Letter

STUDENT

 NUMBER

|  |  |  |  |  |  |  |  |
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**ACCOUNTING UNITS 3 & 4**

2019

**TRIAL EXAM 1**

Reading time: 15 minutes

Writing time: 2 hours

**SOLUTIONS BOOK**

**Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room**

• A question book is provided with this answer book

• Answer all questions in the spaces provided in this book.

• Write your **student number** in the space provided above on this page.

• Refer to **Instructions** on the front cover of the question book.

**Question 1**

**a. General Ledger**

**Accounts Receivable - Main Drive Cricket Club**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Cross-reference** | **Amount** | **Date** | **Cross-reference** | **Amount** |
| **1 May** | **Balance** | **880** | *7 May* | *Bank* | *880* |
| *15 May* | *Sales / GST Clearing* | *440* | *21 May* | *Bank / Discount Expense* | *440* |
| *28 May* | *Sales / GST Clearing* | *825* | *31 May* | *Balance* | *825* |
|  |  | *2 145* |  |  | *2 145* |
|  |  |  |  |  |  |
| *1 June* | *Balance* | *825* |  |  |  |

**3 + 1 = 4 marks**

***Suggested marking scheme:***

* *1 mark for transactions on 15 and 28 May*
* *1 mark for transaction on 7 May*
* *1 mark for transaction on 21 May*
* *1 mark for closing balance*

**b.**

|  |  |
| --- | --- |
| **Explanation**  |  |
| *Liabilities will decrease by 418 overall as bank overdraft will decrease by 418.*  |
| *Owner’s Equity will decrease by 22 overall because discount expense will increase by 22, decreasing Net* |
| *Profit.*  |

**2 marks**

***Suggested marking scheme:***

* *1 mark for Liabilities*
* *1 mark for Owner’s Equity*
* *Complete reversal (treated as a Payment to an Account Payable) is - 1 mark only*
* *Look for consequential errors from part a*

**c.**

|  |  |
| --- | --- |
| **Explanation**  | *The Statement of Account that is received by Main Drive Cricket Club from their supplier* |
| *should be checked against their own records, to support Faithful Representation in their accounting*  |
| *reports. This will ensure that the amount they have reported as a Current Liability to Simply Sportswear* |
| *is complete and free from error.*  |

**2 marks**

***Suggested marking scheme:***

* *1 mark for identification of Faithful Representation and definition*
* *1 mark to improved accuracy of the recording process*

**d.**

|  |  |
| --- | --- |
| **Justification**  |  |
| *Discount Revenue is a decrease to Liabilities (Accounts Payable - Simply Sportswear)* |
| *and an increase to Owner’s Equity*  |
|  |

**1 mark**

***Suggested marking scheme:***

* *Must include reference to Accounts Payable for full marks*

**e.**

**General Journal**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date****2019** | **Account** | **Debit****$** | **Credit****$** |
| *10 June* | *Sales Returns* | *300* |  |
|  | *GST Clearing*  | *30* |  |
|  | *Accounts Receivable - Simply Sportswear* |  | *330* |
|  | *Inventory* | *200* |  |
|  | *Cost of Sales* |  | *200* |
|  |  |  |  |
|  | *Return of 20 cricket bats from customer - damaged (Credit Note 12)*  |  |  |
|  |  |  |  |

**4 marks**

***Suggested marking scheme:***

* *1 mark for Sales Returns and GST Clearing*
* *1 mark for Accounts Receivable - must include the reference to Simply Sportswear*
* *1 mark for Inventory and Cost of Sales*
* *1 mark for narration that must include quantity, type of inventory, reason for the return and source document reference*

**f.**

|  |  |
| --- | --- |
| **Discussion**  |  |
| *Currently the delivery van uses the Straight-Line method and the Office Furniture and Fittings uses* |
| *the Reducing Balance method. The accountant is correct in their recommendation as the method of*  |
| *depreciation selected should match the revenue earning patterns of the asset.*  |
|  |
| *As the delivery can has moving parts it is more likely to contribute more to revenue when it is new and* |
| *productive and less as it ages, therefore the Reducing Balance method would be more appropriate.*  |
|  |
| *The Office Furniture and Fittings, however, would likely contribute evenly to revenue over its useful life* |
| *and therefore, a consistent depreciation expense should be recorded against the consistent revenue that*  |
| *the asset generates.*  |
|  |
| *However, by changing the methods used to depreciate these Non-Current Assets, the business will be*  |
| *breaching Comparability which requires that financial information can be compared against other*  |
| *periods through the use of consistent accounting methods.*  |
|  |
| *By changing the methods used, the business may also be breaching the Relevance characteristic and the* |
| *Period assumption, as a change in method will alter the expense recognised in each period, resulting in*  |
| *a difference in Net Profit. Users of the reports who depend on this information may have their decision*  |
| *making negatively impacted.*  |
|  |

**4 marks**

***Suggested marking scheme:***

* *Global marking; however, references to Accounting Assumptions and Qualitative Characteristics must be made*
* *A reference to the revenue earning pattern must be present (do not accept any reference to ‘moving parts’ in its place)*

**g.**

|  |  |
| --- | --- |
| **Overstated / Understated / No Effect (circle one)**  | *No Effect* |
| **Justification** |
| *The method used to depreciate Non-Current Assets will not matter at the end of the asset’s useful life* |
| *as the total amount recognised as depreciation expense will be the same under both methods.*  |
|  |

**1 + 1 = 2 marks**

***Suggested marking scheme:***

* *1 mark for effect*
* *1 mark for consequential justification*

**Question 2**

**a.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Calculation** |  |  |  |  |  |
|  |  |  |  |  |
|  | *Trailer**Modifications* | *$14 500**$900* |  |  |
| **Cost of trailer** | **$** *15 400* |

**1 mark**

***Suggested marking scheme:***

* *1 mark for correct calculation of cost price*

**b.**

|  |  |
| --- | --- |
| **Justification** | *The modifications form part of the cost of the Non-Current Asset*  |
| *as they are a necessary cost incurred in order to get the trailer into a condition ready for use and* |
| *will provide a benefit over the entire useful life of the Non-Current Asset* |
|  |

**2 marks**

***Suggested marking scheme:***

* *1 mark for consequential explanation of inclusion of structural modifications as part of cost price*
* *1 mark for explanation that includes both parts of the definition of “Cost of a Non-Current Asset”*

**c.**

**Smith’s Landscapes**

**Balance Sheet (extract) as at 30 June 2019**

|  |  |  |
| --- | --- | --- |
| ASSETS | **$** | **$** |
| Current Assets |  |  |
| *Prepaid Service Agreement* |  | *150* |
|  |  |  |
| **Non-Current Assets** |  |  |
| *Trailer* | *15 400* |  |
| *Less: Accumulated Depreciation (of Trailer)* | *(3 465)* | *11 935* |

**3 marks**

***Suggested marking scheme:***

* *1 mark for calculation of Prepaid Service Agreement, including the reference to the word “Prepaid”*
* *1 mark for the cost of the trailer which is consequential to part a*
* *1 mark for the calculation of Accumulated Depreciation (may be consequential to part a)*

**d.**

|  |  |
| --- | --- |
| **Explanation** | *Given that the carrying value represents the remaining future economic benefit of the* |
| *trailer, the cost is no longer relevant to decision making*  |
| *AND Allows the owner to determine when the trailer is nearing time for repair / replacement*  |
|  |

**2 marks**

***Suggested marking scheme:***

* *1 mark for a reference to the purpose of Carrying Value*
* *1 mark that links to decision making*

**e.**

**General Journal**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date****2020** | **Account** | **Debit****$** | **Credit****$** |
| *28 Feb* | *Prepaid Rent Expense*  | *6 300* |  |
|  | *GST Clearing*  | *630* |  |
|  | *Bank* |  | *6 930* |
|  |  |  |  |

**2 marks**

***Suggested marking scheme:***

* *1 mark for Prepaid Rent and GST Clearing*
* *1 mark for Bank*

**f. General Ledger**

**Prepaid Rent Expense**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Cross-reference** | **Amount** | **Date** | **Cross-reference** | **Amount** |
| *1 Jan* | *Balance* | *1 900* | *30 Jun* | *Rent Expense* | *6 100* |
| *28 Feb* | *Bank* | *6 300* | *30 Jun* | *Balance* | *2 100* |
|  |  |  |  |  |  |
|  |  | *8 200* |  |  | *8 200* |
| *1 July* | *Balance* | *2 100* |  |  |  |

**4 marks**

***Suggested marking scheme:***

* *1 mark for opening balance*
* *1 mark for payment of Rent on 28 February (consequential to part e)*
* *1 mark for Rent consumed on 30 June*
* *1 mark for closing balance*

**Question 3**

**a.**

|  |  |
| --- | --- |
| **Explanation** |  |
| *At the time of payment, none of the commercials had been run, as they were to begin in July only.* |
| *Given that none of the expense had yet been consumed, the entire amount represented a future economic* |
| *benefit, so the recording of the advertising as an Asset is correct.*  |

**2 marks**

***Suggested marking scheme:***

* *1 mark for recognition that the advertising commences in July*
* *1 mark for the reference to the consumption of the expense not having occurred at the time of payment*

**b.**

**General Journal**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date****2019** | **Account** | **Debit****$** | **Credit****$** |
| *31 Dec* | *Advertising Expense* | *1 200* |  |
|  | *Prepaid Advertising* |  | *1 200* |
|  |  |  |  |
| *31 Dec* | *Wages* | *640* |  |
|  | *Accrued Wages* |  | *640* |
|  |  |  |  |
| *31 Dec* | *Depreciation of Shelving* | *1 800* |  |
|  | *Accumulated Depreciation of Shelving* |  | *1 800* |
|  |  |  |  |
| *31 Dec* | *Inventory Loss* | *1 400* |  |
|  | *Inventory* |  | *1 400* |
|  |  |  |  |

**2 + 1 + 1 + 1 = 5 marks**

***Suggested marking scheme:***

* *2 marks for consumption of Prepaid Advertising*
* *1 mark for Accrued Wages and Wages*
* *1 mark for Depreciation of Shelving and Accumulated Depreciation of Shelving*
* *1 mark for Inventory Loss and Inventory*

**c. Gigs Guitars**

 **Income Statement for the year ended 31 December 2019**

|  |  |  |
| --- | --- | --- |
|  | **$** | **$** |
| ***Revenues*** |  |  |
| *Sales*  |  | *120 000* |
|  |  |  |
| ***Less: Cost of Goods Sold*** |  |  |
| *Cost of Sales* | *76 000* |  |
| *Freight Inwards* | *4 000* | *80 000* |
|  |  |  |
| ***Gross Profit*** |  | *40 000* |
| *Less: Inventory Loss* |  | *1 400* |
|  |  |  |
| ***Adjusted Gross Profit*** |  | *38 600* |
| ***Add: Other Revenues*** |  |  |
| *Discount Revenue* |  | *700* |
|  |  | *39 300* |
| ***Less: Other Expenses*** |  |  |
| *Rent*  | *12 000* |  |
| *Bad Debts* | *6 000* |  |
| *Advertising* | *1 200* |  |
| *Wages* | *45 640* |  |
| *Depreciation of Shelving*  | *1 800* | *66 640* |
|  |  |  |
| ***Net Profit / (Net Loss)*** |  | *27 340* |

**6 marks**

***Suggested marking scheme:***

* *1 mark for Sales and Discount Revenue*
* *1 mark for Cost of Sales and Freight Inwards*
* *1 mark for Inventory Loss (consequential)*
* *1 mark for Rent and Bad Debts*
* *1 mark for Advertising and Depreciation of Shelving (consequential)*
* *1 mark for Wages*
* *- 1 for formatting errors including abbreviations and missing subtotals*
* *- 1 for alien entries*

**d.**

|  |  |
| --- | --- |
| **Explanation**  |  |
| *There are Bad Debts indicating that cash is not being collected from some Accounts Receivable*  |
| *Also, there is no Discount Expense which indicates that Accounts Receivable are not taking advantage of* |
| *the credit terms, possibly because the discount percentage is too low and the discount period too short*  |

**2 marks**

***Suggested marking scheme:***

* *1 mark for identification of Bad Debts*
* *1 mark for identification and explanation of Discount Expense*

**e.**

**Gigs Guitars**

**Balance Sheet (extract) as at 31 December 2019**

|  |  |  |
| --- | --- | --- |
| ASSETS | **$** | **$** |
| Current Assets |  |  |
| *Accounts Receivable* | *43 000* |  |
| *GST Clearing* | *4 100* |  |
| *Inventory* | *207 600* |  |
| *Prepaid Advertising* | *1 500* | *256 200* |
|  |  |  |

**3 marks**

***Suggested marking scheme:***

* *1 mark for Accounts Receivable and GST Clearing*
* *1 mark for Inventory (check consequential to part b)*
* *1 mark for Prepaid Advertising (check consequential to part b)*

**f.**

|  |  |
| --- | --- |
| **Example**  | *Bad Debts / Depreciation / Advertising consumed < Advertising paid*  |
|  | *Wages consumed > Wages paid*  |
| **Explanation** |
| *Explanation of selected example with link back to Cash vs Profit*  |
|  |
|  |

**1 + 2 = 3 marks**

***Suggested marking scheme:***

* *1 mark for appropriate example*
* *1 mark for explanation*
* *1 mark linking to Cash vs Profit*

**g.**

|  |  |
| --- | --- |
| **Explanation**  | *Possible answers may include, but are not limited to:*  |
| 1. *employees should be paid fairly and correctly for hours worked*
 |
| 1. *negative publicity regarding mistreatment of employees if they remain unpaid*
 |
| 1. *unpaid staff may launch legal action against Gigs Guitars*
 |

**2 marks**

***Suggested marking scheme:***

* *Accept any appropriate ethical consideration*

**h. General Ledger**

**Capital**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Cross-reference** | **Amount** | **Date** | **Cross-reference** | **Amount** |
| *18 Dec* | *Drawings* | *29 000* | *1 Jan* | *Balance* | *141 300* |
|  |  |  | *14 Mar* | *Bank* | *21 900* |
|  |  |  | *31 Dec* | *Profit and Loss Summary* | *27 340* |
|  |  |  |  |  |  |

**4 marks**

***Suggested marking scheme:***

* *1 mark for opening balance*
* *1 mark for capital contribution*
* *1 mark for drawings*
* *1 mark for transfer of net profit (consequential to part c)*

**Question 4**

**a.**

**General Journal**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date****2019** | **Account** | **Debit****$** | **Credit****$** |
| *1 Jan* | *Bank* | *3 800* |  |
|  | *Premises (Warehouse)*  | *100 000* |  |
|  | *Vehicle* | *24 000* |  |
|  | *Inventory* | *42 000* |  |
|  | *GST Clearing* | *4 200* |  |
|  | *Loan - Commonwealth Bank* |  | *100 000* |
|  | *Loan - OzE Car Finance* |  | *12 000* |
|  | *Capital - Sam* |  | *62 000* |
|  |  |  |  |

**6 marks**

***Suggested marking scheme:***

* *1 mark for Bank*
* *1 mark for Vehicle and Premises (Warehouse)*
* *1 mark for Inventory and GST Clearing*
* *1 mark for Loan - Commonwealth Bank (name of bank must be present)*
* *1 mark for Loan - OzE Car Finance (name of bank must be present)*
* *1 mark for Capital (consequential)*

**b.**

|  |  |
| --- | --- |
| **Explanation**  | *The purchase of the vehicle by Sam privately related to a different accounting entity that* |
| *is to be kept separate from the business.* |
| *The value that is relevant to the business at the point of contribution is the fair value, as this is the point*  |
| *at which the value was transferred from one entity to another.*  |

**2 marks**

***Suggested marking scheme:***

* *1 mark for reference to Accounting Entity*
* *1 mark for reference to the difference in value of the asset at the point of contribution*

**Question 5**

**a.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Calculation** |  |  |  |  |  |
|  |  *Supplier’s Price $50 plus Freight Charge $12 = $62* |  |
| **Cost price of one top hat**  | *$62* |

**1 mark**

***Suggested marking scheme:***

* *1 mark for entire calculation*

**b.**

|  |  |
| --- | --- |
| **Discussion**  |  |
|  |
| *The logos could be treated as a Product Cost because they are a cost incurred in order to get the*  |
| *top hats into a condition ready for sale, as the process of attaching them occurs prior to the point of sale.* |
| *Furthermore, the cost can be allocated to individual top hats on a logical basis.*  |
|  |
| *However, the cost of each logo amounts to $0.25 cents per top hat. Given that this amount is so small* |
| *relative to the cost price of each top hat, it may not be deemed significant or material enough to affect* |
| *decision-making.*  |
|  |
| *Therefore, it is appropriate for the cost to be treated as a Period Cost and expensed immediately in the*  |
| *period of purchase. The accountant is correct in their treatment.*  |
|  |
|  |
|  |
|  |
|  |

**3 marks**

***Suggested marking scheme:***

* *Global marking, but a reference to Materiality is essential for full marks*
* *A conclusion must be made given the nature of the question - “do you agree”?*

**c.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Item:** | Top hats (black)  | **Location:** | Storeroom Aisle 2 Row 7 |
| **Code:** | THB-75 | **Supplier:** | Magicians ‘R Us |
|  |  | **IN** | **OUT** | **BALANCE** |
| **Date****2019** | **Details** | **Qty** | **Cost** | **Total** | **Qty** | **Cost** | **Total** | **Qty** | **Cost** | **Total** |
| *1 Oct* | *Inv. C131 /* | *5* | *62* | *310* |  |  |  | *5* | *62* | *310* |
|  | *Inv. FLX99* |  |  |  |  |  |  |  |  |  |

**1 mark**

***Suggested marking scheme:***

* *1 mark for (combined) full entry including both source document references*

**d.**

|  |  |  |
| --- | --- | --- |
|  | **Overstated / Understated / No Effect** | **Amount** |
| **Effect on Gross Profit**  | *Understated* | *$24* |
| **Justification** *COGS would be overstated by $24 therefore Gross Profit would be understated by $24.* |
| *If period costing was used, 100% of the freight would be recognised as COGS (i.e. $120)* |
| *If product costing was used, only 8/10 of the logo would be recognised as Cost of Sales (i.e. $96)* |

**1 + 1 + 1 = 3 marks**

***Suggested marking scheme:***

* *1 mark for effect on Gross Profit*
* *1 mark for calculation of amount*
* *1 mark for consequential explanation*

**Question 6**

**a.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Calculation** |  | *SP= CP x (1 + mark-up)**500 = 250 x (1 + mark-up)**Mark-up = 100%* |  |  |  |
|  |  |  |  |  |
| **Percentage mark-up** | *100%* |

**1 mark**

***Suggested marking scheme:***

* *1 mark for correct calculation of mark-up percentage*

**b. General Ledger**

**Accounts Receivable**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Cross-reference** | **Amount** | **Date** | **Cross-reference** | **Amount** |
| *1 Mar* | *Balance* | *4 900* |  | *Bank* | *4 600* |
|  | *Sales / GST Clearing* | *12 100* |  | *Discount Expense*  | *700* |
|  |  |  |  | *Sales Returns / GST Clearing* | *550* |
|  |  |  |  | *Allowance for Doubtful Debts / GST Clearing* | *1 650* |
|  |  |  | *31 Mar* | *Balance* | *9 500* |
|  |  | *17 000* |  |  | *17 000* |
| *1 Apr* | *Balance* | *9 500* |  |  |  |

**6 marks**

***Suggested marking scheme:***

* *1 mark opening and closing balance*
* *1 mark Credit Sales*
* *1 mark Discount Expense*
* *1 mark Sales Return*
* *1 mark Allowance for Doubtful Debts*
* *1 mark Receipt from Accounts Receivable (consequential)*

**c.**

**Cash Flow Statement (extract) for March 2019**

|  |  |  |
| --- | --- | --- |
|  | **$** | **$** |
| **OPERATING ACTIVITIES** |  |  |
| *Cash Sales* | *2 000* |  |
| *GST Received* | *200* |  |
| *Receipts from Accounts Receivable*  | *4 600* | *6 800* |
|  |  |  |
| *Payments to Accounts Payable*  | *(5 900)* | *(5 900)* |
|  |  |  |
| *Net Cash Flows from Operating Activities* |  | *900* |

**4 marks**

***Suggested marking scheme:***

* *1 mark for Cash Sales*
* *1 mark for GST Received*
* *1 mark for Receipts from Accounts Receivable (consequential to part b)*
* *1 mark for Payments to Accounts Payable*
* *- 1 mark for missing subtotals and/or title errors*

**Question 7**

**a.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Item:** | XL Jarlsberg Cheese Wheel | **Location:** | Warehouse Bay 14 |
| **Code:** | XLJCW - 001 | **Supplier:** | Jarlsberg |
|  |  | **IN** | **OUT** | **BALANCE** |
| **Date****2019** | **Details** | **Qty** | **Cost** | **Total** | **Qty** | **Cost** | **Total** | **Qty** | **Cost** | **Total** |
|  **1 June** | **Balance** |  |  |  |  |  |  | **30** | **40** | **1 200** |
|  |  |  |  |  |  |  |  | **55** | **30** | **1 650** |
| *9 June* | *Inv. 98* |  |  |  | *30* | *40* | *1 200* | *-* | *-* | *-* |
|  |  |  |  |  | *50* | *30* | *1 500* | *5* | *30* | *150* |
| *17 June* | *Inv. OP141* | *100* | *20* | *2 000* |  |  |  | *5* | *30* | *150* |
|  |  |  |  |  |  |  |  | *100* | *20* | *2 000* |
| *25 June*  | *Inv. 99* |  |  |  | *5* | *30* | *150* | *-* | *-* | *-* |
|  |  |  |  |  | *15* | *20* | *300* | *85* | *20* | *1 700* |
|  |  |  |  |  |  |  |  |  |  |  |

**3 marks**

***Suggested marking scheme:***

* *1 mark for each entry*
* *- 1 overall for incorrect details*
* *ignore transposition errors in ‘Total’ columns*

**b.**

|  |
| --- |
| **Explanation** |
| *In times of decreasing prices, FIFO assumes that the older, and therefore more expensive, inventory is*  |
| *sold first, and that the newer, and therefore cheaper, inventory remains on hand.*  |
| *This may lead to a potential overstating of Cost of Sales expense, and therefore a potential understating of* |
| *Gross Profit.* |

**2 marks**

***Suggested marking scheme:***

* *1 mark for implication of decreasing prices*
* *1 mark for effect on both Cost of Sales and Gross Profit*

**c.**

**General Journal**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date****2019** | **Account** | **Debit****$** | **Credit****$** |
| *29 June* | *Advertising* | *60* |  |
|  | *Inventory* |  | *60* |
|  |  |  |  |

 ***Suggested marking scheme* 2 marks*:***

* *1 mark for each entry (consequential to part a)*

**d.**

**General Journal**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date****2019** | **Account** | **Debit****$** | **Credit****$** |
| *14 July* | *Accounts Receivable - Western Distributors* |  | *440* |
|  | *Sales* | *400* |  |
|  | *GST Clearing* | *40* |  |
|  | *Cost of Sales* |  | *250* |
|  | *Drawings* | *250* |  |
|  |  |  |  |

**4 marks**

***Suggested marking scheme:***

* *1 mark for Accounts Receivable - Western Distributors*
* *1 mark for Sales and GST Clearing*
* *1 mark for Cost of Sales*
* *1 mark for Drawings*

**e.**

|  |  |  |
| --- | --- | --- |
|  | **Increase / Decrease / No Effect** | **Amount** |
| **Assets** | *Increase (Accounts Receivable - Western Dist. inc. 440; Inventory dec. 250)* | *190* |
| **Equities** | *Increase (GST Clearing inc. 40; Sales inc. 400; Cost of Sales inc. 250)* | *190* |

**1 + 1 = 2 marks**

**100 marks**

***Suggested marking scheme:***

* *1 mark for effect on Assets*
* *1 mark for effect on Equities*

**End of Answer Book**

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