

Student Name: _____

ACCOUNTING

Unit 3

Targeted Evaluation Task for School-assessed Coursework 1



2021 TET 1 - Folio of three exercises – Recording and Analysing Financial Data for Outcome 1

Recommended writing time*: 50 minutes

Total number of marks available: 50 marks

TASK BOOK

* The recommended writing time is a guide to the time students should take to complete this task. Teachers may wish to alter this time and can do so at their own discretion.

Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic communication devices into the room for this task.

Question 1**14 marks**

Deluxe Desks are retailers of office furniture. The business purchases their inventory from a local manufacturer.

All inventory is sold using a 100% markup.

Deluxe Desks have provided you with the following source documents.

Document A

TAX INVOICE Inv 91 Fitzroy Furniture 41 Smith St Fitzroy 3065 Terms: 5/7, n/30 ABN: 17 876 542 321				
Charge to:	Deluxe Desks			
Date 2021	Details	Qty	Unit Price \$	Total \$
30 June	Student Desks	25	100	2 500
	GST			250
				2 750

Document B

TAX INVOICE ABN: 43 543 534 231 Deluxe Desks Invoice Number: 8 Terms: n30 ABN: 76 873 237 983				
Charge to	Office Experts			
Date 2021	Details	Qty.	Unit Cost	\$
24 June	Student Desks	10	180	1 800
	GST			180
	Total			1 980

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- a. Record the source documents provided in the General Journal of Deluxe Desks.
Note: Narrations are required

General Journal

Date 2021	Details	Debit	Credit

7 marks

- b. Explain the effect on the accounting equation of the transaction in source document A.

3 marks

- c. Referring to an accounting assumption, explain why the transaction on 30 June is recorded in the General Journal of Deluxe Desks

2 marks

- d. Justify how you would report Fitzroy Furniture, in the Balance Sheet of Deluxe Desks on 30 June 2021.

2 marks

Question 2**12 marks**

The Hobby Store sells hobby and craft supplies to schools and child care centres.

All sales are made using a 100% mark-up.

They have provided you with the following GST ledger account for December 2021.

GST Clearing

Date 2021 Dec	Cross-reference	Amount	Date 2021 Dec	Cross-reference	Amount
1	Balance	1 400	9	Bank	981
4	Accounts Payable - ACD	500	18	Accounts Receivable – ABC	950
12	Bank	881	22	Bank	310
24	Accounts Receivable – ABC	100	28	Accounts Receivable – HGC	640
			31	Balance	350
		2 881			2 881
1 Jan	Balance	350			

a. Describe the transaction that occurred on 24 December 2021.

2 marks

- b.** Explain how the balance of GST clearing would be reported in the Balance Sheet on 31 December 2021.

3 marks

- c.** Explain the impact on the accounting equation of the transaction that occurred on 18 December 2021

3 marks

- d. Prepare the General Journal entry for the transaction on 28 December 2021
A narration is not required

Date 2020	Details	Debit	Credit

4 marks

Question 3**24 marks**

Dan has recently started a new business, Choc to Home, that will sell chocolate gift packs throughout Melbourne.

On 1 July 2021 the following occurred

- Dan contributed a delivery van to the business that cost \$30 000 (plus GST) on 1 June 2018. It was valued at \$30 000 on 1 July 2021 by his best friend.
- The delivery van was purchased using a loan from Sutton Finance which will be transferred to Choc to Home. The loan had \$5 000 remaining that must be repaid at \$200 per month on the last day of each month.
- Transferred \$25 000 of his personal funds to the business bank account
- The business prepares its reports on an annual basis.

- a. Prepare the commencing entry on 1 July 2021.

A narration is not required

General Journal

Date 2021	Details	Debit	Credit

4 marks

- b. Post the commencing entry to the following General Ledger accounts.

Bank

Date 2021	Cross-reference	Amount	Date 2021	Cross-reference	Amount

2 marks

Delivery Van

Date 2021	Cross-reference	Amount	Date 2021	Cross-reference	Amount

2 marks

- c. Referring to an accounting assumption, explain your treatment of the vehicle contributed to the business.

3 marks

d. Explain the impact on the accounting reports of the contribution of the cash by Dan

3 marks

e. Explain how the loan would be reporting in the Balance Sheet of Choc to Home on 1 July 2021.

4 marks

- f. Referring to qualitative characteristics and ethical considerations, discuss the valuation of the delivery van

[illegible]

6 marks

END OF EXERCISE ONE

EXERCISE TWO**Question 1****36 marks**

Kennedy's Projectors sell projectors to businesses around Melbourne.

The business uses the FIFO cost assignment method. A1 projectors are sold for \$800 (plus GST) each.

The owner Matt has provided the following information relating to the A1 Projector as at 30 June 2021.

Item: A1 Projector		Location: Aisle 2								
Code: ER1		Supplier: Screened								
Date 2021	Details	IN			OUT			BALANCE		
		Qty	Unit Cost	Value	Qty	Unit Cost	Value	Qty	Unit Cost	Value
1 June	Balance							4	300	1 200
								6	350	2 100

<i>Memo No.9</i>
Date: 30 June 2021 A stocktake on 30 June 2021 found 5 A1 Projectors that cost \$500 each and 7 A2 on hand Signed: <i>M Kennedy</i>

- June 8 Sold 3 A1 projectors to Creative Cafe that were purchased for \$800 (plus GST) each (Inv 12)
- June 16 Purchased 5 A1 projectors from Screened for \$500 (plus GST) each. (EFT 9)
- June 20 Sold 3 A1 projectors to City Phones that were purchased for \$800 (plus GST) each (Rec 19)
- June 22 Creative Cafe returned two of the A1 projectors they purchased on June 8 (Cr Note 1)
- June 23 Kennedy's Projectors returned the projectors from Cr Note 1 to Screened (Cr Note 14)
- June 25 Matt took home an A1 Projector that was purchased for \$500 (plus GST) each (Memo 8)
- June 27 Kennedy's Projectors purchased 7 A2 projectors from Screened for \$600 (plus GST) each (Inv 29)

June 30 An A1 projector was damaged and the selling price reduced to \$330 (including GST) each. A free spare lamp valued at \$40 (plus GST) will be provided with each projector (Memo 10)

- [illegible]

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- b.** Record the General Journal entries required on 30 June 2021 (A narration is not required)

Date 2020	Details	Debit	Credit

4 marks

- c.** Explain the impact on the accounting equation of Memo 10

3 marks

- d.** Calculate net sales revenue for June 2021

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2 marks

- e. Prepare an Income Statement for the month ended 30 June 2021 up to and including Adjusted Gross Profit using the FIFO inventory method and the information provided above.

Kennedy's Projectors
Income Statement (Extract) for the month ended 30 June 2020

	\$	\$

5 marks

- f. Explain how the choice of inventory cost assignment method could result in a higher profit during a time of increasing cost prices

4 marks

- g. Explain the effect on the accounting equation of the transaction on 20 June if Kennedy's Projectors decided to use the Identified Cost inventory method.

3 marks

Matt is considering selling his business. He has asked you to prepare his financial reports to report the highest possible profit and highest possible inventory on hand by changing inventory methods each month during the year.

- h.** Referring to accounting assumptions, qualitative characteristics and ethical considerations, discuss Matt's request.

6 marks

Question 2**14 marks**

Biding Time sell a product called the Elite Timer to sporting competitions throughout Australia using a 300% markup.

The business reports on a monthly basis.

September

- 1 25 Elite Timers on hand - Cost price \$400 (plus GST) each
- 5 Northern Football purchased 5 Elite Timers (Inv 12)
- 14 Biding Time purchased 9 Elite Timers from Elite Sports for \$400 each (EFT 99)
- 18 Southern Netball purchased 12 Elite Timers (EFT 19))
- 24 Biding Time purchased 9 Elite Timers from Elite Sports for \$400 each (Inv 7)
- 30 A stocktake was performed and a variance was found.

- a. Complete the inventory and GST General Ledger Accounts account for the month ended 30 September 2021

Inventory

Date 2021	Cross-reference	Amount	Date 2021	Cross-reference	Amount
1/10	Balance	10 400			

GST Clearing

Date 2021	Cross-reference	Amount	Date 2021	Cross-reference	Amount
			1/9	Balance	420

12 marks

- b.** Referring to an accounting assumption, explain why the business balances some General Ledger accounts.

2 marks

**END OF EXERCISE TWO
EXERCISE THREE**

Question 1**16 marks**

Hannah is the owner of Sweet Treats. She operates two shops in shopping centres and is considering selling the business.

The business reports on an annual basis.

The following Trial Balance has been prepared as at 30 June 2021.

**Sweet Treats
Trial Balance as at 30 June 2021**

Account	Debit	Credit
Advertising	1 000	
Bank	16 200	
Capital		102 150
Cost of Sales	67 500	
Accounts Payable		14 250
Accounts Receivable	12 260	
Delivery In	1 200	
Delivery Out	3 200	
Discount Expense	250	
Discount Revenue		2 130
Drawings	11 000	
GST Clearing		1 980
Insurance Expense	8 000	
Interest Expense	400	
Inventory Gain		300
Interest Revenue		1 200
Inventory	94 500	
Office Equipment	18 000	
Rent Expense	6 000	
Sales		140 000
Sales Returns	4 500	
Wages	18 000	
Totals	192 010	192 010

b. Identify two reasons why a business would prepare a Trial Balance

2 marks

c. Referring to an accounting assumption explain your treatment of the cash sale that was recorded as a capital contribution.

3 marks

Question 2**17 marks**

Peter operates a small business selling lamps called Light It Up.

Peter uses the FIFO cost assignment method and reports annually on the 30th of June each year.

On 30 June 2021 Peter provided the following information.

Item	Quantity on hand (Inventory Card)	Quantity on hand (Stocktake)	Cost price each unit (including GST) (\$)	Delivery In (each unit plus GST) (\$)	Delivery Out (each unit plus GST) (\$)	Selling Price (each unit plus GST) (\$)
Desk Lamp	10	11	44	10	15	80
Bedroom Lamp	12	12	55	15	15	100
Kitchen Lamp	10	10	110	20	15	150

The Kitchen Lamps were discounted to \$100 (plus GST) each on 30 June 2021 due to a lack of demand. Customers also receive a free colour changing globe that cost \$10 (plus GST) each with every lamp.

Customers pay delivery for the Desk Lamp and Bedroom Lamp. Free delivery is available for the Kitchen Lamp.

- a.** Calculate the inventory that would be reported in the Balance Sheet on 30 June 2021.

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3 marks

b. Record the General Journal entries required on 30 June 2020. Narrations are not required
General Journal

Date 2021	Details	Debit	Credit

4 marks

c. Referring to two qualitative characteristics explain why inventory writedown is reported separately in the Income Statement for Light it Up

4 marks

Peter thinks that recording inventory transactions in inventory cards is a waste of time and it would be much easier just to count inventory if he needs to know the balance.

Discuss Peter's comment

d.

6 marks

Question 3**17 marks**

Dave is the owner of Centreway Bikes. After decades of purchasing bikes from a local supplier they have decided to change suppliers and have started importing bikes. The Bikes are sold used a 100% markup.

The business prepares its accounting reports on a monthly basis.

Dave has provided you with the following source document:

Centreway Bikes 16 Sports St Essendon Vic 3040 ABN: 11 465 86 998			
Returned by: Essendon Racing Club			15 May 2021
Tax Invoice:			
Credit Note 11			
Qty	Item	Unit Price \$	Total Cost \$
1	Sprinter Bike	1 000	1 000
	GST (10%)		100
			1 100
Reason	Poor Quality		

a. Describe the impact on the accounting equation of Centreway Bikes of Credit Note 14

3 marks

- b.** Prepare the General Journal entry on 15 May 2021 for of Centreway Bikes
A narration is required

Date	Details	Debit	Credit
2021			

6 marks

- c. Post the General Journal entry to the General Ledger accounts on 30 June 2020 of Centreway Bikes

Account Receivable – Essendon Racing Club

Date 2021	Cross-reference	Amount	Date 2021	Cross-reference	Amount
1/5	Balance	3 000			

Date 2021	Cross-reference	Amount	Date 2021	Cross-reference	Amount

GST Clearing

Date 2021	Cross-reference	Amount	Date 2021	Cross-reference	Amount

Date 2021	Cross-reference	Amount	Date 2021	Cross-reference	Amount

Date 2021	Cross-reference	Amount	Date 2021	Cross-reference	Amount

8 marks

END OF EXERCISE THREE