**STAGE 2 - ACCOUNTING 2020**

Assessment Type 1: Accounting Concepts and Solutions

Task 2: Supervised Task on Balance Day Adjustments

**Student Name/SACE No: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Purpose**

To demonstrate your ability to:

* Record, communicate and report accounting information as a result of the accrual accounting concept.
* Communicate financial information in an accounting context.

**Task description**

You are employed as a bookkeeper by Barker’s Dog Barn. You have been asked to prepare the following financial information for the owner from the Trial Balance provided. You are also required to provide accounting advice to the owner where required.

**Description of assessment**

This task allows you to show your skills in preparing the Income Statement, the Balance Sheet and the Statement of Changes in Equity. There are also short answer questions which allow you to show how Accounting Concepts influence the preparation of these statements.

**Assessment conditions**

The task is completed under supervision within 60 minutes. The marks allocated for each question are indicated throughout the task.

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| ***Learning Requirements*** | ***Assessment Design Criteria*** | ***Capabilities*** |
| 1. Understand and explore accounting concepts and conventions 2. Apply accounting concepts and conventions to create accounting information 3. Explore and interpret stakeholder needs to inform accounting information requirements 4. Analyse and evaluate accounting information to manage financial sustainability 5. Analyse and evaluate accounting information to develop and propose authentic accounting advice to inform decision-making 6. Apply communication skills in an accounting context | **Understanding and Exploration**  The specific features are as follows:  UE1 Understanding and exploration of accounting concepts and conventions  UE2 Exploration and interpretation of accounting information needs of stakeholders  **Application**  The specific features are as follows:  A1 Application of accounting concepts and conventions to create accounting information for stakeholders  A2 Application of communication skills in an accounting context  **Analysis and Evaluation**  The specific feature are as follows:  AE1 Analysis and evaluation of accounting information to manage financial sustainability.  AE2 Analysis and evaluation of accounting information to develop and propose accounting advice to inform stakeholder decision-making. | Literacy  Numeracy  ICT  Critical and creative thinking  Personal and social capability  Ethical understanding  Intercultural understanding |

**Performance Standards for Stage 2 Accounting**

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|  | Understanding and Exploration | Application | Analysis and Evaluation |
| A | In-depth understanding and exploration of accounting concepts and conventions.  Comprehensive exploration and insightful interpretation of accounting information needs of stakeholders. | Thorough and logical application of accounting concepts and conventions to create highly relevant accounting information for stakeholders.  Astute application of communication skills in an accounting context. | Critical analysis and evaluation of accounting information to manage financial sustainability.  Perceptive analysis and evaluation of accounting information to develop and propose authentic accounting advice to inform stakeholder decision-making. |
| B | Detailed understanding and exploration of accounting concepts and conventions.  Well-considered exploration and thoughtful interpretation of accounting information needs of stakeholders. | Mostly thorough and well-informed application of accounting concepts and conventions to create relevant accounting information for stakeholders.  Well-considered application of communication skills in an accounting context. | Mostly critical analysis and evaluation of accounting information to manage financial sustainability.  Mostly perceptive analysis and evaluation of accounting information to develop and propose authentic accounting advice to inform stakeholder decision-making. |
| C | Competent understanding and exploration of accounting concepts and conventions.  Considered exploration and interpretation of accounting information needs of stakeholders. | Considered application of accounting concepts and conventions to create accounting information for stakeholders.  Competent application of communication skills in an accounting context. | Some critical analysis and evaluation of accounting information to manage financial sustainability.  Analysis and evaluation of accounting information to develop and propose accounting advice to inform stakeholder decision-making. |
| D | Some recognition and basic exploration of accounting concepts and conventions.  Some exploration of accounting information needs of stakeholders. | Inconsistent application of accounting concepts and conventions to create accounting information for stakeholders.  Some application of communication skills in an accounting context. | Description with some explanation of accounting information to manage financial sustainability.  Basic use of accounting information to develop accounting advice to inform stakeholder decision-making. |
| E | Basic recognition of accounting concepts and conventions.  Attempted exploration of accounting information needs of stakeholders. | Limited application of accounting concepts and conventions to create basic accounting information.  Limited application of communication skills in an accounting context. | Attempted description and explanation of accounting information to manage financial sustainability.  Attempted use of accounting information to develop limited accounting advice. |

QUESTION:

The following is the Trial Balance for Barker’s Dog Barn, as at 30 June 2020.

**Barker’s Dog Barn**

**Trial Balance as at 30 June 2020.**

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|  | **$** | **$** |
| *Creditors* |  | 9 500 |
| *Debtors* | 8 400 |  |
| *Accumulated Depreciation - Equipment* |  | 16000 |
| *Accumulated Depreciation - Furniture* |  | 3 800 |
| *Bad Debts* | 700 |  |
| *Capital* |  | 126 000 |
| *Cash at Bank* | 21 500 |  |
| *Commission Revenue* |  | 900 |
| *Cost of Goods Sold* | 79 100 |  |
| D*iscount Expense* | 400 |  |
| D*iscount Revenue* |  | 250 |
| *Drawings* | 15 100 |  |
| *Electricity* | 2 450 |  |
| *Equipment* | 36 000 |  |
| *Furniture* | 15 000 |  |
| *Freight Inwards* | 6 000 |  |
| *Interest on Mortgage* | 3 100 |  |
| *Inventory Control* | 9 100 |  |
| *Loan (due in 6 months)* |  | 15 000 |
| *Mortgage* |  | 140 500 |
| *Government Bonds – due July 2020* | 14 700 |  |
| *Insurance Expense* | 12 800 |  |
| *Premises* | 260 000 |  |
| *Prepaid Advertising* | 4 800 |  |
| *Rates* | 1 600 |  |
| S*ales* |  | 210 000 |
| *Sales Returns* | 13 000 |  |
| *Sales Salaries* | 16 200 |  |
| *Stationery Expense* | 2 000 |  |
|  | **521 950** | **521 950** |

Additional information:

* Inventories on hand at 30 June 2020, $8 500.
* $500 of the insurance expense has been paid in advance.
* Interest on mortgage of $550 is owing.
* Depreciation of furniture at 5 per cent using the straight-line method.
* Additional equipment was purchased on 1 April at a cost of $7 000. This purchase has been recorded. It is anticipated that this equipment will have a scrap value of $500 when it is sold in

5 years.

* Deprecation of equipment is at 10 per cent on reducing balance.
* Prepaid advertising relates to a 12-month contract that commenced on January 1, 2020.

1. Show your calculations for the depreciation expense on the furniture.

(AE1 – 1 mark)

1. Show your calculations for the depreciation expense on the equipment.

(AE1 – 3 marks)

(c) Complete the general journal entries to record the following adjustments.

**GENERAL JOURNAL**

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| --- | --- | --- | --- |
| Date | Particulars | Debit | Credit |
|  | To record insurance expense paid in advance |  |  |
|  | To record depreciation on furniture. |  |  |
|  | To record advertising expense. |  |  |

(UE1, AE1 - 9 marks)

1. Complete the income statement for Barker’s Dog Barn for the period ending 30 June 2020

**Barker’s Dog Barn**

**Income Statement for the period ending 30 June 2020**

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| --- | --- | --- | --- | --- |
| Revenue  Sales  Less: Sales Returns  Less: Cost of Goods Sold  Stock Loss  Freight In  **Gross Profit**  Other Revenue:  Commission Revenue  Discount Revenue  Less Expenses  Selling Expenses  Administrative Expenses  Financial Expenses |  |  | 210 000  (13 000)  79 100  600  6 000 | 197 000  85 700  111 300  900  250  112 450 |
| Profit / Loss |  |  |  |  |

(UE1, AE1 - 10 marks)

1. Complete the balance sheet extract and Statement of Changes in Equity for Barker’s Dog Barn as at 30 June 2020

**Barker’s Dog Barn**

**BALANCE SHEET extract as at 30 June 2020**

$ $ $ $

ASSETS

Current Assets

Non-Current Assets

TOTAL ASSETS

**Barker’s Dog Barn**

**Statement of Changes in Equity**

**For the Year Ended 30 June 2020**

(UE1, AE1 - 9 marks)

1. The owner of Barker’s Dog Barn would like to know why the business must depreciate its non-current assets. Use an example in your response.

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(UE1 – 1 mark)

1. Explain why Barker’s Dog Barn has used the straight-line method to depreciate furniture, in preference to the reducing balance method.

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(UE1, AE2 – 2 marks)

1. The concept of prudence states that care and caution should be practised when dealing with uncertainties.
   1. State how the concept of prudence is being applied in the balance sheet of Barker’s Dog Barn.

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(UE1 – 1 mark)

* 1. Outline why the concept of prudence does not apply when depreciating non-current assets.

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(UE1, AE2 – 1 mark)

1. Benjamin understands the need for Balance Day Adjustments is brought about through the application of accounting concepts. Explain to him, how ***two*** particular accounting concepts mean that Balance Day Adjustments are necessary.

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(UE1, AE2 – 2 marks)

1. Calculate:
   1. The net profit margin and gross profit margin for Barker’s Dog Barn, using the information from the Balance Sheet and Income Statement.

(UE1 – 2 marks)

* 1. In 2019, the net profit margin was 38.15% and the gross profit margin was 54.73%. Using your calculations in i, and the information from the income statement for Barker’s Dog Barn, comment on your results.

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(AE2 – 2 marks)

1. Benjamin is considering purchasing a delivery vehicle for Barker’s Dog Barn, so that they have more reliability in making deliveries to customers. The vehicle would cost $40 000. With reference to a ratio, explain if this would be a good idea for the business, and how Benjamin might finance the purchase.

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(AE2 – 2 marks)

Total marks: /45