

2016 VCE Accounting examination report

General comments

The 2016 Accounting examination consisted of 9 questions, and most of these questions contained multiple parts.

An important point for students to note is that Accounting examinations are not simply all about the processing or recording of financial information. Students should not only expect some questions on recording processes, they should be prepared to explain, discuss and justify different aspects of accounting and the methods used within an accounting system. On the 2016 examination, students were required to complete both a statement of account (Question 2) and a memo (Question 4). This seemed to catch some students by surprise and a range of responses was offered. Question 6 was also challenging for some students. Rather than following the usual sequential process involved in the disposal of an asset, students were required to use the available information, record it in General Ledger accounts and find the 'missing information' through these reconstructed accounts. This question proved to be quite problematic for some students.

Students are reminded to read questions carefully as it was evident from responses that many students did not do this. For example, in Question 6d. students were asked to 'justify the accountant's statement', which related to the importance of a positive Cash Flow from Operations; however, some students dismissed the accountant's statement as incorrect. Students were required to justify that the statement of operating cash flows was the most important concern. High-scoring responses expressed the need for positive cash flows, as they were required to help fund other activities such as investing and financing.

Similarly, in Question 7, students were asked to discuss the profitability of a business. However, some students simply stated that a financial indicator had increased or decreased. The data provided was not a comparison from year to year; it was a comparison of one business to a set of industry averages. The indicators were not increasing or decreasing. Students were required to evaluate the business performance by comparing it to the industry averages. Many students did so, but some failed to fully explain, with the relevant supporting evidence, exactly what each indicator measured.

Teachers and students are reminded to give attention to both the theoretical and practical elements of accounting. Many questions required students to apply their knowledge of accounting to given situations. All questions should be read carefully and responses should be in relation to the questions being posed.

Specific information

This report provides sample answers or an indication of what answers may have included. Unless otherwise stated, these are not intended to be exemplary or complete responses.

The statistics in this report may be subject to rounding resulting in a total more or less than 100 per cent.

Question 1a.

Marks	0	1	2	3	4	5	Average
%	15	6	9	14	27	29	3.2

**MME Sports
General Journal**

Date 2016	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit
14 Jan	Sales Returns	600			
	GST Clearing	60			
	Debtors Control		660		
	Debtor – Bates Primary School				660
	Stock Control	400			
	Cost of Sales		400		
25 Jan	Bad Debts	3 300			
	Debtors Control		3 300		
	Debtor – REC Sports				3 300

One mark each was awarded for:

- Sales Returns and GST Clearing entries
- Debtors Control and Bates Primary School
- Stock Control and Cost of Sales
- Bad Debts
- Debtors Control and REC Sports.

Although many students performed quite well on this question, some common errors were made, such as:

- omitting the subsidiary ledger entry for Bates Primary School
- reversing the Stock Control and Cost of Sales entries
- miscalculating the cost price entry (usually by using a 100 per cent mark-up, rather than 50 per cent)
- incorrectly calculating the Bad Debts amount
- incorrectly recording the cash receipt in the General Journal
- recording REC Sports as MME Sports, which was the business writing off REC Sports.

Question 1b.

Marks	0	1	2	3	4	5	Average
%	14	7	9	12	23	36	3.3

Debtors Control

Date 2016	Cross-reference	Amount	Date 2016	Cross-reference	Amount
1 Jan.	Balance	61 200	31 Jan.	Sales Returns/GST Clearing	660
31 Jan.	Sales/GST Clearing	59 400	31 Jan.	Bad Debts	3 300
				Bank/Discount Expense	49 000
				Balance	67 640
		120 600			120 600
1 Feb.	Balance	67 640			

One mark was allocated to each of the four entries, and one mark to completing the correct balancing procedure.

Many students made a reasonable attempt at this question and were quite competent in posting the information to the Debtors Control account. However, some General Ledger entries were recorded on the incorrect side of this account and some students did not balance the account as required.

Question 1c.

Marks	0	1	2	3	Average
%	56	15	9	20	0.9

Qualitative Characteristic: Reliability

Explanation: The schedule provides an internal control-checking device as the total of the individual debtors in the subsidiary ledger should equal the balance of the Debtors Control General Ledger account. This helps to detect recording errors or omissions and ensure that the information for final reports is accurate.

High-scoring responses referred to checking or verifying information in the accounting system. Many referred to the detection of errors. Low-scoring responses referred to identifying how much each individual debtor owes the business and to making sure that they pay on time. This can be done using the information from the subsidiary ledger, whereas the schedule ensures that all entries have been completed accurately.

Question 2a.

Marks	0	1	2	Average
%	20	16	64	1.5

Statement of Account

Aust Imports				
PO Box 340		Date: 31 Mar. 2016		
Middle Town 3243				
Ph: 03 8320 2456				
Statement of Account for: DM Designs				
Date	Details	Debit	Credit	Balance
Mar. 1	Balance			12 500 dr
13	Rec. 940 – cash		6 200	6 300 dr
	Rec. 940 – discount		250	6 050 dr
15	Inv. 2560	9 900		15 950 dr
19	CrN. 356		550	15 400 dr
Credit terms: 2/14, n/30				

One mark was allocated to the two numbers required on March 13 (\$6 200 and \$6 300). Students had to work backwards from the balance of \$6 050 to determine the balance of \$6 300. Working backwards again, they could then determine that the amount of cash paid on March 13 was \$6 200. The second mark was allocated to the determination of \$9 900 for Invoice 2560 and the final balance of \$15 400 on March 19. This question acts as a reminder that students should not simply memorise processes. They should also be able to apply their knowledge to different scenarios.

Question 2b.

Marks	0	1	2	3	4	Average
%	23	16	13	20	28	2.1

DM Designs
Creditors Subsidiary Ledger (extract)
Creditor – Aust Imports

Date 2016	Cross-reference	Amount	Date 2016	Cross-reference	Amount
13 Mar.	Bank/Discount Revenue	6 450	1 Mar.	Balance	12 500
19 Mar.	Stock Control/GST Clearing	550	15 Mar.	Stock Control/GST Clearing	9 900

One mark was allocated to each of the four entries in the above account. Although the question was answered well by many students, a variety of errors was made, including:

- posting entries at the end of the month, rather than on the date of the transaction
- using incorrect titles such as purchases and purchases returns
- omitting the GST component of the last two entries.

Question 2c.

Marks	0	1	2	Average
%	53	24	24	0.7

Explanation: A statement of account provides an external checking device on the accuracy of the subsidiary ledger account for Aust Imports. The subsidiary ledger account should have exactly the same entries as the Statement of Account. Thus, when the two records are compared any errors or omissions can be identified and rectified, thus ensuring reliability. Any discrepancies identified can also be followed up with the supplier, Aust Imports.

High-scoring responses identified that management was being provided with an external checking device. Low-scoring responses referred to the concept of removing personal bias and opinion but did not explain how this would be achieved. Students need to ensure that their answers directly address the question at hand.

Question 3a.

Marks	0	1	2	3	4	Average
%	41	22	13	7	16	1.4

**Busnext
General Journal**

Date 2016	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit
30 Jun.	Insurance expense	3 690			
	Prepaid Insurance		3 690		
	Profit and Loss Summary	3 690			
	Insurance expense		3 690		

Some students had difficulty with the adjusting entry and then did not offer an answer to the second part of the question (the closing entry). As the adjusting entry determined the amount of Insurance expense for the period, this amount, even if an incorrect amount, should have been included as part of the closing entry. One mark was awarded for each of the four entries. Students should keep in mind that leaving a response blank cannot be awarded any marks.

Question 3b.

Marks	0	1	2	3	Average
%	38	21	31	10	1.1

Prepaid Insurance Expense

Date	Cross-reference	Amount	Date	Cross-reference	Amount
2015 1 July	Balance	2 700	2016 30 June	Insurance expense	3 690
2016 31 March	Bank	3 960		Balance	2 970
		6 660			6 660
2016 1 July	Balance	2 970			

One mark each was awarded for:

- the opening balance and the Bank entry, which was posted on 31 March (many students used an incorrect date on this entry)
- transferring the correct amount of expense to Insurance expense (\$3690)
- using the correct balancing procedure for this account.

Some students found Question 3a. difficult to complete and, consequentially, also found Question 3b. rather difficult. Attention to detail was vital in this question, and care needed to be taken with the dollar amounts. The payment for insurance was \$3 960, with the amount of insurance expense incurred for the period being \$3 690. Students are reminded to always take great care with dates, dollar amounts and titles in ledger accounts.

Question 3c.

Marks	0	1	2	3	Average
%	19	33	26	22	1.5

Accounting principle: Reporting period

Explanation: Profit is determined on a periodic basis for a specific period of time known as the reporting period. In order to measure profit accurately, revenue and expense accounts must be closed at the end of each reporting period. They are therefore closed to the Profit and Loss Summary account to determine profit for the current reporting period. Also, it is important to reset the revenue and expense accounts back to zero balances so that the accounts can also be accurate for the next reporting period. This avoids double-counting revenues or expenses over two reporting periods.

This question was handled well by many students. However, some indicated that all accounts had to be closed off, which was not accurate. Others could not explain the link between closing the ledger and determining profit for the period.

Question 4a.

Marks	0	1	2	3	4	5	6	7	8	Average
%	13	8	11	13	12	11	11	18	4	4

Students are reminded of the importance of reading all information given in the question. Students were advised that all stock is marked up by 100 per cent and that reports are prepared every six months. This information was vital in determining the correct dollar values, particularly in relation to the calculation of depreciation, as shown below:

Working space

To determine the depreciation expense:

30/6/15 20% of \$120 000 = \$24 000 One month: \$24 000/12 = \$2 000

Carrying value: \$120 000 – \$2 000 = \$118 000

31/12/15 20% of \$118 000 = \$23 600 For six months \$23 600/2 = \$11 800

Carrying value: \$118 000 – \$11 800 = \$106 200

30/6/16 20% of \$106 200 = \$21 240 For six months \$21 240/2 = **\$10 620**

**MixM Games
General Journal**

Date 2016	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit
30 June	Wages	2 300			
	Accrued wages		2300		
	Interest expense	240			
	Accrued interest expense		240		
	Prepaid sales revenue	2 500			
	Sales revenue		2 500		
	Depreciation of vehicles	10 620			
	Accumulated depreciation – vehicles		10 620		

Two marks were allocated to each General Journal entry. A large range of responses was provided to this question. Common errors included the following:

- reversing the Accrued wages entry and/or the Accrued interest entry
- incorrectly calculating the amount of interest owing
- recognising the interest as a revenue item, rather than an expense item
- adjusting the Prepaid sales with \$1 600, rather than \$2 500
- omitting at least one of the entries, particularly the adjustment for Prepaid sales
- incorrectly calculating the amount of the depreciation expense
- using incorrect titles (for example, Depreciation expense).

Question 4b.

Marks	0	1	Average
%	39	61	0.6

MixM Games	
Memo: 44	3 June 2016
Withdrawal of stock by the owner for personal use.	
Or Stock donated for advertising purposes.	
Signed: A. Gamer	Amount: \$250

The majority of students achieved full marks for this question. However, some students indicated that the memo entry was the result of a physical stocktake, which was incorrect. Stocktakes are completed at the end of the reporting period and therefore would not result in a memo on 3 June.

Question 4c.

Marks	0	1	2	3	4	5	6	7	Average
%	17	9	12	12	12	12	13	14	3.5

MixM Games
Income Statement for the six months ended 30 June 2016

	\$	\$
Revenue		
Sales	212 500	
Less Sales Returns	1 340	211 160
Less Cost of Goods Sold		
Cost of Sales	105 580	
Cartage In	3 200	108 780
Gross Profit		102 380
Plus Other revenue		
Discount revenue		340
		102 720
Less Other expenses		
Delivery	560	
Advertising	45 000	
Wages	69 300	
Interest	240	
Depreciation of vehicles	10 620	125 720
Net Profit (Loss)		(23 000)

One mark each was awarded for:

- Sales and Sales Returns
- Cost of Sales and Cartage In
- Discount Revenue
- Delivery and Advertising
- Wages
- Interest
- Depreciation of Vehicles.

Students were expected to follow the standard format of the Income Statement, including the relevant headings and the required subtotals and labels. Some students completed the required adjustments in Question 4a. yet they did not always adjust the figures to be used in the Income Statement. Sales, Wages, Interest and Depreciation are all affected by the adjusting entries and some of these items were either not adjusted or were not included in the report.

Question 5a.

Marks	0	1	2	3	4	Average
%	21	14	25	15	25	2.1

Stock Item	Calculation	Value (\$)
43	Cost = 420 + 250 = 670 NRV = 1800 Lower of Cost and NRV = 670	\$670
57	Cost = 1200 + 800 = 2 000 NRV = 1750 – 100 = 1 650 Lower of Cost and NRV = 1 650	\$1 650

Students are reminded that in order to value stock correctly, two separate steps must be completed: the total product cost should be determined and the net realisable value (NRV) needs to be determined. The two values should then be compared, with the NRV only being adopted if it is less than the cost of the stock item.

Question 5b.

Marks	0	1	2	Average
%	37	22	41	1.1

Olde Worlde Traders General Journal

Date 2016	Details	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit
30 Jun.	Stock Writedown	350			
	Stock Control		350		

One mark was allocated to each of the two entries in the General Journal. The value of the stock writedown came from the difference between the cost and the NRV of stock item #57 (\$2 000 – \$1 650 = \$350). Some students had difficulty completing Question 5a. and did not complete a response to Question 5b. It is important that students carry down the information determined in the previous question (where applicable) and complete the subsequent question to the best of their ability.

Question 5c.

Marks	0	1	2	3	4	Average
%	39	16	17	17	13	1.5

Explanation: The basis for applying the lower of cost and NRV is the principle of conservatism, which requires potential or possible losses to be recognised when probable. The Income Statement will be used to report the anticipated loss of \$350 as an expense (stock writedown), which will therefore cause a reduction in the net profit for the period.

The Balance Sheet is affected in two ways. Firstly, stock control will be decreased by the amount of the writedown (\$350), which will decrease the assets of the business overall. Secondly, the owner's equity will also be decreased by \$350 as a lower net profit will be determined for the reporting period.

Many students were able to provide a full explanation of the effect of a stock writedown on the accounting reports. However, some students concentrated only on the effect on the Income Statement and therefore could not be awarded full marks. Low-scoring responses simply stated that the Income Statement would decrease, rather than indicating that expenses would increase and therefore net profit would be decreased. Students are again reminded that they should read every question carefully and ensure that they respond to all components of each question.

Question 6a.

Marks	0	1	2	3	4	5	6	7	Average
%	40	16	12	10	7	4	4	7	1.9

**XYZ Traders
General Ledger**

Machinery

Date	Cross-reference	Amount	Date	Cross-reference	Amount
1 Jul. 15	Balance	125 000	31 Jul. 15	Disposal of Machinery	37 500
31 Jul. 15	Bank or Sundry Creditor	52 500	30 Jun. 16	Balance	140 000
		177 500			177 500

Accumulated Depreciation of Machinery

Date	Cross-reference	Amount	Date	Cross-reference	Amount
31 Jul. 15	Disposal of Machinery	23 500	1 Jul. 15	Balance	85 000
30 Jun. 16	Balance	80 000	30 Jun. 16	Depreciation of Machinery	18 500
		103 500			103 500

Disposal of Machinery

Date	Cross reference	Amount	Date	Cross reference	Amount
31 Jul. 15	Machinery	37 500	31 Jul. 15	Accumulated depreciation of Machinery	23 500
	Profit on Disposal of Machinery	5 000		Bank or Sundry Creditor	19 000
		42 500			42 500

This question proved to be quite difficult for some students. Rather than simply being required to work through the usual processes involved in the disposal of a non-current asset, this question provided some information in relation to the asset being sold and students had to put the pieces together to complete the ledger accounts. Some students obviously tried to complete the Machinery account first, but not all the information was available. For example, the historical cost of the asset being sold was not provided in the question. Some tried to complete the Disposal account first, yet again not all the required information was presented in the question. The only way to complete this question was to complete the Accumulated Depreciation account first. The information in this account could then be transferred to the other two accounts, thus revealing all information required. This question relied on students being able to apply their knowledge to a given scenario, rather than simply memorising a set of steps.

Question 6b.

Marks	0	1	2	Average
%	38	29	33	1

Explanation: A profit (or gain) on disposal occurs when the proceeds (cash or trade-in allowance) exceed the carrying value of the asset. This means that the asset has been over-depreciated during the asset's life, due to understating either the useful life of the asset or the estimated residual value of the asset.

High-scoring responses to this question provided a full explanation of how the profit on disposal comes about. However, some responses referred to current market value. Depreciation does not attempt to measure current market value during the life of an asset.

Question 6c.

Marks	0	1	Average
%	81	19	0.2

Working space

Bank balance as at 1/7/15	(\$17 500)
Bank balance as at 30/6/16	<u>26 000</u>
Net Cash Flow for the year	\$43 500

Net Cash Flow for the year ended 30 June 2016	\$43 500
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Many students had difficulty in recognising that the business started the year with an overdraft of \$17 500, yet by the end of the reporting period it had achieved a positive bank balance of \$26 000. A net cash inflow of \$43 500 was therefore experienced in order to achieve this result.

Question 6d.

Marks	0	1	2	3	4	Average
%	37	23	20	13	8	1.3

Justification: Generally, it is expected or at least hoped that the operating activities of a business will generate a cash surplus from its day-to-day trading activities. This is important as cash flows from operating activities may be required to fund the purchase of non-current assets. They may also be required to meet the loan repayments of the business, as well as providing sufficient cash for the owner's personal drawings. Investing and financing activities may provide surplus cash from time to time, but it is not sustainable for a business to be constantly taking out new loans or receiving capital injections from the owner. A positive cash result from operating activities is usually viewed as a sign of a healthy business, and as such businesses can be self-sufficient and be in a position to service debt and replace assets as and when required.

Responses to this question included several different approaches. Students were asked to 'justify the accountant's statement'. This was not a 'discuss' type question or a question asking for a comparison of profit and cash. Low-scoring responses dismissed the accountant's statement as incorrect, which is quite different from justifying their statement. High-scoring responses emphasised the importance of cash flows from operating activities and provided a full justification of why the accountant made such a statement. Again, students are reminded to read every question carefully and make sure that their responses are in line with the question being posed.

Question 7a.

Marks	0	1	2	3	4	5	6	Average
%	29	18	17	15	11	7	3	1.9

Discussion: Profitability analysis relates the profit earned by a business to the resources required to earn such a profit. Common methods of evaluating profitability are to determine the Return on Assets (ROA) and the Return on Owner's Investment (ROI). Aime Traders has a significantly lower ROA when compared to the industry average and this may indicate poor profitability. This result shows that the assets of Aime Traders are not being used as efficiently as other businesses.

However, the ROA can be affected by asset values, particularly if Aime Traders was a new business, as their assets would generally have a higher value.

However, when comparing the ROI, Aime Traders has a higher return. This has probably been achieved through the effective use of borrowed funds. It should be noted that Aime Traders's Debt Ratio is significantly higher (54% compared to 34%). The higher level of debt funds can be used to purchase assets for the business, without additional capital funds being injected by the owner. Thus, the higher level of debt has been used profitably to increase the return on owner's investment.

It appears that Aime Traders is a lower volume, higher mark-up type of business. Its Gross Profit Margin is significantly higher than the industry average, indicating that its selling prices may be higher than some of its competitors. This is supported by the lower Asset Turnover rates achieved by the business. This indicator suggests that Aime's profitability is higher than other similar businesses. As the management of Aime appears to be applying a higher mark-up to its stock, one would expect that their turnover rates would not be as high as the industry average. This is supported by the fact that the industry average is 2.2 times, compared to Aime's turnover of only 1.9 times.

Despite a significantly higher Gross Profit Margin, Aime's Net Profit Margin has not been as high as other similar businesses. This indicates that Aime may have an issue with its level of expenses, which will have a negative impact on its overall profitability. As the Net Profit Margin is lower than the industry average, management should review its expense structure, as the gains made with a higher mark-up have been eliminated by higher expense levels. Perhaps Aime has higher staff levels, which means higher wages. Or perhaps they advertise a lot more than other businesses.

Overall, Aime appears to be a low volume, high mark-up business with higher expense levels. It is generally less efficient in using their assets to generate profit, but it has used its debt structure to effectively increase the return on the owner's investment.

In this question students were provided with a number of financial indicators, some of which appeared to have been contradictory in their nature. Some appeared to show higher profitability, whereas others showed lower profitability levels. The higher-scoring responses made comments about what an indicator shows, but they also supported this with evidence from the data provided. Full explanations were provided, with links clearly articulated when appropriate (for example, the link between higher debt and a higher ROI).

This was only one way of responding to such a question and students responded in different ways but were still able to achieve full marks.

Low-scoring responses simply repeated the data provided, without giving explanations or including other comments. Some students read the data as a two-year comparison, rather than a comparison of Aime Traders's results with industry averages. This is evidence of not reading the question carefully. Students are advised to ensure that they demonstrate their accounting knowledge in this type of question and not simply write a sentence on each indicator that repeats the numerical data provided in the question.

Question 7b.

Marks	0	1	2	3	4	Average
%	33	19	20	16	12	1.6

Explanation: A significantly higher Debt Ratio can have a number of implications for a business. Higher debt will usually mean higher loan repayments, which may put additional pressure on the liquidity of the business and create cash management issues. If the business is running low on cash this may also have an adverse effect on the relationships with other suppliers. Bills may not

be met on time and this could threaten future credit facilities being available and may in fact threaten supply from some creditors. Also, with higher debt levels the interest expense incurred by a business may also increase. The implication of this is a negative impact on the profit earned by the business. These implications should be weighed up against the benefits of having a higher ROI through using borrowed funds to fund the assets required by the business.

The highest-scoring responses to this question provided a range of implications for a business with a high Debt Ratio and full explanations were provided. However, some students could only offer one implication. Others were obviously confused between the Debt Ratio and the Debtors Turnover. Students should note that the Debt Ratio is not a reflection of how long debtors take to pay.

Question 8

Marks	0	1	2	3	4	Average
%	28	22	26	16	9	1.6

Depreciation method: Reducing balance method

Justification: The depreciation method chosen should be based on the revenue-earning pattern of the asset. As a vehicle would generally be more efficient in its earlier years of use, it would be expected to generate more revenue in its earlier years and less revenue in its later years. As the reducing balance method allocates more depreciation in an asset's earlier years of use and less depreciation when the asset is older, it is the most appropriate method for depreciating the vehicle. In relation to the Budgeted Income Statement for the year ended 30 June 2018, the graphs provided show that depreciation expense would be higher under the reducing balance method compared to the straight-line method, and therefore the net profit would be lower.

In relation to the Budgeted Balance Sheet as at 30 June 2018, the carrying value of the asset under the reducing balance method is significantly lower than under the straight-line method. The owner's equity would also be lower at this time because of the greater depreciation expense being allocated under the reducing balance method up to this time.

This question required students to consider:

- the revenue-earning pattern of the asset
- how the chosen depreciation method allocates depreciation
- the effect on the Budgeted Income Statement
- the effect on the Budgeted Balance Sheet.

Some students went to great lengths to discuss the revenue-earning pattern of the asset and the method of allocating depreciation. However, despite comprehensive responses to these two areas, some students did not address the effect on the accounting reports, as outlined in the question.

Question 9ai.

Marks	0	1	2	3	Average
%	30	15	26	29	1.6

Working space	
Balance 71 000	Bank 225 000
Sales 200 000	Disc exp 1 000
GST 20 000	Bad debts 2 000
<u> </u>	<u>Balance 63 000</u>
291 000	291 000
Cash received from debtors	
\$225 000	

Students adopted a variety of approaches in responding to this question. Some elected to do a basic reconstruction of the debtors ledger account, as shown above. Others simply showed additions and subtractions of the various items in order to determine the cash received. The method used is up to the individual. However, the important thing to keep in mind is that it is crucial to show your workings. Incorrect responses can still be awarded partial marks if workings are provided and they are a logical solution to the question being posed.

Question 9aii.

Marks	0	1	2	3	4	5	Average
%	43	23	7	4	5	19	1.6

Working space							
Stock Control				Creditors Control			
Balance	45 000	COS	110 000	Bank	121 450	Balance	25 000
Credit Ctrl	112 000	Balance	47 000	Dis.Rev	750	Stock Ctrl	112 000
	<u>157 000</u>		<u>157 000</u>	Balance	26 000	GST	11 200
					<u>148 200</u>		<u>148 200</u>
Payments to creditors						\$121 450	

The best way to answer this question was a reconstruction of two ledger accounts. Students who simply listed all the items in an attempt to determine the cash payments did not always use a logical process and sometimes did not include all relevant items. However, as they showed their workings some marks were still awarded.

Question 9a.iii.

Marks	0	1	2	Average
%	59	16	25	0.7

Working space	
Delivery 10% of \$4 000 = \$ 400	
Advertising 10% of \$10 000 = \$1 000	
GST paid on cash payments	\$1 400

This question required students to recognise the two items that would have GST applied to them. However, some students completed complex calculations that were not necessary.

Question 9b.

Marks	0	1	2	3	4	5	Average
%	29	9	14	19	18	11	2.2

Abcon Air
Budgeted Cash Flow Statement (extract) for the three months ending 30 September 2016

	\$	\$
Estimated Cash Flows from Operating Activities		
Receipts from Debtors	225 000	
Payments to Creditors	(121 450)	
GST paid	(1 400)	
GST settlement	(16 000)	
Advertising	(10 000)	
Delivery expenses	(4 000)	
Wages	(37 860)	
Estimated Net Cash Flows from Operating Activities		34 290

One mark each was awarded for:

- receipts from debtors
- payments to creditors
- both GST paid and GST settlement
- Advertising and Delivery expenses
- Wages.

This question was answered reasonably well by students who attempted it. Some students did not attempt this question. It is vital that all students work to a plan and attempt all questions on the examination.

Common errors made by some students included:

- failing to carry forward the information determined in Question 9a.
- the inclusion of alien items such as Cost of Sales, Discounts and Bad debts
- the inclusion of Cash Sales, despite the question stipulating that all sales were made on credit.