td></td>
<td>76.42</td>
<td></td>
<td>76.42</td>
</tr>
<tr>
<td>28</td>
<td>153</td>
<td>Stationery</td>
<td></td>
<td></td>
<td></td>
<td>530.00</td>
<td></td>
<td>530.00</td>
</tr>
<tr>
<td></td>
<td>154</td>
<td>G Long</td>
<td></td>
<td></td>
<td></td>
<td>624.00</td>
<td></td>
<td>624.00</td>
</tr>
<tr>
<td></td>
<td>155</td>
<td>Furniture</td>
<td></td>
<td></td>
<td></td>
<td>50.84</td>
<td></td>
<td>50.84</td>
</tr>
</tbody>
</table>
# Statement of Account with
## THE BANK OF PARKLANDS

A Roberts  
28 Hopper Grove  
BRISBANE QLD 4100  
Account No. 169–6994

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug</td>
<td>Brought forward</td>
<td>$</td>
<td>$400.00</td>
<td>5400.00 Cr</td>
</tr>
<tr>
<td>6</td>
<td>C/C</td>
<td>$100.00</td>
<td></td>
<td>5500.00 Cr</td>
</tr>
<tr>
<td>8</td>
<td>145</td>
<td>$500.00</td>
<td></td>
<td>5000.00 Cr</td>
</tr>
<tr>
<td>9</td>
<td>C/C</td>
<td>$806.00</td>
<td></td>
<td>5806.00 Cr</td>
</tr>
<tr>
<td></td>
<td>133</td>
<td>$241.50</td>
<td></td>
<td>5564.50 Cr</td>
</tr>
<tr>
<td></td>
<td>Chq Book</td>
<td>$4.50</td>
<td></td>
<td>5560.00 Cr</td>
</tr>
<tr>
<td></td>
<td>Transfer (Rent)</td>
<td>$1000.00</td>
<td></td>
<td>4560.00 Cr</td>
</tr>
<tr>
<td>10</td>
<td>148</td>
<td>$292.50</td>
<td></td>
<td>4267.50 Cr</td>
</tr>
<tr>
<td>13</td>
<td>147</td>
<td>$120.90</td>
<td></td>
<td>4146.60 Cr</td>
</tr>
<tr>
<td>14</td>
<td>150</td>
<td>$234.00</td>
<td></td>
<td>3912.60 Cr</td>
</tr>
<tr>
<td>15</td>
<td>146</td>
<td>$19.90</td>
<td></td>
<td>3892.70 Cr</td>
</tr>
<tr>
<td>149</td>
<td></td>
<td>$530.00</td>
<td></td>
<td>3362.70 Cr</td>
</tr>
<tr>
<td>17</td>
<td>Qtly fee</td>
<td>$8.60</td>
<td></td>
<td>3874.10 Cr</td>
</tr>
<tr>
<td>20</td>
<td>C/C</td>
<td>$340.00</td>
<td></td>
<td>4034.10 Cr</td>
</tr>
<tr>
<td>22</td>
<td>151</td>
<td>$560.00</td>
<td></td>
<td>3474.10 Cr</td>
</tr>
<tr>
<td>152</td>
<td></td>
<td>$76.42</td>
<td></td>
<td>3397.68 Cr</td>
</tr>
<tr>
<td>28</td>
<td>C/C</td>
<td>$1100.00</td>
<td></td>
<td>4497.68 Cr</td>
</tr>
<tr>
<td>153</td>
<td></td>
<td>$530.00</td>
<td></td>
<td>3967.68 Cr</td>
</tr>
<tr>
<td>29</td>
<td>Int C’wealth bonds</td>
<td>$100.00</td>
<td></td>
<td>4067.68 Cr</td>
</tr>
<tr>
<td>30</td>
<td>Dis chq A Fly</td>
<td>$360.00</td>
<td></td>
<td>3707.68 Cr</td>
</tr>
</tbody>
</table>

**Part B continues overleaf**
Question 3

You are required to prepare the following for J Jones:

- Stock ledger card for Product X using the FIFO inventory method.
- Stock ledger card for Product Y using the weighted average inventory method. Round to two decimal places.
- Record inventory shortage or surplus in the General Journal. No narrations are necessary.

Transactions for the months of June were:

<table>
<thead>
<tr>
<th>June</th>
<th></th>
<th>Balance of inventories</th>
<th></th>
<th>– Product X: 400 units @ $2.00</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>– Product Y: 700 units @ $1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Sold 100 units of Product X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Purchased 720 units of Product X @ $2.50 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>Returned 30 units of Product X originally purchased on 10 June</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sold 400 units of Product Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>Purchased 800 units of Product X @ $3.00 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td></td>
<td>A customer returned 10 units of Product Y originally sold on 15 June</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>Purchased 900 units of Product Y @ $1.75 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td></td>
<td>Sold 700 units of Product Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td></td>
<td>Sold 450 units of Product X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td></td>
<td>Purchased 50 units of Product Y @ $2.00 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td></td>
<td>A physical stocktake revealed the following inventory on hand:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Product X: 1300 units</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Product Y: 560 units</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

End of Part B
Part C — Challenging practical application

Suggested time allocation: 1 hour.
Part C has one question.
Write your responses in the response book provided.

Question 1

You are required to use the following information to prepare the:

- General Journal entries. No narrations are necessary.
- Cash Receipts and Cash Payments Journals (receipt numbers start at 100 and cheque numbers at 50).
- Account Receivable Ledger.
- Account Receivable Control, Account Payable Control, Bad and Doubtful Debts and the Provision for Doubtful Debts accounts in the General Ledger (Extract).

B Buckland had the following balances as at 1 June 2009:

<table>
<thead>
<tr>
<th>Accounts Receivables</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>S Smithfield</td>
<td>1100</td>
</tr>
<tr>
<td>M Johnson</td>
<td>5000</td>
</tr>
<tr>
<td>S Hipson</td>
<td>2000</td>
</tr>
<tr>
<td>A/C Receivable Control</td>
<td>8100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other accounts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A/C Payable Control</td>
<td>2000</td>
</tr>
<tr>
<td>Provision for Doubtful Debts</td>
<td>600</td>
</tr>
</tbody>
</table>

Transactions for June 2009, inclusive of GST where applicable, were:

June  
2  Cash sales $9900. The Cost price was $5250.
  8  S Hipson paid $2000
  9  Charged M Johnson $30 interest on overdue account
 10  Cash purchases $5500
 19  S Smithfield was declared bankrupt. We agreed to accept 50¢ in the $1 from him. Write the balance off as a bad debt.
 20  Paid T Peters $970
 21  Received $2200 from D Dickson for Rent
 25  Commission revenue received $3300
 28  Paid electricity $605
 29  Paid wages $800
 30  Incorrectly charged M Johnson $30 interest on 9 June instead of $40. Correct the error.

Additional information: The desirable closing balance for Provision for Doubtful Debts is to be $300 in the next accounting period.

End of Part C
End of Paper One
### Assessment standards from the 2007 Senior External Syllabus for Accounting

|----------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| **Knowledge, interpretation and evaluation**  | The candidate:  
• recalls, describes and explains a comprehensive range of relevant facts, concepts, and principles  
• applies an extensive knowledge of accounting concepts and principles to analyse and interpret information to solve problems and make valid decisions and recommendations  
• communicates a comprehensive range of accounting information and understandings clearly, accurately and cohesively in written form, using appropriate terminology.  | The candidate:  
• recalls, describes and explains a substantial range of relevant facts, concepts and principles  
• applies knowledge of accounting concepts and principles on most occasions to analyse and interpret information to solve problems and make valid decisions and recommendations  
• communicates a substantial range of accounting information and understandings which are usually expressed clearly, accurately and cohesively in written form, using appropriate terminology.  | The candidate:  
• recalls and describes relevant facts and generally explains concepts and principles  
• applies knowledge of accounting concepts and principles to correctly process accounting information in usual situations  
• communicates a range of accounting information and understandings in written form, using appropriate terminology.  | The candidate:  
• states some relevant facts and concepts  
• identifies relevant facts from accounting information  
• communicates some accounting information in written form, although the communication sometimes lacks clarity and accuracy.  | The candidate:  
• states some facts  
• communicates little accounting information in written form, and this communication lacks clarity and accuracy.  |
| **Routine practical procedures** | The candidate:  
• accurately applies fundamental accounting concepts to select and organise relevant data to record a wide range of routine transactions  
• consistently demonstrates knowledge of fundamental accounting concepts to correctly process accounting information in usual situations  
• accurately prepares and effectively presents accounting reports.  | The candidate:  
• applies fundamental accounting concepts to select and organise relevant data to record a wide range of routine transactions in most situations  
• usually demonstrates knowledge of fundamental accounting concepts to correctly process accounting information in usual situations  
• accurately prepares and presents accounting reports.  | The candidate:  
• applies fundamental accounting concepts to select and organise relevant data to record a range of routine transactions  
• generally processes accounting information correctly in usual situations  
• prepares and presents accounting reports with some inaccuracies.  | The candidate:  
• selects relevant data and records routine transactions on some occasions  
• occasionally processes some accounting information correctly in usual situations  
• prepares and presents accounting reports which frequently lack accuracy.  | The candidate:  
• seldom records routine transactions accurately  
• rarely processes accounting information correctly in usual situations  
• rarely prepares and presents accounting reports accurately.  |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenging practical application</td>
<td>The candidate: • effectively applies accounting knowledge and concepts to accurately record a variety of transactions which include complex elements • applies accounting knowledge and concepts to consistently and correctly process accounting information which includes complex elements • accurately prepares and effectively presents accounting reports involving complex processing • consistently and effectively solves problems involving complex practical processes.</td>
<td>The candidate: • usually applies accounting knowledge and concepts to accurately record a variety of transactions which include complex elements • applies accounting knowledge and concepts to correctly process, in most situations, accounting information which includes complex elements • accurately prepares and effectively presents, on most occasions, accounting reports involving complex processing • usually solves problems involving complex practical processes.</td>
<td>The candidate: • generally applies accounting knowledge and concepts to accurately record transactions which include complex elements • follows a given procedure to process accounting information which includes complex elements • prepares and presents accounting reports involving complex processing with varying degrees of accuracy • solves problems involving complex practical processes on some occasions.</td>
<td>The candidate: • occasionally records accurately transactions which include complex elements • follows a given procedure, in part, to process accounting information which includes complex elements • prepares and presents accounting reports involving complex processing with little accuracy.</td>
<td>The candidate: • seldom records transactions or processes information which include complex elements • rarely prepares or presents accounting reports involving complex processing.</td>
</tr>
</tbody>
</table>