2013 Senior External Examination

Accounting
Paper One — Question book

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.
Attempt all questions.

Suggested time allocation
- Part A: 60 minutes
- Part B: 50 minutes
- Part C: 70 minutes

Assessment
Paper One assesses the following assessment criteria:
- Knowledge, interpretation and evaluation
- Routine practical procedures
- Challenging practical application
Assessment standards are at the end of this book.

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

Part A has five questions. Respond to all questions.
Write your responses in the response book.
Suggested time allocation: 60 minutes.

Question 1

State the three transactions that resulted in the postings to the Motor Vehicle A/c below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>F</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
<th>Dr/Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Motor Vehicle A/c</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 1</td>
<td>Capital</td>
<td></td>
<td>15000</td>
<td></td>
<td>15000</td>
<td>Dr</td>
</tr>
<tr>
<td>25</td>
<td>Bank</td>
<td></td>
<td></td>
<td>15000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>27</td>
<td>Ace Motors</td>
<td></td>
<td>27000</td>
<td></td>
<td>27000</td>
<td>Dr</td>
</tr>
</tbody>
</table>

Question 2

List the name of the financial report which:

a. shows the financial position of a business at a stated point in time
b. shows the changes in cash of a business over a period of time
c. declares the profit (loss) made by a business for a given period of time.

Question 3

Over the past five years bad debts have fallen from $1000 to $400 while accounts receivable levels have remained steady. Give two possible reasons for the decrease in bad debts.

Question 4

Black’s Toy Store, 82 West Street, Tinana, specialises in selling wooden toys. Mr Tony Black owns and manages the business which has three full-time employees. Mr Black frequently assigns employees a different task so that they become skilled in most areas of the business, apart from the duties he performs personally. Mr Black does all the ordering of stock for the store by completing an order form. When inventories arrive from the supplier, any staff available help to unload and store the goods in the storeroom.

Toys may be purchased using cash, EFTPOS or credit card. All toys available for sale have a sticker attached which states the selling price and this is recorded on the cash register when a sale is made.

Mr Black does not keep detailed records for all stages of the inventory cycle and bases inventory levels on past sales experience and staff advice.

Mr Black has asked you to prepare a letter (of approximately 200 words) that outlines the problem areas of the existing inventory system and includes three recommendations to improve the system.
Question 5

Kaylene Roberts manages a medium-sized records management business responsible for processing documentation for a number of companies. The business relies very heavily on information and communication technology as most data is received electronically. Kaylene is worried about the vulnerability of her business records and computer hardware as the company has experienced a number of significant problems recently. On a visit to the company, you discover the following:

- Staff are becoming very frustrated about how the computer network shuts down without any warning during the stormy season, before they have saved or backed up their work. After some discussion, you find that the power supply at this work site is not always reliable.
- All user IDs and passwords are listed on a noticeboard as some staff members are unable to remember their passwords. The noticeboard is located on the main floor where visitors are sometimes present.
- Staff members and people from outside the organisation can move freely around the buildings, even accessing areas which contain valuable hardware and data.
- Staff have received external emails containing an attachment and, after opening the attachment, they have become frustrated that their computers have been shutting down every fifteen minutes.

Respond to each of the concerns listed in paragraph format by explaining why each point identified may be a security risk and recommending what the business could do to rectify the risk. Your response should be 200–300 words in total.

End of Part A
Part B — Routine practical procedures

Part B has two questions. Respond to both questions.
Write your responses in the response book.
Suggested time allocation: 50 minutes.

Question 1

The information below is about Frontline Industries, a firm which sells both on credit and for cash. The firm uses the perpetual inventory system and sells two products, Flips and Flops, details of which are recorded on two separate stock cards. They are both GST-free items.

You are required to:

a. Prepare the stock ledger card for Flips using the weighted average method (unit cost to be rounded to four decimal places).

b. Prepare the stock ledger card for Flops using the FIFO method (unit cost to be rounded to two decimal places).

c. Prepare the general journal entry to show any stock discrepancy.

Oct    1   Balance of Flips 80 units @ $10 per unit
        Balance of Flops 200 units @ $9 per unit
        3   Purchased 600 units of Flops on credit @ $12 per unit
        5   Purchased 250 units of Flops for cash @ $11 per unit
        6   Purchased 400 units of Flips on credit @ $11 per unit
        8   Sold 270 units of Flips on credit for $18 per unit
       10  Sold 300 units of Flops on credit for $21 per unit
       15  Returned 10 units of Flops which were purchased on 5 October
       20  Customer returned 5 units of Flops (sold on 10 October)
       21  Purchased 170 units of Flips for cash @ $10 per unit
       23  20 units of Flips purchased on 21 October were returned to the supplier
       24  Sold 50 units of Flips for cash @ $18 per unit
       26  Sold 100 units of Flops for cash @ $20 per unit
       28  5 units of Flips originally sold on 24 October were returned
       31  A stocktake revealed 305 units of Flips and 620 units of Flops were on hand
Question 2

The following account balances, sales journal and purchases journal have been provided for the business of Ronnie’s Retail Outlet, which operates a subsidiary ledger system for Accounts Receivable and Accounts Payable. The transactions on the next page have not yet been entered into the Cash Receipts, Cash Payments or General Journals.

<table>
<thead>
<tr>
<th>Accounts Receivable Balances as at 31 August 2013</th>
<th>Accounts Payable Balances as at 31 August 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>B Barnes 355</td>
<td>D Donald 132</td>
</tr>
<tr>
<td>B Barnett 187</td>
<td>F Franklin 66</td>
</tr>
<tr>
<td>M Morris 88</td>
<td>K Kelly 121</td>
</tr>
<tr>
<td>$ 630</td>
<td>$ 319</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales Journal of Ronnie’s Retail Outlet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>26</td>
</tr>
<tr>
<td>$ 210</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Purchases Journal of Ronnie’s Retail Outlet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>18</td>
</tr>
<tr>
<td>$ 470</td>
</tr>
</tbody>
</table>
Transactions, inclusive of GST where appropriate, still to be entered are:

Sept  1  Owner contributed $4000 additional capital, receipt no. 34

6  Paid wages $1280, cheque no. 203

8  M Morris was declared bankrupt. His account is to be written off as a bad debt.  
    (This account includes GST.)

12  Cash sales $836, cost price $420

12  Sold furniture for cash, $44, receipt no. 35

15  Charged B Barnett $10 interest on her overdue account

18  Received $533 from B Barnes, receipt no. 36

19  Purchased goods for cash, $605, cheque no. 204

20  EFTPOS sales $660, cost price $300

20  Paid wages $1280, cheque no. 205

22  Last month, $20 was incorrectly debited to B Barnes’ account instead of  
    B Barnett’s account. Correct this error.

24  Paid K Kelly in full settlement of account, cheque no. 206

25  Received $1100 from Country Creations for rent, receipt no. 37

27  Paid postage $11 and stationery $44 on the same cheque, cheque no. 207

30  Create a Provision for Doubtful Debts Account $65

You are required to:

a.  Use the general and columnar cash journal paper provided in the response book to record all of the 
    above transactions into the General, Cash Receipts and Cash Payments Journals. Total the 
    journals. Do not show the narrations in the General Journal.

b.  Prepare the following General Ledger accounts:
    •  Accounts Receivable Control A/c
    •  Accounts Payable Control A/c.

c.  Prepare the Accounts Receivable Ledger account of B Barnes.

End of Part B
Part C — Challenging practical application

Part C has two questions. Respond to both questions.
Write your responses in the response book.
Suggested time allocation: 70 minutes.

Question 1

Neon Fishing Pty Ltd purchased a new boat, B01, for $26000 (plus GST) from Barra Boat Builders on 1 January 2011. Freight on delivery of $2000 (plus GST) and registration and insurance for the year of $1400 (plus GST) were paid by cash. It was estimated that this boat would be traded in after four years and have a residual value of $7000. This boat was to be depreciated by the diminishing balance method at a rate of 30% per annum.

On 1 June 2011 the accountant advised Neon Fishing Pty Ltd to depreciate any new boats purchased after this date by the straight-line method.

Barra Boat Builders were paid on 2 June 2011.

A new boat, B02, was purchased on 31 August 2012 for $29500 (plus GST) cash and this was estimated to have an effective life of five years and a residual value of $5500. $1250 registration and insurance (plus GST) were also paid by cash on this date.

On 1 April 2013, B01 was traded in to Trawling Pty Ltd on a new boat, B03, costing $36800 (plus GST). The new boat had refrigeration fitted by Kool Co. for $3500 (plus GST). $2400 registration and insurance (plus GST) were paid on this date. The trade-in price for B01 was $15000 (plus GST). The new boat purchased was estimated to last for six years and have a residual value of $9100.

You are required to:

a. Show all journal entries necessary to record this information to the end of the accounting period 30 June 2013. Clearly show your calculations of depreciation amounts and round to the nearest dollar.
   Note: Narrations and closing entries are not required.

b. Construct the following accounts, giving all necessary detail from 1 January 2011 to 30 June 2013:
   • Boats
   • Accumulated Depreciation – Boats
   • Disposal of Boats.

Question 2

Indy Franklin has supplied you with a bank statement, and extracts from the cash receipts journal and the cash payments journal. In addition, she advises:

- The business’s Bank Reconciliation Statement for the end of June 2013 showed a deposit of $240 not yet credited, and three cheques not yet presented to the bank. They were cheque no. 267 for $152, cheque no. 302 for $62 and cheque no. 308 for $74
- The Cash at Bank account showed a debit balance of $147 on 30 June 2013.

When responding to the question:

- assume any errors in the Cash Receipts Journal have been made by the business
- assume any errors in the Cash Payments Journal have been made by the bank.

You are required to:

a. Complete the necessary journals.

b. Post the appropriate entries to the Cash at Bank account in the ledger.

c. Prepare the Bank Reconciliation Statement as at 31 July 2013.

Question 2 continues overleaf
<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2013</td>
<td></td>
<td></td>
<td>195 Cr</td>
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<tr>
<td>July</td>
<td>1 Balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deposit</td>
<td>240</td>
<td>435 Cr</td>
<td>195 Cr</td>
</tr>
<tr>
<td>2</td>
<td>Deposit</td>
<td>320</td>
<td>755 Cr</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Deposit</td>
<td>140</td>
<td>895 Cr</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>267</td>
<td>152</td>
<td>743 Cr</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>309</td>
<td>256</td>
<td>487 Cr</td>
<td></td>
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<td>9</td>
<td>Deposit</td>
<td>260</td>
<td>747 Cr</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>310</td>
<td>450</td>
<td>297 Cr</td>
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<td>13</td>
<td>311</td>
<td>175</td>
<td>122 Cr</td>
<td></td>
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<tr>
<td>15</td>
<td>Deposit</td>
<td>400</td>
<td>522 Cr</td>
<td></td>
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<tr>
<td>17</td>
<td>Deposit</td>
<td>250</td>
<td>772 Cr</td>
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<td></td>
<td>Deposit</td>
<td>75</td>
<td>847 Cr</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>313</td>
<td>780</td>
<td>67 Cr</td>
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<tr>
<td>23</td>
<td>Deposit</td>
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<td>177 Cr</td>
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<td>24</td>
<td>S Austin (Dishonoured Cheque)</td>
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<td>73 Dr</td>
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<td>Bank Charges</td>
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<td>98 Dr</td>
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<tr>
<td>29</td>
<td>315</td>
<td>295</td>
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<td>30</td>
<td>Interest</td>
<td>13</td>
<td>380 Dr</td>
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<td>31</td>
<td>Deposit</td>
<td>235</td>
<td>145 Dr</td>
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</table>
### Indy Franklin

#### Cash Receipts Journal (Extract)

<table>
<thead>
<tr>
<th>Date</th>
<th>Receipt No.</th>
<th>Particulars</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>1</td>
<td>CRS Sales</td>
<td>320</td>
</tr>
<tr>
<td>3</td>
<td>193</td>
<td>S Walsh</td>
<td>140</td>
</tr>
<tr>
<td>8</td>
<td>CRS</td>
<td>Sales</td>
<td>60</td>
</tr>
<tr>
<td>15</td>
<td>CRS</td>
<td>Sales</td>
<td>400</td>
</tr>
<tr>
<td>16</td>
<td>194</td>
<td>S Austin</td>
<td>250</td>
</tr>
<tr>
<td>17</td>
<td>195</td>
<td>B Beardmore</td>
<td>75</td>
</tr>
<tr>
<td>23</td>
<td>CRS</td>
<td>Sales</td>
<td>110</td>
</tr>
<tr>
<td>29</td>
<td>196</td>
<td>Commission</td>
<td>235</td>
</tr>
<tr>
<td>30</td>
<td>CRS</td>
<td>Sales</td>
<td>885</td>
</tr>
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</table>

#### Indy Franklin

#### Cash Payments Journal (Extract)

<table>
<thead>
<tr>
<th>Date</th>
<th>Cheque No.</th>
<th>Particulars</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>3</td>
<td>309 H Carter</td>
<td>256</td>
</tr>
<tr>
<td>6</td>
<td>310</td>
<td>Electricity</td>
<td>450</td>
</tr>
<tr>
<td>9</td>
<td>311</td>
<td>B Fergus</td>
<td>175</td>
</tr>
<tr>
<td>14</td>
<td>312</td>
<td>W House</td>
<td>249</td>
</tr>
<tr>
<td>18</td>
<td>313</td>
<td>Wages</td>
<td>780</td>
</tr>
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<td>22</td>
<td>314</td>
<td>C Barker</td>
<td>143</td>
</tr>
<tr>
<td>27</td>
<td>315</td>
<td>Drawings</td>
<td>259</td>
</tr>
<tr>
<td>30</td>
<td>316</td>
<td>Sundry Expenses</td>
<td>160</td>
</tr>
</tbody>
</table>
## Assessment standards from the Accounting Senior External Syllabus 2007

|-----------|------------|------------|------------|------------|------------|
| **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  
• analyses and generally interprets accounting information to make valid decisions  
• communicates a range of accounting information and understandings which are generally expressed clearly and accurately, using some 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 on most occasions. | 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. |
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.

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.

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.

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.

The candidate:
• seldom records transactions or processes information which include complex elements
• rarely prepares or presents accounting reports involving complex processing.