COMMERCE PRESENTATIONS AND PUBLICATIONS

ACCOUNTING ASSESSMENT TASK

2019

Unit 3 - Outcome 1B

Recording and analysing financial data

Reading time: 10 minutes
Writing time: 40 minutes

QUESTION BOOK

Structure of book

Number of Questions	*Number of questions to be answered*	*Number of Marks*
5	**5**	**30**

- Students are permitted to bring into the assessment task: pens, pencils, highlighters, erasers, sharpeners, rulers and one scientific calculator.
- Students are NOT permitted to use blank sheets of paper and/or white out liquid/tape.

Materials supplied
- Question book of 6 pages.
- Answer book of 6 pages.

Instructions
- Write your **full name (and teacher's name)** in the space provided on the front page of the Answer book.
- Answer all questions in the Answer book.
- All written responses must be in English.

At the end of the assessment task
- Return all booklets to your teacher, unless otherwise directed.

Question 1 – Christos' Chairs (8 marks)

Christos' Chairs is a small business that chooses to use the FIFO (First In, First Out) cost assignment method.

The following transactions relate to the 'Baltimore' chair for March 2019.

08/03	Purchased 20 'Baltimore' chairs from Portia's Plastics for $44 including GST each (Invoice 681).
16/03	Sold 15 'Baltimore' chairs to MNC School for a total of $1 650 including GST (Invoice 225).
19/03	MNC School returned 3 'Baltimore' chairs due to damage and received a full credit (Credit Note 13).
21/03	Christos' Chairs returned the 3 damaged 'Baltimore' chairs to Portia's Plastics and received a full credit (Credit Note 87).
31/03	A physical count determined an inventory loss of 1 'Baltimore' chair (Memo 42).

a. Record the transactions in the 'Baltimore' chair inventory card.

5 marks

b. Explain one ethical issue Christos should consider when choosing a supplier.

2 marks

c. Excluding the identification of an inventory loss or inventory gain, state **one** benefit of using inventory cards in the management of inventory.

1 mark

Question 2 – Katrina's Kitchens (6 marks)

Katrina Waugh owns and operates Katrina's Kitchens, a small business that chooses to use product costing where appropriate.

The following invoice was found in the office of Katrina's Kitchens.

CREATIVE CLAYS

Date: 17/04/19 Tax Invoice: 4582

Charge to: Katrina's Kitchens

Item	**Qty**	**Unit Cost**	**$**
'Pine' Platter	35	24	840
'Tunisia' Boards	25	36	900
			1 740
Protective Packaging	60	4	240
Freight Inwards			70
			2 050
		GST (10%)	205
		Total Owing	2 255
Terms 2/7,n/30			

a. Record the General Journal entry required on 17 April 2019 to record Invoice 4582.

A narration is **not** required.

4 marks

b. Justify your treatment of the Freight Inwards when preparing the General Journal entry in part a.

2 marks

Question 3 – Fred's Fridges (3 marks)

Fred Flintoff owns and operates Fred's Fridges, a small business that uses the identified cost assignment method.

The inventory card for the 'Peterson' fridge for May 2019 appears as follows.

ITEM: Peterson fridge **Cost method:** Identified Cost

SUPPLIER: Trent Bridge

		IN			OUT			BALANCE		
Date	Document	Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
01/05	Balance							4	840	3 360
08/05	Rec.1858				1	840	840	3	840	2 520
11/05	Inv.407	10	920	9 200				3	840	2 520
								10	920	9 200
19/05	Inv. 616				1	840	840	2	840	1 680
								10	920	9 200
22/05	Rec. 1873				1	920	920	2	840	1 680
								9	920	8 280
28/05	Rec. 1879				1	920	920	2	840	1 680
								8	920	7 360

a. Calculate the closing value of Inventory as at 31 May 2019 if Fred's Fridges used the First In, First Out cost assignment method instead of the Identified cost assignment method.

1 mark

b. Explain why the Identified Cost method may be more suited to Fred's Fridges that the First In, First Out method.

2 marks

Question 4 – Charlotte's Cars (6 marks)

Charlotte Chan owns and operates Charlotte's Cars.

The inventory card for the Westfield 'Marathon' car as at 30 June 2019 appears as follows.

ITEM: Marathon Car **SUPPLIER:** Westfield								**Cost method:** Identified Cost		
		IN			**OUT**			**BALANCE**		
Date	Document	Qty	Cost	Total	Qty	Cost	Total	Qty	Cost	Total
30/06	Balance							1	4 300	4 300
								2	4 000	8 000

Each of these cars have been damaged in a recent hail storm.

Charlotte believes that the net realisable value of each car is $1 500 (Memo 71).

a. Define the term 'net realisable value'.

1 mark

b. Record the General Journal entry required on 30 June 2018 in relation to the Westfield 'Marathon' cars.

A narration **is** required.

3 marks

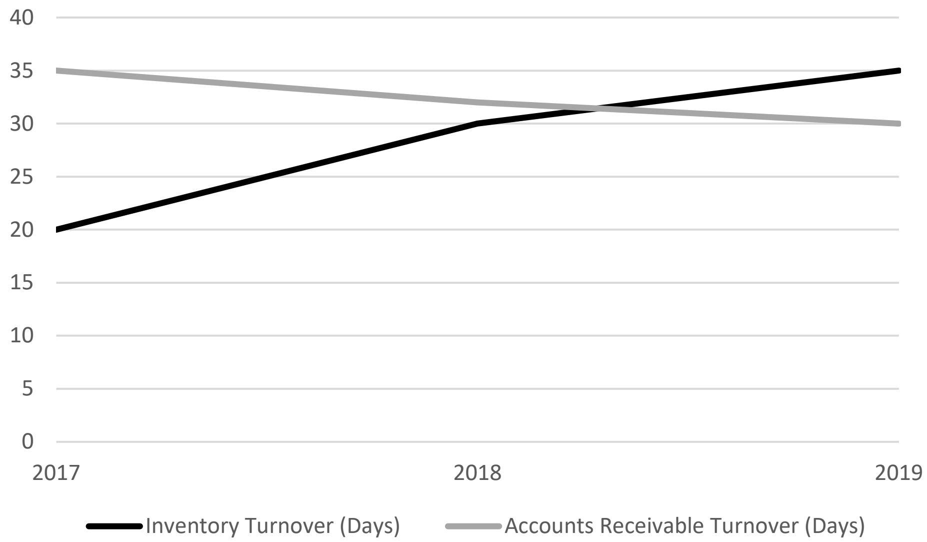
c. Explain how the valuation of the 'Marathon' car effects the Balance Sheet.

2 marks

Question 5 – Sam's Suitcases (7 marks)

Sam Sonite owns and operates Sam's Suitcases, a small business that offers credit terms of 2/7,n/21.

Sam has been presented with the following information.



a. Explain the importance of credit terms when assessing the Accounts Receivable Turnover of Sam's Suitcases.

2 marks

b. Discuss a strategy Sam could introduce to improve the Accounts Receivable Turnover further.

3 marks

c. Explain a disadvantage of the trend in the Inventory Turnover for Sam's Suitcases.

2 marks

END OF QUESTION BOOKLET