



GENERAL COMMENTS

As in previous years, the June 2009 examination comprised of two questions, with multiple parts to each question. Each question presented a business scenario with both practical and theoretical questions asked in the subsequent parts on a variety of areas from the *VCE Accounting Study Design*. There was a total of 90 marks available and students were allowed 90 minutes to complete the paper.

The majority of students were able to complete the examination. However, some students did not attempt all questions and appeared to select particular questions. This approach is not advisable as some responses may not be entirely correct. It is therefore vitally important that all students manage their time effectively and attempt all questions on the examination.

The balance between theory and practical questions was slightly different to the 2008 examination. Teachers and students are reminded that there is no predetermined weighting between practical and theoretical questions.

Each question dealt with a different business scenario and was worth 45 marks. Although this has been the trend over the last few years, the two questions may not be equally weighted in the future.

The 2009 examination provided a range of questions drawn from all parts of the study design. It is important for students to realise that all parts of the study may be covered on the examination. Students are strongly advised not to specialise based on the type of questions that have been presented in previous years.

Some students repeated the common errors noted on previous Assessment Reports. Correct titles are important in both Accounting records and reports and full titles should always be used when preparing ledger accounts. Common errors this year included the use of 'GST' rather than 'GST Clearing', 'Stock' instead of 'Stock Control', and 'Bank' rather than 'Bank/Discount Revenue' when a discount has been granted. Such errors have been identified in many past Assessment Reports and it is disappointing that students continue to miss out on marks through poor recording of titles. Titles are also important when preparing accounting reports. 'Debtors Control' is the correct title when preparing a balance sheet but it is not appropriate when preparing a Cash Flow Statement. As cash flow statements include all cash flows, the correct title in relation to debtors is 'Receipts from debtors' or 'Collections from debtors'.

This year the poor use of dates in subsidiary ledger accounts was a problem. Entries in general ledger accounts must be posted on the end of period date but subsidiary accounts must be recorded on the date that the events occurred. Many students incorrectly recorded information in the Creditors Subsidiary Ledger and were consequently penalised.

Students should also be aware that alien items were penalised. An alien is an item which simply does not belong in a report or record. For example, the item 'Cost of Sales' does not involve a flow of cash under any circumstances and therefore should never be reported in a Cash Flow Statement. It seemed that some students simply included all items presented in the question. Students must develop the expertise to recognise which items should and should not be included in particular accounting reports.

The issue of abbreviations also needs to be addressed. Students are advised that they should **not** abbreviate on Accounting examinations unless it is absolutely necessary. When there is adequate space provided, full titles should be used. In ledger accounts 'CAB' should not be used to denote 'Cash at Bank' (especially when 'Bank' is sufficient). The abbreviation 'COS' is **not** acceptable. The correct title of 'Cost of Sales' must be used. In accounting reports such as profit and loss statements, balance sheets and cash flow statements there is usually ample room for the full names of all items to be included. It is apparent that some students are looking for shortcuts in order to save time. Therefore, students are advised that abbreviations such as COGS (Cost of Goods Sold), Off Exp (Office Expenses) and AGP (Adjusted Gross Profit) are **not** acceptable and will be penalised.

Students also attempted to answer some questions using arrows to denote an increase or to replace the word 'overstated', however this is not acceptable. If a table is presented with choices such as Overstated and Understated, one of these two choices must be used as the response (refer to Question 1.7). Arrows or lines should not be used on such questions. Similarly, if students are asked to state Increase/Decrease/No change, one of these three responses must be used when answering such questions (refer to Question 2.2.3). Again, arrows or lines should not be used when completing such tables and answers of this type will be treated as incorrect responses.

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SPECIFIC COMMENTS

For each question, an outline answer (or answers) is provided. In some cases the answer given is not the only answer that could have been awarded marks.

Question 1

1.1.1

Marks	0	1	2	Average
%	6	47	47	1.4

CASH PAYMENTS JOURNAL

Date 2009	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
May 5	Bits and Bytes	75	880			800		80	
12	Wages	76	5 500				5 500		
16	Baker & Co	77	6 000		6 000				
20	A1 Suppliers	78	1 200		1 200				
22	GST Clearing	79	4 800						4 800
27	Computer World	80	3 300			3 000		300	
	Totals to date		21680		7 200	3 800	5 500	380	4 800
	Baker & Co	81	1617	33	<u>1 650</u>				
					<u>8 850</u>				

Students were awarded one mark for giving the name of the Creditor and the Cheque number, and one mark for including the correct amounts in the Bank, Discount Revenue and Creditors columns.

Questions of this type have appeared on previous Unit 3 examinations and students should be fully prepared to record details of business transactions in the special journals of a small business. Attention to detail is important in such questions as all details of the transaction must be recorded in order to achieve full marks.

Although it was pleasing that many students achieved full marks on this question, it was also quite disappointing that many students did not demonstrate knowledge in relation to the correct recording of the discount granted by the creditor.

1.1.2

Marks	0	1	Average
%	51	49	0.5

CASH RECEIPTS JOURNAL (SUMMARY)

Date 2009	Particulars	Rec. No.	Bank	Disc. expense	Debtors	Cost of sales	Sales	GST	Sundries
May 31	Totals		38 180 (1)	220	12 000	17 000	24 000	2 400	0

The Bank column total for the Cash Receipts Journal was \$38 180.

In what appeared to be a straightforward question worth one mark, many students could not accurately determine the amount of cash received for the period. This question tested students' knowledge of the Receipts Journal, particularly in relation to the non-cash items of Discount expense and Cost of Sales. In order to determine the amount of cash received, the following calculation was required: $(12000 - 220) + 24\ 000 + 2400 = 38\ 180$. The Discount expense of \$220 must be

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deducted from the amount shown in the Debtors column to determine the cash received from debtors. The Cost of Sales has been omitted from the calculation as it does not involve a cash inflow.

There were numerous incorrect responses to this question and students are strongly advised to pay attention to the basic recording of financial information in journals.

1.1.3

Marks	0	1	2	3	4	5	6	7	8	9	Average
%	13	5	4	5	5	7	11	16	21	12	5.5

This question consisted of three general ledger accounts each worth three marks.

CREDITORS CONTROL

Date 2009	Particulars	\$	Date 2009	Particulars	\$
31 May	Bank/Discount Revenue	8 850	1 May	Balance	7 200
	Balance	7 700	31 May	Stock control/GST Clearing	9 350
		16 550			16 550
			1 June	Balance	7 700

For the Creditors Control account, one mark each was allocated to the Bank/Discount Revenue, Stock Control/GST Clearing and Closing Balance entries.

Many students either did not attempt this question or did not show knowledge of how to record in a general ledger account. Other common errors included:

- the omission of the Discount Revenue, for example, simply writing 'Bank'
- using incorrect titles such as 'Stock' rather than 'Stock Control', and 'GST' rather than 'GST Clearing'
- failing to balance the account at the end of the month as required by the question
- using the name of the journal from where the entry was posted rather than the correct cross reference as the title. The cross reference names the other ledger account affected by the transaction. Names of journals should never be used as entries in ledger accounts.

STOCK CONTROL

Date 2009	Particulars	\$	Date 2009	Particulars	\$
1 May	Balance	52 000	31 May	Cost of Sales	17 000
31 May	Bank	3 800		Cost of Sales	9 400
	Creditors Control	8 500			

Errors made in the previous ledger account were often repeated in the Stock Control account. One mark each was awarded to the Bank, Creditors Control and Cost of Sales entries.

This account did not need to be balanced and students should not waste time balancing accounts unless required to do so.

GST CLEARING

Date 2009	Particulars	\$	Date 2009	Particulars	\$
31 May	Bank	4 800	1 May	Balance	4 800
	Bank	380		Debtors Control	1 350
	Creditors Control	850		Bank	2 400

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This account provided a good example of how the number of entries required should not be determined by the number of marks available. With three marks available, students should not assume that this equates to three entries being required. In this case, five entries needed to be made in order to achieve three marks – three Bank entries, the Creditors Control entry and the Debtors control entry.

The most common error on this question was the omission of the Bank entry for \$4800. This payment was for the settlement of the GST liability from the previous month (as shown by the opening balance). Students are advised to revise all elements of the ledger account templates so that obvious entries are not overlooked.

The payment of a GST liability and the receipt of a GST refund are an integral part of the study design and further questions on this area should be anticipated in the future.

1.2.1

Marks	0	1	2	3	Average
%	31	16	21	32	1.6

CREDITOR – Baker & Co

Date 2009	Particulars	\$	Date 2009	Particulars	\$
16 May	Bank	6 000	1 May	Balance	6 000
29	Bank/Discount Revenue	1 650	14	Stock control/GST Clearing	1 650
31	Balance	1 320	28	Stock control/GST Clearing	1 320
		8 970			8 970

After completing the Creditors Control account, many students did not record the transactions on an individual basis on separate dates as required in a subsidiary ledger account. Students were awarded one mark for the two debit entries involving the Bank account. To gain this mark, students needed to record Bank for the first entry and Bank/Discount Revenue for the second entry. This was because a discount was recorded in the journal as part of Question 1.1.1. Students received one mark for including two entries for Stock Control/GST Clearing and one mark for including both the opening and closing balances of the account.

Titles continue to be an issue for many students. Full titles must be used in subsidiary ledger accounts in exactly the same way as they are used in general ledger accounts. The only difference is that individual entries are made in subsidiary accounts and are posted on the actual date of the transaction. Students are reminded to revise the differences between general ledger and subsidiary ledger accounts.

1.2.2

Marks	0	1	2	Average
%	18	21	61	1.5

Bell Computing

Creditors Schedule at 31 May 2009

Creditor	\$
Baker & Co	1 320
City Traders	4 400
A1 Suppliers	1 980
Balance as per Creditors Control account	7 700 CR

This question was very well handled by most students. The balances for City Traders and A1 Suppliers were provided, with the balance of Baker & Co being carried down from the previous question. Students were awarded one mark for including the balances of City Traders and A1 Suppliers, and one mark for including the balance of Baker & Co and totalling the schedule.

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An important point to note is that regardless of the balance for Baker & Co determined in Question 1.2.2, this amount must be included in the Creditors schedule. Some students may have been under the impression that they had made errors in the subsidiary account and therefore did not include the balance in the schedule, possibly fearing a loss of marks for an incorrect total of the schedule. Students can be reassured that this type of error (known as a consequential error) will not be penalised twice.

1.3

Marks	0	1	Average
%	40	60	0.6

One of:

- allows totals to be posted from special journals to control accounts
- removes unnecessary detail from the general ledger
- provides a checking mechanism between the control account and the subsidiary ledger.

Most students could respond in a positive way to this question. However, students should ensure that they provide enough detail in their answers to gain the one mark available. Responses such as 'It is more efficient' did not provide enough information to gain the mark. Responses such as 'They remove detail' did not provide a full answer as this could refer to detail from another accounting record or report. The response should have indicated the removal of bulky detail from the general ledger. Students need to demonstrate their knowledge, and even with the shorter theory questions, students should ensure that they provide sufficient detail to be awarded marks.

1.4

Marks	0	1	2	Average
%	38	25	37	1

Qualitative characteristic – Reliability

The statement should be used to check that all transactions from that supplier have been recorded correctly by checking it against the entries in the creditor's subsidiary ledger account. This ensures that the information is free from personal bias.

One mark was awarded for identifying reliability and one mark for including a valid explanation.

Many students handled this question with ease and correctly identified the process of checking an account against a statement. However, many students incorrectly identified relevance as the qualitative characteristic. Students should note that relevance is not the answer to every question, with students commonly giving the explanation that it will affect decision making. It could be argued that all business documents affect decision making, but this question focused on **how the business could use the statement**. The checking of financial information is a vital part of accounting and this is done to ensure that reliability is satisfied. Students are encouraged to read the details of questions very carefully when asked to state either an accounting principle or a qualitative characteristic.

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1.5.1

Marks	0	1	2	3	4	5	6	Average
%	11	4	5	8	15	24	33	4.2

Bell Computing Profit and Loss Statement for Year Ended 30 June 2009

	\$	\$
Sales		344 000
<u>less Cost of Goods Sold</u>		
Cost of Sales	185 100	
Freight In	3 000	188 100
<u>Gross Profit</u>		155 900
plus Stock Gain		200
<u>Adjusted Gross Profit</u>		156 100
<u>plus Other Revenue</u>		
Discount Revenue		1 000
		157 100
<u>less Other Expenses</u>		
Bad Debts	1 500	
Depreciation – Equipment	10 700	
Office Expenses	9 000	
Wages	63 200	
Interest Expenses	17 000	101 400
<u>Net Profit</u>		55 700

The preparation of a Profit and Loss Statement has been required on many previous examinations. As the format is fully prescribed in the *VCE Accounting Study Design*, students should ensure that they are familiar with the format of this report.

One mark was awarded for each of:

- correctly classifying Cost of Sales and Freight In under the heading of 'Cost of Goods Sold'. Students also had to deduct the total of these two items from the sales figure of \$344 000
- the correct placement of Stock Gain and determining the Adjusted Gross Profit figure
- the correct placement of Discount Revenue under Other Revenue, and adding it to the Adjusted Gross Profit figure
- correctly identifying any three of the Other Expenses
- correctly identifying the remaining two expenses as part of Other Expenses
- following the prescribed format of the report, including correct headings such as Cost of Goods Sold, Gross Profit, Adjusted Gross Profit, Other Revenues, Other Expenses and Net Profit.

Students should be aware that when preparing formal accounting reports, they must use the prescribed format or marks may be sacrificed.

Although this question was handled well by most students, a number of students did not follow a formal layout. Students who simply list all revenues and expenses will be penalised and all items must be correctly classified in order to achieve full marks.

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1.5.2

Marks	0	1	2	3	4	Average
%	31	22	7	14	26	1.8

Bell Computing Balance Sheet (extract) as at 30 June 2009

	\$	\$
Current Liabilities		
Bank Overdraft	7 200	
Accrued Wages	1 800	
Creditors Control	27 200	
Mortgage Loan	20 000	56 200
Non-Current Liabilities		
Mortgage Loan		200 000
Owner's Equity		
Capital	271 000	
Plus Net Profit	55 700	
Less Drawings	(35 000)	291 700
Total Equities		547 900

This type of question has also featured on several previous examination papers. Students may be asked to prepare one or more parts of the report rather than a full balance sheet. In this question students were asked to prepare the Equities section of the report; Current Liabilities, Non-Current Liabilities and Owner's Equity needed to be presented.

One mark each was awarded for:

- correctly classifying the Bank Overdraft as a Current Liability
- correctly classifying Accrued Wages and Creditors Control as Current Liabilities
- splitting the Mortgage Loan between Current and Non-Current Liabilities and reporting \$20 000 and \$200 000 respectively
- completing the Owner's Equity section of the Balance Sheet, with all three components included.

The question required students to provide all equities of the business, yet many students only provided the Owner's Equity section of the report.

Other errors included:

- including accumulated depreciation as a liability. This was treated as an alien entry
- omitting the overdrawn bank amount completely. As this account had a credit balance, students were expected to be able to identify that this represented a bank overdraft
- including the entire mortgage as a Non-Current Liability
- using incorrect titles such as 'Loan Repayments' (rather than Mortgage Loan), 'Wages' (rather than Accrued Wages) and 'Sundry Creditors' (rather than Creditors Control).

1.5.3

Marks	0	1	2	Average
%	44	22	23	1

WAGES EXPENSE

Date 2009	Particulars	\$	Date 2009	Particulars	\$
	Bank	61 400	30 June	P & L summary	63 200
30 June	Accrued Wages	1 800			
		63 200			63 200

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This question provided students with the wages expense for the year along with the value of Accrued Wages at the end of the reporting period. In order to prepare the account correctly, students needed to work backwards to determine the amount of cash paid for wages during the period. This proved difficult for many students, with many responses showing the Bank entry as \$63 200. Three marks were available and three entries were required. However, students should also note that as they were required to **complete** the account and in order to receive full marks they were expected to show that the account had been closed off at the end of the reporting period (as shown in the account above).

1.5.4

Marks	0	1	2	Average
%	36	43	21	0.9

Amounts paid to or invoiced by suppliers for GST exceeds the amounts received from or invoiced to customers

A full explanation was required to receive full marks. Weaker responses referred to GST paid being greater than GST received but failed to recognise that GST charged and invoiced also plays a part in determining the balance of the GST Clearing account. Some students also referred to the possibility that a large amount of non-current assets may have been purchased or that the business experienced a large build-up in stock and this could cause a debit balance in the GST Clearing account. These are examples of correct statements that can be used as a second point in order to receive the second mark on this type of theory question.

1.5.5

Marks	0	1	2	Average
%	24	26	50	1.3

Classification – Current Asset

Explanation – Represents a future economic benefit that is expected to be used within the next twelve months

Most students responded well to this question. They correctly identified the prepaid item as a current asset and provided a valid explanation. Weaker responses simply stated 'asset', which was not accepted. Some students incorrectly stated 'expense', despite the fact that the question asked for classification in the Balance Sheet.

1.6

Marks	0	1	2	Average
%	65	23	12	0.5

The residual value is not going to be used by this business in earning revenue. It represents a potential inflow of future economic benefit at the end of the asset's life. This portion of the asset will be used up by someone else once the asset has been sold.

This question produced some very disappointing responses. Students were required to explain why residual value is deducted when determining depreciation. Many students simply repeated the question by stating that residual value is deducted to work out depreciation. The question asked students to explain **why** the residual value is deducted from the cost price when determining the depreciation expense for the period. Better responses explained that the asset would not be fully consumed or used up by this particular business. This question provided clear evidence of the importance of reading theoretical questions carefully.

1.7

Marks	0	1	2	3	Average
%	21	29	48	1	1.3

Effect on Profit and Loss Statement

Revenue Items	Overstated/Understated
Credit Sales	Understated
Stock Gain	Understated
Expense Items	
Cost of Sales	Understated

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One mark was allocated for each correct line in the table. Many students correctly identified that Credit Sales and Cost of Sales would be understated. Very few students, however, correctly identified Stock Gain as also being understated. This was an excellent test of accounting knowledge as there was a Stock Gain already identified in the question, however it appeared that most students did not notice this detail.

Students should note that when a table is presented with alternatives in its heading, one of these alternatives **must** be used in all responses. Therefore arrows, lines and abbreviations such as 'US' and 'OS' should not be used. Similarly, the words 'increased' or 'decreased' are not appropriate for this particular question. The only acceptable responses are the words 'overstated' or 'understated'.

1.8

Marks	0	1	2	3	Average
%	48	22	16	14	1

Under accrual accounting there is a difference between revenue earned and received and expenses paid and incurred. Cash and profit are therefore different resources. Examples include:

- receipts from Debtors were greater than Credit Sales made
- depreciation is an expense without a corresponding cash payment
- increase in creditor
- wages paid was less than the wages incurred for the period
- sale of a non-current asset for cash which is not a revenue item.

This type of question has appeared on many previous examinations but it must be read very carefully. Quite often the scenario involves a business having a profit yet experiencing a shortage of cash. This question presented a nice twist on this theme – that of having a net loss but an increase in the bank balance. Added to this was the fact that two constraints were also provided in the question – students could not respond with loan received or capital contribution. Students gave many different responses but many failed to answer the question and some simply stated the two constraints which were clearly identified in the question booklet. This question proved to be a difficult finish to the first half of the examination.

Question 2 – CARS R US

2.1.1

Marks	0	1	2	3	4	Average
%	27	19	20	20	13	1.8

GENERAL JOURNAL

Date 2009	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
1 Jan	Computer System	15 000			
	Delivery Truck	40 000			
	Prepaid Service Agreement	2 200			
	Truck Loan		25 000		
	Capital		32 200		

CASH RECEIPTS JOURNAL

Date 2009	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries
1 Jan	Capital	1	20 000						20 000



This question tested a variety of skills as students had to identify the agreed value of an asset, record the contribution of both assets and a loan, determine the balance of the capital contribution in the General Journal and then record the cash contribution in the Receipts Journal. The complexities of this question proved difficult for many students and they struggled to achieve more than one or two marks of the four available. One mark each was allocated for recording the computer at its agreed value, recording the prepaid service agreement, including delivery truck, loan and capital, and recording the cash contribution in the Cash Receipts Journal.

As with all journal entries, titles are important and incorrect titles were penalised.

Other errors included:

- recording the computer at its historical cost
- recording the cash contribution in the General Journal
- omitting the loan completely
- omitting the capital account in the General Journal.

2.1.2

Marks	0	1	2	3	Average
%	33	19	23	25	1.4

Qualitative characteristic – Relevance

Explanation – \$15 000 represents the current value of the non-current asset which is lower than its historical cost. This represents the future economic benefits embodied in the asset and available to this business. This would help the owner in making better decisions in regard to this asset and the business.

One mark was allocated for correctly identifying the qualitative characteristic, and two marks for the explanation. Many students incorrectly stated ‘reliability’, despite the fact that they had used an estimate (agreed value) in the previous question. This was contradictory as agreed values cannot be verified by source documents. Some students also mentioned items being free from bias, regardless of the fact that opinions were being used for the agreed value of the computer.

2.2.1

Marks	0	1	2	3	4	5	Average
%	4	1	2	3	12	78	4.5

Stock Card: A1 Deluxe Car Battery

Date	Details	IN			OUT			BALANCE		
		Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$
1	Balance							8	140	1 120
7	Inv. 122				6	140	840	2	140	280
11	Inv. X45	10	120	1200				2 10	140 120	1480
14	Rec. 28				2 2	140 120	520	8	120	960
15	Memo 15				2	120	240	6	120	720
30	Memo 16				1	120	120	5	120	600

This question was very well handled by the majority of students, with many students gaining full marks. Stock cards have been presented on a number of previous examinations and students appeared well versed in their preparation. However, common errors continue to be made, such as:

- including GST in the cost price of stock

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- using selling prices in the Out column, rather than cost prices
- omitting document numbers in the details column, or recording descriptions of transactions (such as credit sales) rather than document numbers.

2.2.2

Marks	0	1	2	Average
%	34	21	45	1.1

Higher Cost of Sales expense as the more expensive stock is assumed to be sold first. This leads to a lower net profit.

This question provided a variety of responses, with many students not able to fully explain the workings of the first-in-first-out method. Some of the weaker responses identified that Cost of Sales would be higher but then failed to explain the impact on profit. Students are reminded that they should always ensure that a full explanation has been provided in order to maximise the number of marks awarded.

2.2.3

Marks	0	1	2	3	Average
%	13	37	15	34	1.7

Effect on Balance Sheet

Item	Increases/Decreases/No Change
Effect on Assets	No change
Effect on Liabilities	Decreases
Effect on Owner's Equity	Increases

One mark was allocated for each line of the table. Students are again strongly advised to use one of the alternatives listed in the table provided. Arrows, lines and abbreviations such as NC, Dec and Inc should not be used under any circumstances. Although this question was reasonably well handled, many students obviously did not realise that Discount Revenue decreases the balance owing to creditors. The other key error was that some students produced tables that were illogical as the accounting equation would not balance (for example, increase assets, decrease liabilities and no change in Owner's Equity would be an illogical response).

2.2.4

Marks	0	1	2	Average
%	41	30	29	0.9

Expenses represent outflows of economic benefits in the form of a decrease in assets that reduce owner's equity. The donation of stock represents a reduction in assets and is done for advertising purposes, thereby qualifying as an expense item.

This question was well handled by some students but misinterpreted by many others or simply not attempted. Students are advised to avoid rote-learned definitions and not to make statements such as 'either a decrease in assets or a reduction in an inflow'. When goods are donated it is clear that an asset has been decreased (that is, stock) and inflows are not affected. Students should keep in mind that if a definition is going to be quoted they should only use the part of the definition that applies to the question at hand.

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2.3.1

Marks	0	1	2	3	4	5	6	7	8	Average
%	13	4	4	6	8	10	18	28	9	4.9

CARS R US CASH FLOW STATEMENT FOR 6 MONTHS ENDED 30 JUNE 2009

Cash Flow from Operating Activities	\$	\$
Cash Sales	86 000	
Receipts from Debtors	13 500	
GST Received	8 600	108 100
Payments to Creditors	(47 600)	
Stock Purchases	(12 000)	
Wages Expense	(14 000)	
GST Paid	(3 000)	
Prepaid rent	(12 000)	
Interest Expense	(500)	(89 100)
Net Cash from Operating Activities		19 000
Cash Flow from Investing Activities		
Purchase of furniture	(18 000)	
Net Cash from Investing Activities		(18 000)
Cash Flow from Financing Activities		
Capital	30 000	
Drawings	(12 700)	
Loan Repayment	(5 000)	
Net Cash from Financing Activities		12 300
Net Increase/(Decrease) in Cash		13 300
Cash at Bank (01/01/2009)		0
Cash at Bank (30/06/2009)		13 300

As was the case with the Profit and Loss Statement in Question 1.5.1, the preparation of a Cash Flow Statement must be done in a prescribed fashion. It is recommended that cash outflows are denoted through the use of brackets and a sub-total for each of the three classifications should be determined.

One mark each was awarded for:

- Cash Sales and GST Received
- Receipts from Debtors and Payments to Creditors
- Stock Purchases, Wages and GST paid
- Prepaid Rent and Interest on Loan
- Purchase of furniture
- Capital (\$30 000 and not just the initial \$20 000)
- Drawings and Loan Repayment
- completing the last three lines of the report.

Overall this question was handled well but common errors were made once again. These errors included:

- including discounts in the receipts from debtors and payments to creditors
- using incorrect titles such as Stock Control, rather than Purchases of Stock
- reporting \$20 000 as the Capital contribution, despite the fact that \$30 000 had been contributed during the six-month reporting period
- not identifying outflows through the use of brackets
- incorrectly classifying interest expense as a financing item
- including Accrued Expenses and Cost of Sales in the Cash Flow Statement.

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2.4.1

Marks	0	1	2	Average
%	13	56	30	1.2

Calculation	
$\frac{\$18\,000 \text{ less } \$3\,000}{10 \text{ years}} = \$1\,500\text{pa} * 1/12 = \125	
Depreciation amount	\$ 125

This question should have been an easy two marks for students but many failed to identify that the asset had only been owned for one month. Many students determined the yearly depreciation and left this as their answer or divided it by two to get six months' depreciation. Although the reporting period was only for six months, the depreciation calculation had to be for one month. Students continue to struggle with depreciation unless it is simply for an entire year. It is also timely to remind students to always show workings in the box provided as calculation errors may be made and marks may still be awarded if workings are accurate and they demonstrate knowledge being tested by the question.

2.4.2

Marks	0	1	2	3	4	5	6	7	Average
%	16	5	7	10	14	19	17	11	3.8

GENERAL JOURNAL

Date 2009	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
30 June	Depreciation of furniture	125			
	Accumulated dep'n of furniture		125		
	Electricity Expense	250			
	GST Clearing	25			
	Wages Expense		275		
	Drawings	1 100			
	Stock Control/Stock Loss		1 100		
	Rent Expense	8 000			
	Prepaid Rent Expense		8 000		

This question produced some very good answers but also some disappointing responses. Students should be well versed in balance day adjustments but many basic errors were made in this General Journal. The seven marks were allocated as follows:

- one mark for the Depreciation adjusting entry (both Debit and Credit required)
- one mark for the two accounts of Electricity and GST Clearing
- one mark for the credit entry to Wages expense
- two marks for Drawings and Stock Control (or Stock Loss)
- two marks for the adjusting entry for Rent Expense, including the correct amount of \$8000.

Common errors included:

- incorrect titles, such as Depreciation Expense, GST, Stock and Prepayments. Full titles should always be used in all journal entries
- some students recorded a different Depreciation value, despite correctly calculating it in the previous question
- many students failed to include the adjustment to the GST Clearing account
- miscalculating the amount of Rent Expense incurred.

2009 Assessment Report



As the question provided a pre-adjustment trial balance but included an item called Stock Loss, two answers were accepted for the Credit entry for the Drawings of stock. If a Stock Loss has been recorded already, Drawings would decrease this Stock Loss. However, if a pre-adjusted trial balance is presented, an adjustment for stock loss would not already be recorded. Therefore, because of this anomaly, the two possible answers were both accepted as correct responses.

2.4.3

Marks	0	1	2	Average
%	21	9	70	1.5

Accounting principle – Entity principle

Justification – That the owner and the business are separate entities and that their financial records should be kept on this basis.

This question was very well answered by the majority of students. Most students correctly identified entity as the accounting principle and had little difficulty in providing a justification for their answer.

2.5.1

Marks	0	1	2	Average
%	32	12	56	1.3

GENERAL JOURNAL

Date 2009	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
30 June	Credit Sales	22 000			
	Cash Sales	86 000			
	Discount Revenue	400			
	P/L Summary		108 400		

Two marks were allocated to this question, with one mark being for the Debit entries to the three revenue accounts. Regardless of how many revenue accounts were identified, the other mark was still available, as long as students identified that the Credit entry was to the P/L Summary account.

This question did not present much of a problem for most students, with many earning full marks. Common errors were reversing the Debits and Credits and omitting the Discount Revenue account.

2.5.2

Marks	0	1	2	3	4	5	Average
%	31	6	8	13	32	11	2.4

PROFIT AND LOSS SUMMARY

Date 2009	Particulars	\$	Date 2009	Particulars	\$
30 June	Expenses	83 400	30 June	Revenues	108 400
	Capital	25 000			
		108 400			108 400

CAPITAL

Date 2009	Particulars	\$	Date 2009	Particulars	\$
30 June	Drawings	13 800	30 June	Balance	62 200
	Balance	73 400		P & L Summary	25 000
		87 200			87 200

2009 Assessment Report



Responses to this question were a little disappointing. It appeared that some students may have run out of time and only partially completed the question. One mark each was awarded for:

- including both Revenues and Expenses in the Profit and Loss Summary account
- determining the Capital entry of \$25 000
- the credit entry of \$25 000 in the Capital account
- the Drawings entry in the Capital account
- determining the closing balance of the Capital account.

Common errors included:

- incorrectly recording the total expenses in the Profit and Loss Summary account
- writing Net profit, rather than Capital in the Profit and Loss Summary account
- failing to adjust the Drawings balance, despite often including the correct balance day adjustment in the General Journal prepared for Question 2.4.2
- failing to determine the closing balance of the capital account

Many students were awarded four marks but often did not receive the fifth mark due to a careless error. Such errors may be the result of rushing towards the end of writing time. This question illustrates how important it is for students to manage their writing time as the last question on the examination provided an opportunity for students to receive five marks for a fairly straightforward question.