VCE Accounting 2019–2024
Advice for teachers

Detailed examples

Unit 3 Area of Study 1: Recording and analysing financial data

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| Detailed example 1 |
| **Effect of transactions on the accounting equation***Tasks*1. Show the effect on the accounting equation of each of the transactions in the first column of the table below.
2. Create a list of all accounts and their balances.
3. Classify the asset and liability accounts into current and non-current.

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|  | **Increase/Decrease/No Effect** |
| **Transaction** | **Assets** | **Liabilities** | **Owner’s Equity** |
| The owner contributed $10,000 cash to the business |  |  |  |
| The business paid $1,540 including GST for Inventory |  |  |  |
| The owner contributed a vehicle he purchased for $7500 which now has a fair value of $5,000 |  |  |  |
| Received $750 + $75 GST for sales, cost price $325 |  |  |  |
| The owner withdrew inventory valued at $250 plus GST for personal use |  |  |  |
| Purchased inventory on credit from Jackson Inc $2,750 including GST |  |  |  |
| Credit sale of inventory $2,200 including GST to Joe Munro |  |  |  |
| Paid Jackson Inc outstanding amount after receiving a discount of $150 |  |  |  |

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| Detailed example 2 |
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| **Recording financial data into General Journal and General Ledger***Business scenario*Amy Radcliffe is commencing her own business – Radcliffe’s Rides – selling bikes and accessories***.*** On 1 March 2023 she contributed the following items to the business:* Cash from her personal account: $7,000 [Rec.1]
* Funds from a loan from MU Bank: $25,000 (the loan will be repayable $500 per month)
* Office Equipment: $15,000
* Vehicle with agreed value of: $32,000. The vehicle was purchased in 2019 for $45,000. The owner borrowed $35,000 from the ANZ bank to purchase the vehicle in 2019 and currently owes $9,000. The business will take over this loan at the time of transfer [repayable at $1,000 per month].

During the month of March 2023 the business completed the following transactions:March 5 Paid one month’s rent on premises for $1,800 plus GST [Chq.1]March 6 The business signed a contract with Lindeville Ltd stating that Lindeville Ltd will be the only supplier of bikes and accessories to Radcliffe’s Rides.As a result of this contract Radclife’s Rides will be entitled to credit terms of 2/10,n30March 10 Purchased inventory on credit from Lindeville Ltd [Inv.LL09]:* 20 Xtreme bikes @ $120 plus GST each
* 15 Slider bikes @ @80 plus GST each
* 18 Mason bikes @ $100 plus GST each

March 12 Returned 1 Mason Bike to supplier due to damaged paintMarch 15 Cash sale of inventory $1,430 including GST, cost price $650March 18 Credit sale of inventory $2,200 plus GST to Rapid Racers, cost price $1,100 [Inv.RR56]March 20 Paid Lindeville Ltd amount owing on account (Chq.2)March 25 Received $1,000 from Rapid RacersMarch 28 Amy withdrew 1 Xtreme bike and gave it to her son as a birthday presentMarch 30 Paid electricity bill $330 including GST (Chq.3)*Tasks*1.Recordthe above information into the General Journal for Radcliffe’s Racers (Note: Narrations are required)2. Post the information from the General Journal tothe following ledger accounts in the General Ledger of Radcliffe’s Racers* Bank
* GST Clearing
* Inventory
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| Detailed example 3 |
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| **Ethical considerations for owners of trading businesses***Business scenario*Rachel Morgan owns a clothing business and imports her products from overseas. She has recently introduced a business policy that aims to reflect basic standards of human rights through business policies and actions. This policy and its standards encompass all actions and decisions made by employees. Suppliers to the business are also chosen according to their commitment to human rights.Rachel has instituted a ‘work-life balance’ policy for employees, which encourages the adoption of flexible working hours. She also encourages staff to participate in activities that promote healthy lifestyles and has organised subsidised memberships to health clubs for all employees.Contracts with suppliers stipulate that they must meet minimum standards in relation to working conditions for their employees. Suppliers are expected to provide Rachel with policies relating to the working conditions and minimum wages of their employees. Rachel will not purchase from any overseas supplier that operates using sweatshops for production of their products.*Task*Discuss the potential impact of these ethical decisions by Rachel on the performance of her business. |