2008   Accounting GA 1: Written Examination 1

GENERAL COMMENTS

This was the second year of the current *Accounting VCE Study Design*. As in the past, the examination comprised of two questions, with multiple parts to each question. The questions and subsequent parts did not necessarily graduate in difficulty, the intention being that the examination would flow logically from one section to the next. There was a total of 90 marks available, and students were allowed 90 minutes to complete the paper. It is expected that this format will continue in the future.

The majority of students were able to complete the examination. However, a number of students either did not attempt the very last question or only partially attempted it.

The balance between theory and practical questions was slightly different to the 2007 paper. The 2008 examination was 62 per cent practical and 38 per cent theoretical (in 2007 the balance was 70:30). Teachers and students are reminded that there is no pre-determined weighting between practical and theoretical questions.

Each question dealt with one 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.

To enable the questions to be broken into parts, each scenario dealt with time periods of differing length. Over the whole examination students had to deal with reporting periods of one month, three months and a complete year. Students needed to read the questions carefully to ensure they understood the period of time being dealt with. Often students did not adequately read the dates provided, which led to the miscalculation of figures such as depreciation and/or the omission of information.

It was pleasing to note that many students and teachers had obviously used past assessment reports in their preparation for the examination. However, it is also obvious that many other students had not taken note of the common errors made by students in previous years. Such errors were repeated this year. For example, a common issue in relation to theory questions is insufficient material being offered by some students. Students are generally provided with four lines to answer a theory question worth two marks. There is little chance of being awarded both marks if only a few words are given in response. A second issue this year involved the specific instruction to 'balance' a particular account. Despite this instruction, many students did not balance the accounts provided and subsequently could not achieve full marks on such questions (refer to Question 1.2.2). A similar issue existed with Question 1.2.1, in which students were specifically instructed to total the special journals provided. It was disappointing to note yet again that some students did not take due care and complete all parts of the question.

One notable difference on the 2008 examination was that students were not asked to state an accounting principle or qualitative characteristic. Two principles were provided in Question 1.1.1 and students had to apply these principles to the financial information provided. This is a little different to past examinations and is a reminder to students that they should always be prepared for changes in the way information is presented.

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 – Deans Bikes
1.1.1

Marks	0	1	2	3	4	Average
%	17	11	21	19	32	**2.5**

Reporting Period
- Item: Accrued Wages/Accumulated Depreciation
- Explanation: These items indicate that the business will continue for at least one more reporting period. Accrued Wages suggests that the business has an obligation that must be met in the next reporting period. Accumulated Depreciation indicates that a non-current asset has a life that extends over more than one reporting period.

Entity
- Item: Capital/Cash at bank
- Explanation: All transactions between the owner and the business must be recorded and reported separately. The Capital item in the Balance Sheet is a summary of the owner's dealings with the business. The owner's personal savings are kept separate from the business and the bank account should only be used for business transactions.

This question represented a change in approach from previous questions on accounting principles. The question asked for the item that **best** illustrates two accounting principles, which eliminated some possible responses. Some students who had selected an item from the balance sheet provided were not able to supply a suitable explanation. Better responses provided a clear link between the accounting principle and the item in the report.

The Reporting Period principle called for an item that overlapped consecutive reporting periods; therefore, Accrued Wages and Accumulated Depreciation were the best responses. Students generally responded better to the second item, with most students identifying the capital of the owner as being linked to the Equity principle.

1.1.2

Marks	0	1	2	Average
%	18	18	63	**1.5**

The Loan is an obligation that must be met in the future. The Current Liability component represents the portion that must be met within the next 12 months, while the Non-Current Liability component represents an amount that must be paid in reporting periods beyond the next 12 months.

This question was very well answered and the majority of students clearly explained the difference between Current and Non-Current Liabilities. The key to the question was to identify the '12 month rule'. Poorer responses tended to define Current Liabilities but did not go on to explain the difference between these and Non-Current Liabilities.

1.2.1

Marks	0	1	2	3	4	5	6	7	8	9	10	Average
%	5	4	5	5	5	5	7	10	16	22	16	**7.0**

CASH PAYMENTS JOURNAL

Date	Details	Chq. No.	Bank	Disc. Rev.	Creditors Control	Stock Control	Wages	GST	Sundries
Jul–Sep	Totals to date		184 100	1 100	92 900	33 000	12 000	7 300	40 000
30 Sep	GST Clearing	728	2 500						2 500
	Advertising	729	1 320					120	1 200
	Honda	730	3 900	100	4 000				
			191 820	**1 200**	**96 900**	**33 000**	**12 000**	**7 420**	**43 700**

SALES JOURNAL

Date 2008	Debtor	Inv. No.	Cost Price	Selling Price	GST	Total Debtors
Jul–Sept	Totals to date		45 000	90 000	9 000	99 000
30 Sept	S May	DB92	200	400	40	440
			45 200	**90 400**	**9 040**	**99 440**

PURCHASES JOURNAL

Date	Creditor	Inv. No.	Stock Control	GST	Total Creditors
Jul–Sept	Totals to date		95 000	9 500	104 500

CASH RECEIPTS JOURNAL

Date	Details	Rec. No.	Bank	Disc. Exp.	Debtors Control	Cost of Sales	Sales	GST	Sundries
Jul–Sept	Totals to date		196 800	900	85 500	51 000	102 000	10 200	–

GENERAL JOURNAL

Date 2008	Particulars	General Ledger		Subsidiary Ledger	
		Debit $	Credit $	Debit $	Credit $
30 Sep	Bad Debts	700			
	Debtors Control		700		
	R Johns				700
	Depreciation – Shop Fittings	1 250			
	Accum. Depn – Shop Fittings		1 250		
	Stock Loss	200			
	Stock Control		200		

Recording in both the General Journal and special journals is an important part of the VCE Accounting course, and such questions have featured on many examinations over the years. However, many students did not handle this question very well. Common errors included:

*   using incorrect titles, particularly in the Cash Payments Journal
*   incorrect recording of the GST settlement in the GST column (the Sundries column should be used)
*   recording $3900 in the Creditors Control column (rather than $4000)
*   writing 'Credit sales' in the Sales Journal (rather than 'S May')
*   failing to state 'Debtors Control' as well as 'R Johns' in the General Journal
*   incorrect titles for 'Depreciation' and 'Accumulated Depreciation' – the name of the asset must be stated.

Many students did not total the special journals as was specifically asked by the question. Four marks were allocated to the special journals, plus one mark for totalling the journals (a total of five marks). Students should note that if journals are to be totalled, **all** columns must be totalled to be awarded the mark.

The General Journal entries were also allocated five marks. The only calculation required was for the depreciation of the Shop Fittings, and one mark was awarded for this task. Although it was pleasing to note that most students used the titles 'Debtors Control' and 'Stock Control' rather than simply 'Debtors' and 'Stock'; titles continued to be an issue for many students. The correct titles of ledger accounts must be used in order to receive full marks for a General Journal entry.

1.2.2
Bank

Marks	0	1	Average
%	49	51	0.6

Creditors

Marks	0	1	2	Average
%	38	26	36	1.1

GST

Marks	0	1	2	3	4	Average
%	29	9	12	28	22	2.2

Stock

Marks	0	1	2	3	4	Average
%	24	9	9	21	37	2.6

Although this question was allocated 11 marks in total, the four accounts were assessed separately as shown above.

CASH AT BANK

Date 2008	Cross reference	$	Date 2008	Cross reference	$
1 July	Balance	6 500	30 Sept	Cash Payments	191 820
30 Sept	Cash Receipts	196 800			

The Bank account should have been straightforward, but many students did not complete both entries accurately. 'Cash payments' or 'Total payments' is the preferred title, and the amount entered should have come straight from the student's responses in the previous question. As it was a one mark question, both entries needed to be completed correctly in order to achieve the mark.

CREDITORS CONTROL

Date 2008	Cross reference	$	Date 2008	Cross reference	$
30 Sep	Bank/Discount Revenue	96 900	1 July	Balance	20 800
			30 Sep	Stock Control/GST Clearing	104 500

The Creditors Control account was worth two marks, with one mark available for each entry. Most students posted the one amount from their journals and joined the two titles together: namely 'Bank/Discount Revenue' and 'Stock Control/GST Clearing'. This is the recommended approach to use when posting such entries. Titles must still be accurate and some students abbreviated unnecessarily and did not receive full marks (for example, leaving off the word 'Control' in 'Stock Control'). Unfortunately some students did not add their entries in the special journals to the sub-totals provided and therefore posted the incorrect amounts.

GST CLEARING

Date 2008	Cross reference	$	Date 2008	Cross reference	$
30 Sep	Bank	2 500	1 July	Balance	2 500
	Creditors Control	9 500	30 Sep	Bank	10 200
	Bank	7 420		Debtors Control	9 040
	Balance	2 320			
		21 740			**21 740**
			1 Oct	Balance	2 320

The GST Clearing account continues to cause confusion for many students. Many students did not seem to realise that the GST Settlement amount of $2500 must be recorded as a debit to the GST Clearing account. Titles were again an issue for some, as the word 'Control' was omitted by some students. Consequential errors were not penalised, and many different dollar values were recorded, depending on the students' responses to Question 1.2.1. This question specifically asked students to balance the account and one mark was deducted if this task was not completed.

STOCK CONTROL

Date 2008	Cross reference	$	Date 2008	Cross reference	$
1 July	Balance	37 300	30 Sep	Cost of Sales	51 000
30 Sep	Bank	33 000		Cost of Sales	45 200
	Creditors Control	95 000		Stock Loss	200
				Balance	68 900
		165 300			**165 300**
1 Oct	Balance	68 900			

This account was completed quite well by most students. One mark was allocated for the two 'Cost of Sales' entries and these items had to be posted separately. One mark was allocated for each of the two debit entries, representing cash and credit purchases. The last mark was allocated to the 'Stock Loss', which was omitted by many students. This was perhaps the most common error, with other concerns being incorrect titles ('Purchases' was often used instead of 'Creditors Control' and 'Bank'). Note that 'Cost of Sales' is the only acceptable title for the two credit entries shown above. Some students used 'Cost of Goods Sold', which should only be used as a heading in the Profit and Loss Statement.

1.2.3

Marks	0	1	2	Average
%	26	34	40	**1.2**

Documents provide evidence that a transaction occurred, thus improving the reliability of financial information. They also allow for an audit trail to operate so information can be tracked through the accounting system. Documents ensure that information is free from bias and is based on objective evidence.

This question was well handled by most students. Key words such as 'objective evidence', 'checking' or 'verifying' and 'being free from bias' were used by students who gave strong answers to this question. Students who did not score the full two marks tended to write very little or had difficulty making the link to **reliability**.

1.2.4

Marks	0	1	2	Average
%	22	25	53	1.4

The owner conducted a physical stock take and compared the result with the balance of the Stock Control account (or with the balance of stock cards). The figure from the stock take was $200 less than the figure in the Stock Control account so an adjustment was made to ensure the balance of the account equalled the value determined by the stock take.

This question generated the most consistent responses on the paper in relation to the two mark theory questions. Two clear items had to be identified, with one mark awarded for identifying the physical stock take and the second mark for explaining the comparison of this stock take figure with either the Stock Control account or stock cards. This was a well answered question.

1.2.5

Marks	0	1	2	Average
%	49	27	24	0.8

Appropriate advantages included:
- allows for like transactions to be grouped together, which makes it easier to post to the general ledger
- allows for specialisation of duties amongst staff
- removes detail from the general ledger as just totals can be posted.

Responses to this question were varied, with many students not responding at all. Students had to focus on the advantages of special journals, with many going into great detail in their responses. Summarising similar transactions was a popular response, and many students went on to explain the benefits of posting these summarised totals. Although these are two separate points, some students combined the points into one response. These students were awarded full marks for the question.

1.3.1

Marks	0	1	2	3	4	5	Average
%	23	6	9	15	23	24	3.0

DEANS BIKES
PROFIT & LOSS STATEMENT FOR QUARTER ENDED 31 DECEMBER 2008

	$	$
Revenue		
Sales		174 200
Less Cost of Goods Sold		
Cost of Sales	87 100	
Plus Cartage In	2 000	89 100
Gross Profit		85 100
Less Stock Loss		600
Adjusted Gross Profit		84 500
Plus Other Revenue		
Discount Revenue		1 000
		85 500
Less Other Expenses		
Depreciation – Shop Fittings	2 000	
Depreciation – Land & Building	4 700	
Interest Expense	6 000	
Advertising	4 000	
Wages	15 400	
Other Expenses	24 000	56 100
Net Profit		29 400

This question was a basic test of the format of the Profit and Loss Statement, and no calculations were necessary. Common errors included:

- adding the Discount Revenue to the Sales figure at the top of the report
- omitting the Stock Loss
- adding the Stock Loss rather than deducting it
- incorrect titles, such as 'Accumulated Depreciation' rather than 'Depreciation'
- including alien entries, such as assets and liabilities
- incomplete reports – that is, not finishing the report and omitting the Net Profit figure.

Teachers and students are advised to re-visit the prescribed format of the Profit and Loss Statement.

1.3.2

Marks	0	1	2	3	4	5	Average
%	31	8	8	9	12	32	**2.7**

PROFIT & LOSS SUMMARY

Date 2008	Cross reference	$	Date 2008	Cross reference	$
31 Dec	Expense accounts	145 800	31 Dec	Revenue accounts	175 200
	Capital	29 400			
		175 200			**175 200**

CAPITAL

Date 2008	Cross reference	$	Date 2008	Cross reference	$
31 Dec	Drawings	10 700	1 Oct	Balance	168 700
	Balance	187 400	31 Dec	Profit & Loss Summary	29 400
		198 100			**198 100**
			1 Jan	Balance	187 400

Students provided many different responses to this question. Those who had struggled with the Profit and Loss Statement often appeared to be unsure what to do with this question. Students are advised that they should always 'carry forward' their workings on this type of question, no matter how inaccurate their previous answer. For example, the Profit figure from the previous question should be shown in the Profit and Loss Summary account, as incorrect answers

will **not** be penalised twice. Some students also appeared unsure of which titles to use in the Profit and Loss Summary account. 'Revenue Accounts' should be used to show the total revenue from all revenue accounts, while 'Expense Accounts' should be used for the total expenses. The other title error that occurred was using 'Net Profit' rather than the correct title of 'Capital'.

Similarly, titles were also an issue in the Capital account ('Net Profit' was often used instead of 'Profit and Loss Summary'). These two accounts had to be completed at the end of the reporting period. This means that the Profit and Loss Summary account should have been closed off properly and the Capital account balanced. One mark was deducted if these procedures were not completed correctly.

1.3.3

Marks	0	1	2	Average
%	51	26	23	**0.8**

The receipt of a discount from creditors results in a decrease in Payments (or a saving in Outflows), a decrease in Liabilities and an increase in Owner's Equity.

Some students simply stated a rote-learned response based on the definition of revenue. A discount granted by suppliers clearly does not involve an inflow of resources; such discounts result in a reduction in outflows, leading to an increase in equity. Students are again reminded not to simply state rote-learned definitions from textbooks. Responses must relate to the question presented and rote-learned answers will rarely be awarded full marks.

Question 2 – Electrical World
2.1.1
Subsidiary

Marks	0	1	2	Average
%	43	32	26	**0.9**

Stock Card

Marks	0	1	2	3	4	Average
%	6	2	3	11	78	**3.6**

Creditor – Malden Ltd (Subsidiary Ledger)

Date 2008	Cross reference	$	Date 2008	Cross reference	$
8 Jun	Bank/Discount Rev.	4 200	1 Jun	Balance	7 200
			2 Jun	Stock Control/GST	3 300

There were some disappointing responses to this question, often due to incorrect dollar values being entered in the account. Many students did not include the GST amount on the purchases and therefore entered $3000 (instead of $3300). Similarly, the debit entry should have been $4200 but many students left out the $200 Discount. Titles were again an issue for some students, which was surprising as some had used the correct titles in the Creditors Control account in Question 1.2.2 earlier in the examination. Full titles must be used in both General Ledger and Subsidiary Ledger accounts.

Stock card: LCD3 Television

Date 2008	Details	IN			OUT			BALANCE		
		Qty	Unit Cost $	Total Cost $	Qty	Unit Cost $	Total Cost $	Qty	Unit Cost $	Total Cost $
1	Balance							5	700	3 500
2	Inv. M371	4	750	3000				5	700	
								4	750	6 500
5	Rec 74				1	700	700	4	700	
								4	750	5 800
10	Inv. C21				4	700		2	750	1 500
					2	750	4 300			
14	Memo 64				1	750	750	1	750	750

This question was handled with ease by most students, with many scoring full marks. Students who did not receive full marks usually did not give document numbers in the Details column or used selling prices in the Out column, rather than cost prices. One mark was awarded for each line of the Stock Card.

2.1.2

Marks	0	1	2	Average
%	32	43	25	**1.0**

Subsidiary records allow for individual information for each Debtor, Creditor or Stock item to be recorded separately. They allow for a means of cross checking with the Control account and allow for specialisation of duties.

A variety of responses were given for this question. The primary purpose of subsidiary records is to record individual details of each Debtor, Creditor or Stock item. Some students could not offer a second purpose and subsequently only received one of the two marks on offer. Students and teachers are reminded that a two-mark question usually requires two separate points as part of the explanation.

2.2.1

Marks	0	1	2	Average
%	43	30	28	**0.9**

The item will provide a future benefit to the business in the next reporting period and is the result of a past transaction. It should remain as a prepaid item until it is consumed in the subsequent reporting period.

This question proved to be quite difficult for some students. There is little point in stating that 'Prepaid insurance is recorded as such because it is prepaid'. Students needed to provide an explanation that clearly described how the insurance payment was made in one reporting period but will become an expense when it is consumed, or used up, in the subsequent period.

2.2.2

Marks	0	1	2	3	4	Average
%	42	21	8	26	3	**1.4**

GENERAL JOURNAL

Date 2008	Particulars	General Ledger		Subsidiary Ledger	
		Debit $	Credit $	Debit $	Credit $
30 June	Insurance expense	3 520			
	Prepaid Insurance expense		3 520		
	Profit & Loss Summary	3 520			
	Insurance expense		3 520		

This question proved to be quite difficult for most students. The question had two distinct parts to it and, unfortunately, many students did not complete the second part of the General Journal. This was disappointing, as the value of the adjustment should have been carried down to the closing entry in the second part (this is a good example of a consequential error). If the dollar amount was incorrect and carried down to the second entry, it was not penalised twice. Consequently, many students did not determine the correct amount but were still awarded three of the four marks available. It appears that many students were unsure how to handle the question and did not fully attempt it. A common error was to reverse the first two entries in the journal.

2.2.3

Marks	0	1	2	Average
%	28	23	49	**1.3**

Effect on Balance Sheet

Item	Overstated/Understated/No Change
Effect on Assets	Overstated
Effect on Liabilities	No Change
Effect on Owner's Equity	Overstated

This was a well-answered question, with most students correctly identifying that both Assets and Owner's Equity were overstated. Some students' answers were illogical, with one side of the Balance Sheet being overstated and the other side being understated. This type of error should be identified by students, as the Balance Sheet would not balance in such a situation. Students who stated 'Understated' for both Assets and Equity were awarded one mark out of two.

2.2.4

Marks	0	1	2	Average
%	39	17	43	**1.1**

Accounts are closed so that profit can be calculated for the current reporting period. Accounts are also returned to zero balances so that they are ready for the next reporting period.

Many students provided very comprehensive answers to this question. However, others provided very brief answers and did not provide enough information for two marks. Students are advised to provide clear and full explanations for two-mark questions. They should take note of the space provided in the answer book and use this as a guide for the length of their explanations.

2.3

Marks	0	1	2	3	4	5	6	7	Average
%	25	11	11	13	13	11	10	4	**2.9**

GENERAL JOURNAL

Date 2008	Particulars	General Ledger		Subsidiary Ledger	
		Debit $	Credit $	Debit $	Credit $
30 Jun	Motor Vehicle	30 000			
	Prepaid Registration Expense	675			
	Capital		30 675		
	Depreciation – Motor Vehicle	500			
	Accum Depn – Motor Vehicle		500		
	Registration Expense	75			
	Prepaid Registration Expense		75		

This was one of the more difficult questions on the examination paper. The question involved several steps, including:
- identifying the agreed value of the Vehicle being contributed by the owner
- determining the dollar value of the Prepaid Insurance contributed by the owner
- calculating the relevant Depreciation expense
- determining the amount of Registration Expense incurred for the reporting period.

Taking into account how complex this question was, there were a wide variety of errors presented. These included:
- using the historical cost of the Vehicle
- incorrectly calculating the value of the Prepaid Registration
- omitting the Prepaid Registration value completely
- including one year's Depreciation, rather than one month
- incorrectly calculating the Registration incurred (this had to be one-ninth of the prepaid amount).

This question provided a challenge to many students and clearly tested their knowledge. A lot of information was presented in the question, which combined different areas of the study design into the one question. It clearly discriminated between students' abilities. Students are advised to break down such questions into smaller portions and

then prepare their answers section by section. Some students were clearly unsure how to handle this question and consequently did not attempt some parts. Given that the question was allocated a total of seven marks it was important that all parts were attempted.

2.4.1

Marks	0	1	Average
%	29	71	**0.8**

$40000 + 5000 - (12100 + 18500)$

$= 45000 - 30600$

$= 14400$

Bank balance at 31 March 2009 is $14,400

Question 2.4.1 proved to be very easy for most students. As there was only one mark available, partial marks could not be awarded. Students simply had to determine the cash balance at the end of the period and it proved to be a very straightforward question.

2.4.2

Marks	0	1	Average
%	24	76	**0.8**

Either of:
- Capital contribution
- Loan.

This was another very straightforward question which was handled well by most students. The most common error was incorrectly giving 'selling a Non-Current Asset' as the response. Other students stated 'Drawings' or 'Loan repayments', which are clearly not inflows.

2.4.3

Marks	0	1	2	Average
%	57	36	7	**0.5**

Cash derived from the business conducting its day-to-day trading activities – buying and selling stock and paying expenses.

This question proved to be more difficult than was expected. Many students had difficulty explaining what is meant by Cash Flow from Operating Activities. A common error was to simply describe these cash flows as day-to-day operating activities, which was virtually repeating the question. Better answers discussed day-to-day trading activities and used an example to explain what is meant by this term. Descriptions such as 'cash flows from buying and selling goods' and 'services in daily trading activities' also featured in the better responses.

2.4.4

Marks	0	1	2	3	Average
%	68	20	7	6	**0.5**

Under accrual accounting there is a difference between Revenue earned and received and the Expenses incurred and paid. The Prepaid Expenses decreased the Bank balance by a greater amount than the expense that was incurred for the period.

Another example could have been that Credit Sales was greater than the Receipts from Debtors.

This type of question has been used many times over the years and assessment reports have often provided guidelines on how students could improve their responses. The responses this year were similar to those presented in the past and, unfortunately, many students did not fully answer the question. The most common error was to only provide half of the required details. Weaker responses included statements such as 'Credit sales do not affect cash at bank'. This type of answer does not consider the amount of cash collected from Debtors and is therefore incomplete. Other weak answers did not define profit under accrual accounting or explain the difference between profit and cash flows from operations. Some students who did not read the question carefully stated that 'perhaps the owner had excessive drawings or bought

new assets'. Such answers seemed to be rote-learned responses that did not take into account that only cash flows from operating activities had to be considered and not cash at bank generally.

2.4.5

Marks	0	1	2	Average
%	53	28	19	0.7

The owner should be concerned about the business's cash flow as the business was in overdraft at the beginning of the reporting period. Net cash flows from operating activities were negative. While the cash at end is positive, it is only due to the inflows from Financing and Investing Activities. The business cannot survive if it has to rely on these cash inflows.

This question adopted a different approach to many questions on previous Unit 3 examinations. Students were asked to make a judgement on whether an owner should be concerned about his cash flows, and negative operating cash flows should have been an obvious starting point for most responses. However, some students stated that the owner should not be concerned and supported this judgement with logical reasons. Such answers were rewarded. Poorer responses referred to profit for the period, thus indicating a lack of understanding about the difference between profit and cash.

2.5.1

Marks	0	1	2	Average
%	49	30	21	0.8

- Transaction 1: GST paid by the business on expenses or cash purchases of Stock
- Transaction 2: GST charged on credit sales/Credit sales made to Debtors

This question tested students' knowledge of entries in the GST Clearing account. Some responses failed to recognise that GST was paid on one transaction (the debit entry) and charged to Debtors on the other transaction, while others described the Debtors' entry as GST collected or GST received, instead of as GST charged on credit sales.

2.5.2

Marks	0	1	2	Average
%	33	46	21	0.9

GST represents an obligation that is owed to the ATO; it does not belong to the business. The business collects the GST on behalf of the government and it does not increase the Owner's Equity.

This question generated a mixed collection of responses. Weaker answers included comments that GST received does not involve an inflow of resources, despite the fact that the business has received cash. Better answers focused on the inflow of resources that increases assets, and at the same time increases the obligations of the business owner to the Tax Office, thus creating a liability.

It was obvious that some students had run out of time and did not attempt this question. Time management strategies should always be part of examination preparation as it is vital that students attempt all questions on accounting examinations.

2.6.1

Marks	0	1	2	Average
%	53	37	11	0.6

CASH PAYMENTS JOURNAL

Date 2009	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
15 Oct	Accrued Wages	473	10 000						5 000
	Wages						5 000		
15 Nov	Wages	491	10 000				10 000		
15 Dec	Wages	522	10 000				10 000		
			30 000				**25 000**		**5 000**

Payments of accrued expenses in the subsequent reporting period have featured on several examinations now. For this question students had to record the payment of cash for both Accrued Wages and Wages Expense. Following this were two cash payments of Wages. Many students appeared confused by this question and few students achieved both marks. Poor responses failed to recognise that $5000 was Accrued Wages, with the other $5000 being Wages Expense. The subsequent two cash payments also generated a variety of values. This is an area that obviously needs further attention in the future.

2.6.2

Marks	0	1	2	Average
%	35	16	49	**1.2**

GENERAL JOURNAL

Date 2009	Particulars	General Ledger		Subsidiary Ledger	
		Debit $	Credit $	Debit $	Credit $
31 Dec	Wages Expense	6 000			
	Accrued Wages		6 000		

Despite many incorrect answers in the previous question, many students recovered well on this question and provided a correct double entry for the adjusting entry. Common errors were to reverse the two accounts or to state the value as $5000, possibly carried over from the previous question.

2.6.3

Marks	0	1	2	3	Average
%	53	25	14	8	**0.8**

WAGES

Date 2009	Cross reference	$	Date 2007	Cross reference	$
31 Dec	Bank	25 000			
	Accrued Wages	6 000			

ACCRUED WAGES

Date 2009	Cross reference	$	Date 2009	Cross reference	$
31 Dec	Bank	5 000	1 Oct	Balance	5 000
			31 Dec	Wages	6 000

Many students did not complete this question, and those who did often only completed part of the accounts. Although some students completed the adjustment in the previous question correctly, the entries were not carried forward to the ledger accounts. Some students reversed the entries, whilst others failed to record the payment of Wages as stated in their Cash Journal in Question 2.6.1.