VICTORIAN CURRICULUM AND ASSESSMENT AUTHORITY

2010 VCE VET Financial Services GA 2: Written examination

GENERAL COMMENTS

Students were well prepared for the 2010 VCE VET Financial Services examination. Very few students left questions unanswered.

Students are reminded to include their working if there is room on the exam paper to do so and to be as clear as possible. Students should also read theory questions carefully and answer the question asked.

Good use of previous years' examination papers was evident.

SPECIFIC INFORMATION

Question 1a.

Marks	0	1	2	Average
%	4	15	82	**1.8**

Error in the purchases journal is Invoice 150 understated by $990 (Purchases $900, GST $90).

Purchases Journal

Date	Details	Inv No.	Stock control	GST Paid	Creditors Control
			$	$	$
12 Oct 10	Cute Ltd	150	1000	100	1100
20 Oct 10	Crazy Ltd	258	600	60	660
28 Oct 10	Boggy's	125	500	50	550
			2100	210	2310

Students handled this question well, with the majority of students being awarded full marks. Some errors occurred where students failed to recognise the incorrect amounts on the 12 October for Cute Ltd or did not adjust the records for GST. Some students did not total the columns of the Purchases Journal.

Question 1b.

Marks	0	1	2	Average
%	71	17	12	**0.4**

Any two of:

- asset (Stock Control) understated
- liabilities (Creditors Control) understated
- GST Clearing understated.

Students handled this question poorly, with the majority of students receiving no marks. Most answers were too general and did not relate to the Purchases Journal.

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Question 1c.

Marks	0	1	2	3	4	Average
%	4	21	16	45	15	**2.5**

Cash Receipts Journal

Date	Details	Rec. No.	Cash Sales $	GST Collected $	Sundries $	Bank $
15 Oct 10	Cash sale	33	400	40		
15 Oct 10	Cash sale	34	650	65		1155
27 Oct 10	Capital	35			5000	5000

Cash Payments Journal

Date	Details	Chq. No.	Creditors Control $	GST Paid $	Sundries $	Bank $
16 Oct 10	Crazy Ltd	25	3000			3 000
22 Oct 10	Rent expense	26		120	1200	1320
22 Oct 10	Equipment	27		1300	13 000	14 300

There was a mixed response from students on this question. Some students found it difficult to calculate the GST component of a sale and did not know in which column in the relevant journal to record the entry.

Question 1d.

Marks	0	1	2	3	4	5	6	7	8	9	Average
%	4	2	9	4	8	7	11	17	13	25	**6.1**

Cash Receipts Journal

Date	Details	Rec. No.	Cash Sales $	GST Collected $	Sundries $	Bank $
15 Oct 10	Cash sale	33	400	40		
15 Oct 10	Cash sale	34	650	65		1155
27 Oct 10	Capital	35			5000	5000
31 Oct 10	Interest	B/S			15	15
			1050	105	5015	6170

Cash Payments Journal

Date	Details	Chq. No.	Creditors Control $	GST Paid $	Sundries $	Bank $
16 Oct 10	Crazy Ltd	25	3000			3 000
22 Oct 10	Rent expense	26		120	1200	1320
22 Oct 10	Equipment	27		1300	13 000	14 300
31 Oct 10	Bank fees	B/S			20	20
			3000	1420	14 220	18 640

Bank Reconciliation Statement
As at 31 October 2010

	$	
Balance as per bank statement	2850	DR
Add Unpresented Cheques		
Chq. No 22	300	
Chq. No 26	1320	
	4470	
Less Deposits not yet credited	5000	
Balance as per bank account	530	DR

Students completed this question well, with many students receiving high marks. Some students missed out on some marks as they did not include the Interest or Bank fees as adjustments to the journals or a debit after the balance as per the business bank account in the Bank Reconciliation Statement.

Question 1e.

Marks	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Average
%	15	3	2	6	6	6	6	6	3	4	9	11	7	9	6	7.1

T-FORMAT

Date	Details	Amount $	Date	Details	Amount $

Cash at Bank

1 Oct 10	Balance	13 000	31 Oct 10	Cash payments	18 640
31 Oct 10	Cash receipts	6170			

Creditors Control

31 Oct 10	Bank	3000	1 Oct 10	Balance	5000
			31 Oct 10	Stock Control/GST Clearing	2310

Capital – Sarah

			1 Oct 10	Balance	8000
			27 Oct 10	Bank	5000

Stock Control

31 Oct 10	Creditors Control	2100			

GST Clearing

31 Oct 10	Creditors Control	210	31 Oct 10	Bank	105
31 Oct 10	Bank	1420			

Sales

			31 Oct 10	Bank	1050

Rent

22 Oct 10	Bank	1200			

Equipment

22 Oct 10	Bank	13 000			

Bank Fees

31 Oct 10	Bank	20			

Interest

			31 Oct 10	Bank	15

OR

COLUMNAR FORMAT

Date	Details	Debit $	Credit $	Balance $

Cash at Bank

1 Oct 10	Balance			13 000 DR
31 Oct 10	Cash receipts	6170		19 170 DR
31 Oct 10	Cash payments		18 640	530 DR

Creditors Control

1 Oct 10	Balance			5000 CR
31 Oct 10	Stock Control (GST inc.)		2310	7310 CR
31 Oct 10	Bank	3000		4310 CR

Capital – Sarah

1 Oct 10	Balance			8000 CR
31 Oct 10	Bank		5000	13 000 CR

Stock Control

31 Oct 10	Creditors control	2100		2100 DR

GST Clearing

31 Oct 10	Creditors control	210		210 DR
	Bank	1 420		1630 DR
	Bank		105	1525 DR

Sales

31 Oct 10	Bank		1050	1050 CR

Rent

22 Oct 10	Bank	1200		1200 DR

Equipment

22 Oct 10	Bank	13 000		13 000 DR

Bank Fees

31 Oct 10	Bank	20		20 DR

Interest

31 Oct 10	Bank		15	15 CR

Marks were evenly spread in this question. Students were not penalised for consequential errors but were penalised for incorrect terminology; for example, Creditors Control needed to be used in the details column and correct dates needed to be recorded. Students are reminded that the GST Clearing Account has all GST transactions included.

Question 1f.

Marks	**0**	**1**	**2**	**Average**
%	53	11	36	**0.8**

Gazeba could make use of a Creditors Subsidiary Ledger for amounts owing to creditors. This will enable the business to monitor the amounts owing to each supplier and ensure that suppliers are paid on time. This will also ensure accuracy. Gazeba could schedule regular reviews, establish a payment plan or even set a limit on the amounts purchased.

This question was poorly answered, with many students achieving no marks. Most answers were vague when they needed to be specific. Students should have mentioned that this business should have subsidiary ledger systems in place. Students are reminded to read the question carefully as some students wrote about debtors instead of creditors.

Question 1g.

Marks	**0**	**1**	**2**	**Average**
%	45	36	20	**0.8**

T-FORMAT

Crazy Ltd

Date	**Details**	**Amount $**	**Date**	**Details**	**Amount $**
16 Oct 10	Bank	3000	1 Oct 10	Balance	3000
31 Oct 10	Balance	660	20 Oct 10	Stock Control/GST	660
		3660			3660
			1 Nov	Balance	660

OR
COLUMNAR FORMAT

Crazy Ltd

Date	Details	Debit	Credit	Balance
		$	$	$
1 Oct 10	Balance			3000 CR
16 Oct 10	Bank	3000		Nil
20 Oct 10	Stock Control/GST		660	660 CR

Students completed this question poorly. Students need to be aware of the dates used in a subsidiary ledger and that, when using the columnar format to record ledgers, a DR/CR must be recorded after the balance. In all ledger accounts details should be the name of another ledger account and not the name of the journal.

Question 2a.

Marks	0	1	2	3	4	5	Average
%	18	11	13	23	20	15	**2.6**

Everything 3D
Cash Flows from Operating Activities for the month ended 31 October 2010

	$	$
Cash Inflows		
Receipts from Debtors	5 400	
Cash Sales	12 600	
GST Collected	1 260	19 260
Cash Outflows		
Payments to Creditors	(6400)	
Wages	(4320)	
Stock	(4100)	
GST Paid	(770)	
Interest Expense	(500)	
Operating Expenses	(3600)	
Payment to the ATO	(1460)	(21 150)
Net Cash Flow from Operating Activities		(1890)

Students completed this question well, with many students scoring three marks or more. The main error in responses to this question was the inclusion of alien items (such as Drawings or Loan Repayment) in the cash flow from operating activities and the titles used in the report.

Question 2b.

Marks	0	1	2	Average
%	32	42	25	**0.9**

Working Space
Balance at beginning (2 560)

+ Cash receipts 24 260
21 700

– Cash payments 25 150
Balance at End (3 450)

Bank Balance as at 31 October 2010	$**3 450 Cr**

This question was poorly answered. Students failed to recognise the bank balance as a negative. Students are advised that negative items should be put in brackets to avoid confusion.

Question 2c.

Marks	0	1	2	Average
%	69	11	21	**0.5**

Working Space
Total Debits = 453 320
Total Credits = 307 510
Capital = 453 320 – 307 510
= 145 810

Capital as at 31 October 2010	$ **145 810**

This question was poorly answered, with the majority students receiving no marks. It was evident from the errors made that many students did not read the question carefully.

Question 2d.

Marks	0	1	2	3	4	5	6	7	8	9	Average
%	11	4	8	9	8	10	14	14	17	4	**4.9**

Date 2010	Account	Debit $	Credit $
Oct 31	Wages	670	
	Accrued Wages		670
Oct 31	Depreciation of Delivery Vans	1140	
	Accumulated Depreciation of Delivery Vans		1140
Oct 31	Drawings	500	
	Sales		500
Oct 31	Rent Expense	2000	
	Prepaid Rent Expense		2000

Many students scored five or more marks for this nine-mark question. However, many students did not realise that the balance day adjustment for depreciation was not for the full year. Depreciation and accumulated depreciation must be followed by the name of the non-current asset.

Question 2e.

Marks	0	1	2	3	4	5	Average
%	71	16	8	4	1	0	**0.5**

T-FORMAT
Profit & Loss Summary

Date	Details	Amount $	Date	Details	Amount $
Oct 31	Expenses	21 430	Oct 31	Revenues	18 900
			31	Capital	2530
		21 430			21 430

Capital

Date	Details	Amount $	Date	Details	Amount $
Oct 31	Drawings	3500	Oct 31	Balance	145 810
31	Profit & Loss Summary	2530			
31	Balance	139 780			
		145 810			145 810

OR
COLUMAR FORMAT

Profit & Loss Summary

Date	Details	Debit $	Credit $	Balance $
Oct 31	Revenues		18 900	18 900CR
31	Expenses	21 430		2 530DR
31	Capital		2530	–

Capital

Date	Details	Debit $	Credit $	Balance $
Oct 31	Balance		145 810	145 810CR
31	Profit & Loss Summary	2 530		143 280CR
31	Drawings	3 500		139 780CR

This question was poorly answered with the majority of students scoring no marks. Many students were not able to complete the Profit & Loss Summary account or the Capital account.

Question 2f.

Marks	0	1	2	Average
%	69	22	9	**0.4**

Reason 1: Drawings of $3500 is included in the calculation of the bank balance but not profitability.
Reason 2: Loan Repayment to Western Banking of $2000 per month is included in the calculation of the bank balance and not profitability.

Other reasons included GST payment to the Australian Taxation Office and balance day adjustments.

This question was poorly answered with most students scoring no marks. Students were required to provide Emma with two reasons why the business's bank balance was not the same as the level of profitability. Students failed to relate these reasons to the given scenario.

Question 3a.

Marks	0	1	2	3	Average
%	9	33	41	17	**1.7**

Receipt No: 001

PH Urban Art
PO Box 201
Melbourne 3001
Ph: 9300 3001

Date: 1 Oct 2010
From: C. Crupi
The sum of: $600
For: Account settlement – Discount $10
Received with thanks

Receipt No: 002

PH Urban Art
PO Box 201
Melbourne 3001
Ph: 9300 3001

Date: 15 Oct 2010
From: Cash sale
The sum of: $2200
For: Cash sale – GST $200
Received with thanks

Receipt No: 003

PH Urban Art
PO Box 201
Melbourne 3001
Ph: 9300 3001

Date: 25 Oct 2010
From: F. Fitzgerald
The sum of: $2200
For: Account settlement
Received with thanks

Students completed this question reasonably well. However, many students ignored the Discount Expense and the GST.

Question 3b.

Marks	0	1	2	3	4	5	6	7	Average
%	2	2	3	7	9	16	37	23	**5.3**

Sales Journal

Date	Details	Inv. No.	Sales $	GST Collected $	Debtors Control $
3 Oct 10	C Crupi	31	2000	200	2200
6 Oct 10	F Fitzgerald	32	500	50	550
8 Oct 10	A Angelo	33	2500	250	2750
10 Oct 10	E Ellis	34	300	30	330
30 Oct 10	A Angelo	35	2090	209	2299
	Total		7390	739	8129

Cash Receipts Journal

Date	Details	Rec. No	Disc Exp $	Debtors $	Cash Sales $	GST Collected $	Sundries $	Bank $
1Oct 10	Debtor – C Crupi	001	10	610				600
15 Oct 10	Cash Sale	002			2000	200		2200
25 Oct 10	Debtor – F Fitzgerald	003		2200				2200
	Total		10	2810	2000	200		5000

General Journal

Date	Details	Debit $	Credit $
29 Oct 2010	Bad Debts	880	
	Debtors Control – D Davies		880
	Bad Debt written off as per memo 53		

Students completed this question well. Discount Expense and GST collected needed to be clearly shown and a bad debt does not need to have GST recorded.

Question 3c.

Marks	0	1	2	3	Average
%	32	25	29	14	**1.2**

T-FORMAT
Debtors Control

Date	Details	Amount $	Date	Details	Amount $
1 Oct 2010	Balance	11 320	29 Oct 2010	Bad Debts	880
31 Oct 2010	Credit Sales/GST clearing	8129	31 Oct 2010	Bank/Dis Exp	2810
			31 Oct 2010	Bal	15 759
		19 449			19 449

OR

COLUMNAR FORMAT
Debtors Control

Date	Details	Debit $	Credit $	Balance $
1 Oct 2010	Balance			11 320 DR
31 Oct 2010	Bad Debts		880	10 440 DR
31 Oct 2010	Bank/Dis Exp		2810	7630 DR
31 Oct 2010	Credit Sales/GST clearing	8129		15 759 DR

Students completed this question reasonably well. The main errors occurred with the dates recorded or the failure to record bad debts.

Question 3d.

Marks	0	1	2	Average
%	26	18	56	**1.3**

T-FORMAT

Debtors Subsidiary Ledger A Angelo

Date	Details	Amount $	Date	Details	Amount $
1 Oct 2010	Balance	990			
8 Oct 2010	Credit Sales/GST clearing	2750			
30 Oct 2010	Credit Sales/GST clearing	2299	30 Oct 2010	Balance	6039
		6039			6039

OR
COLUMNAR FORMAT

Debtors Subsidiary Ledger **A Angelo**

Date	Details	Debit $	Credit $	Balance $
1 Oct 2010	Balance			990 DR
8 Oct 2010	Credit Sales/GST Clearing	2750		3740 DR
30 Oct 2010	Credit Sales/GST Clearing	2299		6039DR

Students completed this question well; however, dates were not always correct.

Question 3e.

Marks	0	1	2	Average
%	7	21	72	**1.7**

Advantage: saves time as statements are sent out automatically, prompts are given when a debtor payment is due, records are calculated accurately.
Disadvantage: costly to establish, data entry is time consuming, staff need to be trained or computer system problems.

Students completed this question well. A variety of answers were accepted.

Question 3f.

Marks	0	1	2	Average
%	30	35	36	**1.1**

PH Urban Art
P.O. Box 201
Melbourne 3001
Phone: (03) 9300 3001
Fax: (03) 9300 3002
ABN: 53 303 231 123

Date: 31.10.2010

Customer: F Fitzgerald
Albert Street
Preston 3072

Date	Details	DR $	CR $	Balance $
1 Oct 10	Balance			2200 DR
6 Oct 10	Credit Sale Inv 32	550		2750 DR
25 Oct 10	Cash receipt Rec 003		2200	550 DR
Balance				$ 550 DR

Terms: 5/10, n/30

Many students completed this question reasonably well. Some students were penalised as they did not include the source document information under details.

Question 3g.

Marks	0	1	Average
%	32	68	**0.7**

Add extra columns for the classification of sales into Art Equipment, Photography Equipment or Supplies.

This question was answered well. Students wrote about a variety of ways to redesign the Sales Journal.