

GENERAL COMMENTS

The 2011 November examination was the last examination for the current study design. Two scenarios were presented, with each scenario being allocated 45 marks. The two questions were based on two different small businesses operating as trading firms. Students were allowed 90 minutes to complete the paper, which was worth a total of 90 marks. This examination was a little different to previous examinations in that there were more questions worth one or two marks. This may have presented an issue for some students in relation to finishing the entire paper. Students are reminded to practise completing examinations 'against the clock', as it was obvious that some students had difficulty in managing their time effectively and did not attempt all questions on the examination.

Accounting questions often flow from one section to another. If a student does not attempt a question, it creates a significant problem if the data from that question is then used in a subsequent question. Students should note that if they are unsure of the accuracy of one of their answers and that information is then used in a subsequent question, they are strongly encouraged to use their data anyway and make every attempt on the second question. Students will not be penalised twice for the same error. For example, one question may require students to determine a Net Profit figure for a period. The subsequent question may then require students to prepare a Balance Sheet, where their Net Profit figure would be used as part of Owner's Equity. Regardless of what Net Profit was determined in the first question, this figure must be used as part of the Balance Sheet. Even if the amount is incorrect, it would not be penalised in the Balance Sheet question, as long as it has been classified correctly as part of Owner's Equity. Marks may have been lost in the first question but this type of error would not be penalised a second time.

Students are generally well versed in using correct titles for journals, ledger accounts and accounting reports. However, a reminder is timely in relation to Sundry Creditors. If a business buys a new Non-Current Asset on credit, or trades an asset in to a creditor when they buy a new one on credit, a Sundry Creditors account must be used. Some students used Creditors Control for this purpose on this examination, which is not acceptable. Similarly, a Subsidiary Ledger account should not be used. For example, the account name to be used in Question 2.3.1 should have been Sundry Creditor – King Motors and this account is in the General Ledger only. The rules regarding Sundry Creditors are well established but obviously need to be revisited.

SPECIFIC COMMENTS

For each question, a suggested answer (or answers) is provided. In some cases the answer given is not the only answer that could have been awarded marks.

Question 1 – Handy Handbags

1.1.1

Marks	0	1	2	3	Average
%	5	5	31	58	2.4

Stock Card: Prestige Bag

Date 2011 Dec.	Details	IN			OUT			BALANCE		
		Qty	Cost \$	Total \$	Qty	Cost \$	Total \$	Qty	Cost \$	Total \$
1	Balance							20	80	1 600
9	Inv. A20	40	90	3 600				20 40	80 90	5 200
14	Inv. H 45–66				20 2	80 90	1 780	38	90	3 420
16	Cr. Note 3	1	90	90				39	90	3 510
19	Cr. Note C35				1	90	90	38	90	3 420
31	Memo 78	3	90	270				41	90	3 690

The response to this question was very good, with many students scoring full marks. One mark was awarded for each of the three lines in the Stock Card. Common errors by those who did not achieve three marks were:

- including GST as part of the cost of stock

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- recording the sales return in the 'out' column (and vice-versa for the purchases return)
- writing 'Stock write down', rather than 'Memo 78' for the entry on 31 December.

1.1.2

Marks	0	1	2	3	4	5	6	7	Average
%	13	5	4	4	5	6	11	50	5

GENERAL JOURNAL

Date 2011	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
16 Dec	Sales Returns	130			
	GST Clearing	13			
	Debtors Control		143		
	J. Jones				143
	Stock Control	90			
	Cost of Sales		90		
19 Dec	Creditors Control	99			
	Brie's Bags			99	
	Stock Control		90		
	GST Clearing		9		

This question serves as a timely reminder for teachers and students. There are 10 items in the above General Journal, yet only seven marks were available. Marks are not always awarded on a one mark per item basis. In this question, one mark each was awarded for:

- the Sales Returns entry of \$130
- the GST Clearing entry of \$13
- both the Debtors Control entry and the J. Jones entry in the Subsidiary Ledger account
- the double entry of Stock Control and Cost of Sales of \$90
- both Creditors Control and Brie's Bags (as a Subsidiary Ledger account)
- the credit entry of \$90 to the Stock Control account
- the credit entry of \$9 to GST Clearing.

This question was handled well by most students. However, many lost marks on this question through careless errors or through the omission of some of the required entries (for example, the cost price entry for the sales return). Despite the selling price of the sales return being provided in the question booklet, some students created their own selling price.

1.1.3

Marks	0	1	2	Average
%	24	27	48	1.3

The most successful responses included answers such as:

- to identify slow-moving lines of stock. This allows management to eliminate slow-moving lines and concentrate on faster-selling items
- to alert management of re-ordering points. This ensures that the business does not run out of stock and all customers' needs can be satisfied
- fast and slow lines can be identified so that management can find the best stock mix in order to maximise sales.

To gain the two marks available, most students identified how Stock Cards can assist management and then expanded on their answer to achieve the second mark. Students are reminded that they should not expect to receive two marks for an 'explain' type question if they only make a brief comment. Some students simply wrote 'they identify slow- and fast-moving lines'. Although this would be awarded one mark, a simple statement such as this was not awarded two marks for this question. A second statement needed to be made to receive full marks on this type of question.

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1.2.1

Marks	0	1	2	Average
%	41	30	29	0.9

Calculation	
At cost: $31 \times \$90 = \$2\,790$ NRV = $10 \times (\$70 - \$10) = \$600$ $\$2\,790 + \$600 = \$3\,390$	
Value of Stock of Prestige Bags	\$ 3 390

This question proved to be quite difficult for many students. With two calculations being required to determine the total value of the bags, one mark was awarded for each of the two calculations. It is of concern that some students correctly determined that 41 units were in the Stock Card in Question 1.1.1, yet in this question a different number of units was presented. Data from one part of the question is quite often used in subsequent parts of questions, and students should ensure that they have been consistent in their approach.

1.2.2

Marks	0	1	2	3	Average
%	19	18	30	33	1.8

Explanation: Any expected losses should be recognised immediately they are anticipated or probable. This is done to ensure that profit is not overstated. It also ensures that Assets and Owner's Equity are not overstated in the Balance Sheet of the business.

Accounting Principle: Conservatism

This type of question has featured on several examinations over the years and students should be well versed with the above explanation. It is disappointing therefore that the qualitative characteristic of 'relevance' was often stated as the accounting principle. It is also noteworthy that some students provided a rote-learned definition of conservatism, including the statement that 'revenues should not be recognised until certain'. Although this statement may be relevant to some questions on conservatism, it has nothing to do with stock write downs and was therefore not a valid response in this case.

1.2.3

Marks	0	1	2	3	Average
%	18	20	35	27	1.7

GENERAL JOURNAL

Date 2011	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
31 Dec	Stock Write Down	300			
	Stock Control		300		
	Adjusting entry for write down of 10 Prestige Bags as per Memo 79				

In this question, one mark each was awarded for:

- the debit entry to the Stock Write Down account
- the credit entry to the Stock Control account
- the narration.

When a narration is required in the General Journal, students should ensure that they include sufficient detail in order to be awarded the mark available. In this case, 10 bags were written down, the type of stock was identified as Prestige Bags and Memo 79 was the source document used for the entry.

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1.3.1

Marks	0	1	2	3	4	Average
%	17	10	16	22	35	2.5

Explanation: The packaging and labelling was added to the supplier's price of \$120 as it could be allocated to the individual units of stock on a logical basis. Therefore it was treated as a product cost of \$20 per unit ($\$200 \div 10 = \20 per unit). This made a total cost per unit of \$140 ($\$120 + \20). The delivery charge covers many different lines of stock and cannot be directly linked to the Golden Strap bag. Therefore, as it cannot be logically allocated on a per unit basis, it should be treated as a period cost and written off as an expense for the current reporting period.

Students were expected to refer to both product and period costs in their responses, as well as indicate how the \$140 was calculated. Despite being specifically mentioned in the question booklet, some students made no reference to the amount of \$140. Students are reminded again to read questions very carefully and not simply respond with a description of product and period costs. The most successful responses covered all elements of the question and explained the difference between product and period costs, as well as fully explaining how the \$140 was determined.

1.3.2

Marks	0	1	2	Average
%	35	18	47	1.1

Explanation: Given that not all stock has been sold, if treated as a product cost, profit would be higher because the packaging costs for those bags not yet sold would not yet be expensed. If treated as a period cost, profit would be lower as all packaging costs would be expensed, regardless of how many units remain unsold on balance day.

The majority of students were in two distinct groups in relation to this question – either they were awarded the two marks available or they did not score at all. Those students who could distinguish between product and period costs did so in great detail and clearly indicated the calculation of \$140. Poor responses could not distinguish between the two types of costs, and some simply indicated that Net Profit would not change as all costs have the same effect on profit. This type of response indicated a lack of knowledge about product and period costing.

1.4.1

Marks	0	1	2	Average
%	39	31	30	0.9

Explanation: Selling prices may have been decreased, with no change in the cost prices from suppliers. With a lower selling price the business may have been able to attract significantly more customers and therefore overall Total Sales may have increased. As cost prices did not change and selling prices were decreased, this would mean that the Gross Profit ratio would fall, as the average mark-up of the business would have fallen over the period.

Many students achieved the first mark on the question but had great difficulty gaining the second mark. Many students indicated that cost prices may have increased, which was a valid point in explaining how the Gross Profit ratio decreased. However, cost prices increasing would not cause sales to increase and therefore some students had difficulty in fully explaining this question in order to get the two marks available.

1.4.2

Marks	0	1	2	Average
%	45	35	20	0.8

Explanation: The Return on Assets is an indicator of how efficiently or effectively management has used its assets to generate a profit. In 2010, for every one dollar invested into assets, a return of 28 cents of profit was generated.

This question had two distinct parts to it: firstly, students had to explain the significance of the Return on Assets as an indicator of performance; in other words, what does the Return on Assets show a business owner? The second part of the question required students to respond to the 2010 information. Two major issues were seen in responses: poor responses referred to the generation of Sales Revenue rather than Net Profit, and many students simply failed to refer to the 2010 information. Reading questions carefully should help eliminate such errors.

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1.4.3

Marks	0	1	2	Average
%	48	27	24	0.8

Explanation: Return on Assets increased, while at the same time the Net Profit ratio decreased. This indicates that the business must have used its assets more efficiently to generate sales revenue. This improvement in asset turnover was greater than the decrease in the Net Profit ratio, thus allowing the Return on Assets to improve over the reporting period.

As this 'explain' question was worth two marks, a detailed response was required in order to achieve full marks. There were many excellent responses to this question; however, some students could not fully explain the relationship between Return on Assets, the Net Profit ratio and asset turnover. This type of question has appeared on most recent examinations, and students and teachers are strongly advised to pay careful attention to this area of the study design.

1.4.4

Marks	0	1	Average
%	74	26	0.3

Calculation

30% (GPR) of \$320 000 = \$96 000

10% (NPR) of \$320 000 = \$32 000

Difference between Gross Profit and Net Profit equals Other Expenses: \$96 000 – \$32 000 = \$64 000

Other Expenses for the year ending 31 December 2011	\$64 000
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There was quite a lot of detail to be taken into account in answering this question. Many students could not apply the information provided in order to determine the expenses for the period.

1.4.5

Marks	0	1	2	Average
%	27	8	65	1.4

Benchmark 1: Industry averages/similar businesses/previous periods' result

Benchmark 2: Alternative investments/budget expectations

This question was handled particularly well by most students. With a range of acceptable responses, most students achieved the two marks available.

1.5.1

Marks	0	1	2	3	Average
%	45	21	15	20	1.1

PREPAID RENT REVENUE

Date 2011 Dec.	Cross Reference	\$	Date 2011 Dec.	Cross Reference	\$
31 Dec	Rent Revenue	6 000	1 Nov	Bank	9 000
	Balance	3 000			
		9 000			9 000

One mark each was allocated for:

- the 'Bank' entry of \$9000
- the adjusting entry, Rent Revenue, of \$6000
- correctly balancing the account, including showing \$9000 as the totals on both the debit and credit sides.

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Reading the question properly was again crucial here. The question specifically stated that students were required to balance the account. This meant that some students could not achieve full marks on this question as their accounts were incomplete. Regardless of whether or not one is confident of having the correct numbers in the first two entries, the account should still be balanced so that students can demonstrate knowledge of this accounting skill.

1.5.2

Marks	0	1	2	Average
%	47	16	37	0.9

Calculation	
$\$3\,000 \times 10 = \$30\,000$	
$\$3\,600 \times 2 = \$7\,200$	
$\$30\,000 + \$7\,200 = \$37\,200$	
Rent Revenue for the year ending 31 December 2012	\$37 200

This type of question is often not well handled by students. Two calculations had to be performed, one with the old rate of \$3000 per month and then two months at the new monthly rate of \$3600. Teachers are advised to give due attention to this area of the study design.

1.5.3

Marks	0	1	2	Average
%	59	29	12	0.5

GENERAL JOURNAL

Date 2012 Dec.	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
31 Dec	Prepaid Rent Revenue	37 200			
	Rent Revenue		37 200		
	Rent Revenue	37 200			
	P&L Summary		37 200		

With two marks available for the four entries in the General Journal, one mark was allocated to each of the two double entries required. Although this question simply used the amount from the previous question in the two double entries required, it appeared that many students failed to carry forward the dollar amount from the previous question. Students are again reminded to carry forward information from previous questions and demonstrate as much accounting knowledge as possible. Blank answers, of course, cannot be awarded any marks.

1.5.4

Marks	0	1	Average
%	52	48	0.5

Amount reported	\$3 600
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This was a one-mark question based on recognition of the one month's rent that remained as prepaid on balance day. Given that many students did not perform well on the previous two questions, they may have struggled to then determine the amount of Prepaid Rent Revenue that would be reported on balance day.

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1.5.5

Marks	0	1	2	Average
%	36	28	36	1

Characteristic 1: Present obligation – The business has an obligation to provide the use of the property to the other business as they have paid for this in advance.

Characteristic 2: Outflow of economic benefit – The business has lost the privilege of using the property for its own benefit and if they don't allow the other business to use it, they would have to refund the money already paid.

Characteristic 3: Arising from a past event – The agreement would have been signed by the two parties on a previous date and the receipt of money has also occurred in the past.

This question required any two of the three characteristics to be covered. Most students attempted the first and the third characteristics listed above and many had little difficulty in explaining them with relation to this question.

Unfortunately, some students failed to respond to this question.

Question 2: Fine Furniture

2.1.1

Marks	0	1	2	Average
%	25	18	57	1.3

Creditors Control			
BANK	402 000	Bal beg	28 000
Bal End	26 000	Stock	400 000
	<u>428 000</u>		<u>428 000</u>
Estimated payments to Creditors for the year ending 30 June 2012			\$402 000

This question provided a positive starting point for most students as they commenced Question 2. Students appeared to be well versed in the practice of reconstructing accounts to determine figures for budgeted reports. One mark was allocated for the correct use of the opening balances, with the other mark allocated for the inclusion of the stock purchases. This question was handled well by most students, although some obviously did not have a full understanding of General Ledger accounts. It should be noted that a ledger account approach was not essential. Some students simply added and subtracted the relevant amounts to correctly determine the estimated payments to creditors.

2.1.2

Marks	0	1	2	3	Average
%	27	11	15	47	1.8

Bal beg	30 000	Bad debts	6 900
Sales	115 000	Disc exp	1 150
		BANK	101 950
		Bal end	35 000
	<u>145 000</u>		<u>145 000</u>
Estimated receipts from Debtors for the year ending 30 June 2012			\$101 950

Question 2.1.2 proved to be a little more challenging than the previous question, given the complications of bad debts and discount expense. Many different calculations were provided by students, but the more successful responses again used the reconstructed ledger account approach. Students with a good working knowledge of ledger account templates appeared to be highly successful with their responses.

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2.1.3

Marks	0	1	2	3	4	Average
%	48	18	16	13	5	1.1

**Fine Furniture
Budgeted Cash Flow Statement (Extract)
for the year ending 30 June 2012**

	\$
Cash Flows from Operating Activities	
Operating Outflows	
<i>Payments to Creditors</i>	402 000
<i>Wages</i>	42 800
<i>Freight Outwards</i>	8 000
<i>Cash Purchases of Stock</i>	100 000
<i>Rent</i>	26 800
<i>Interest on Loan</i>	9 100
Total Operating Outflows	588 700

This question was misinterpreted by some students. The only items required for the report were 'Operating Outflows'. Unfortunately, Operating Inflows were also included by some students, as were financing and investing cash flows. As there were several items required in this question, the four marks were allocated as follows:

- one mark for Payments to Creditors, Wages and Freight Outwards
- one mark for the Cash Purchases of Stock
- one mark for Rent (or Prepaid Rent)
- one mark for the Interest on Loan.

Common errors made by students were:

- including alien entries, such as Credit Sales
- omitting the interest payment
- including financing items (such as Drawings).

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2.1.4

Marks	0	1	2	3	4	5	Average
%	14	6	10	20	28	22	3.1

Fine Furniture Budgeted Profit & Loss Statement for the year ending 30 June 2012

	\$	\$
Revenue		
<i>Cash Sales</i>	230 000	
<i>Credit Sales</i>	115 000	345 000
<i>less Cost of Sales</i>		172 500
<i>Gross Profit</i>		172 500
<i>less Other Expenses</i>		
<i>Bad Debts</i>	6 900	
<i>Discount Expense</i>	1 150	
<i>Wages</i>	42 800	
<i>Depreciation of Delivery Vehicle</i>	10 000	
<i>Freight Outwards</i>	8 000	
<i>Interest on Loan</i>	8 400	
<i>Rent Expense</i>	26 400	103 650
<i>Net Profit</i>		68 850

This was the second accounting report on this examination. Five marks were allocated and a total of 10 items had to be listed in this report. The marks were awarded as follows:

- one mark for including Cash Sales and Credit Sales
- one mark for correctly reporting the Cost of Sales and calculating the Gross Profit
- one mark for Bad Debts, Discount Expense and Wages
- one mark for Depreciation of Vehicle, Freight Outwards and Interest on Loan
- one mark for Rent Expense.

Common errors on this question included:

- including items such as 'Cash at Beginning', which shows obvious confusion with the Statement of Cash Flows
- miscalculating Cost of Sales (this should have been 50 per cent of Sales Revenue)
- incorrectly calculating the Rent Expense figure.

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2.1.5

Marks	0	1	2	3	Average
%	33	29	27	11	1.2

Fine Furniture Budgeted Balance Sheet (Extract) as at 30 June 2012

Current Liabilities	\$	\$
<i>Creditors Control</i>	26 000	
<i>Loan – ABC Bank</i>	24 000	50 000
Non-Current Liabilities		
<i>Loan – ABC Bank</i>		52 000
Owner's Equity		
<i>Capital</i>	72 000	
<i>Plus Net Profit</i>	68 850	
	140 850	
<i>Less Drawings</i>	25 000	115 850

The three marks available were allocated as follows:

- one mark for reporting Creditors as a Current Liability
- one mark for correctly splitting the loan between Current and Non-Current Liabilities
- one mark for reporting Net Profit and Drawings correctly under Owner's Equity.

Many students had difficulty in correctly determining the amount of the loan to be reported under the two liability classifications. Others omitted the Net Profit figure, despite the fact that a profit had been calculated in the previous question.

2.2.1

Marks	0	1	2	Average
%	36	40	24	0.9

Explanation: Changes over time, such as over consecutive reporting periods, in the business's ability to meet its short-term debts as they fall due.

The most successful responses to this question covered the meaning of 'liquidity' as well as explaining the meaning of 'trends'. The key to the question was providing a description of time in relation to the measurement of liquidity. Poor responses often only provided a definition of liquidity, without explaining what trends are.

2.2.2

Marks	0	1	Average
%	72	28	0.3

State: It is used because it indicates the firm's ability to cover its Current Liabilities using cash generated from its day to day operating activities.

This one-mark question provoked a variety of responses, with some students unable to state exactly why the Cash Flow indicator is used. Some students stated what some other ratios don't do, rather than focusing on what this indicator does do for management.

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2.2.3

Marks	0	1	2	3	Average
%	35	28	24	13	1.2

Discuss: The increase in the Cash Flow indicator suggests an improved ability by the business to cover short-term liabilities using the cash generated from operating activities. However, the Interest Cover ratio indicates less cash generated from operating activities to interest commitments, indicating liquidity concerns for the business. The time taken to pay creditors has also increased, meaning the business is retaining cash for longer periods of time. However, this may also indicate that the business has insufficient cash to meet their commitments on time.

'Discuss' type questions have become part of accounting examinations in recent times. It is important to realise that one particular answer is not the only possible response to these questions. Sometimes the data may be contradictory in its nature and this may create a variety of possible responses. The important thing to remember with a discussion question is to consider both sides of the argument and use supporting evidence when making a statement. Such questions provide an opportunity for all students to demonstrate their accounting knowledge. In answering Question 2.2.3, there was little point in simply stating that liquidity improved, unless supporting evidence was given that was based on the information provided in the question booklet.

2.2.4

Marks	0	1	Average
%	67	33	0.4

State: The business may now be abusing the credit terms offered by their suppliers. This may damage their reputation and credit facilities may not be offered to them in the future.

Many students did not score the mark for this question as they referred to the potential loss of discounts, despite the fact that the question booklet stated clearly that the suppliers do not provide discounts.

2.2.5

Marks	0	1	2	Average
%	55	19	26	0.7

Explanation: One point needed to be made, such as the Working Capital Ratio:

- does not take into account the timing of the various cash flows
- does not indicate when stock is likely to be sold
- is a static measure and liquidity is better assessed on future cash flows
- is historical in nature: the past may not reflect the future.

The second mark was awarded for a full explanation of one of the above points.

Poor responses covered other areas not relating to liquidity, such as how many Non-Current Assets a business has.

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2.3.1

Marks	0	1	2	3	4	5	Average
%	34	10	12	13	17	14	2.1

GENERAL JOURNAL

Date 2012 1 Jan.	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
	Vehicle	55 000			
	Prepaid Insurance	800			
	GST Clearing	5 580			
	Sundry Creditor – King Motors		61 380		
	Sundry Creditor – King Motors	10 000			
	Disposal of Vehicle		10 000		

One mark was allocated for each of the first four entries shown above in the General Journal. The last mark was awarded for the double entry recording the trade-in allowance; that is, the debit and credit entries of \$10 000. This question proved to be quite difficult for many students. Common errors included:

- omitting the Prepaid Insurance
- making an entry to Creditors Control, rather than the Sundry Creditor's account
- forgetting to record the trade-in allowance.

Titles continued to be an issue when a sundry creditor was involved. Students are advised to ensure that they use the title Sundry Creditor, followed by the actual name of the supplier. No other variations are acceptable. They should ensure that the debits and credits to a sundry creditor are made in the General Ledger and not the Subsidiary Ledger.

2.3.2

Marks	0	1	2	Average
%	50	30	20	0.7

Justification: It is a cost that will occur each year and thus has to be expensed and is therefore not part of the historical cost of the vehicle. The one payment does not extend over the asset's entire life. It will be treated as a Current Asset and then expensed as the insurance is used up.

Many students struggled to give a logical answer to this question. It is vitally important that students attempt all questions, as one question often has a link to the next question. This was the case with Question 2.3.2, whereby it would be most difficult to justify the treatment of the Prepaid Insurance if it had been ignored in the previous question.

2.3.3

Marks	0	1	2	Average
%	45	25	30	0.9

Calculation	
Cost = \$50 600 – \$4 600 GST = \$46 000	
Depreciation = 20% of \$46 000 = \$9 200	
\$9 200 × 3.5 years = \$32 200	
Carrying value = \$46 000 – \$32 200 = \$13 800	
Carrying value	\$13 800

There were four distinct steps involved in this question and students should have shown the steps in the box provided. Many students handled this question quite well, although some lost one mark for missing one of the steps shown above. Working should always be shown in the box provided, as incorrect responses may still be awarded some marks.

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2.3.4

Marks	0	1	2	3	4	Average
%	41	7	10	16	26	1.8

DISPOSAL OF DELIVERY VEHICLE

Date 2012	Cross Reference	\$	Date 2012	Cross Reference	\$
30 Jun	Delivery Vehicle	46 000	30 Jun	Accumulated Depreciation Delivery Vehicle	32 200
				Sundry Creditor – King Motors	10 000
				Loss on Disposal of Delivery Vehicle	3 800
		46 000			46 000

Four marks were available, one per ledger account entry, with the last entry also closing off the Disposal account. Titles were again an issue in this question. Rather than the entries shown above, the following incorrect entries were used by some students:

- Non-Current Asset (or Asset), instead of Delivery Vehicle
- Accumulated Depreciation, without the name of the asset as part of the title
- Creditors Control (or Cash), rather than Sundry Creditor – King Motors
- Loss on Sale, rather than Loss on Disposal of Vehicle.

As this is a formal ledger account, correct titles are expected. Students should take their time and complete as many entries as they can in an accurate fashion so that they can maximise their marks.

2.3.5

Marks	0	1	2	Average
%	49	40	11	0.6

Explanation: Much of the information used to calculate depreciation is based on estimates and is therefore not reliable. These estimates include useful life and residual value. However, by allocating depreciation we can determine a more accurate profit figure and therefore the information is more useful for decision making, thus making depreciation relevant.

Students were expected to comment on both 'relevance' and 'reliability'. Unfortunately, some students provided a detailed explanation of why depreciation is not reliable, without any reference at all to the relevance part of the question.

2.4.1

Marks	0	1	2	Average
%	52	27	21	0.7

GENERAL JOURNAL

Date 2012	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
30 Jun	Accrued Interest Revenue	50			
	Interest Revenue		50		

One mark was awarded for the correct debit entry, with the other being for the correct credit entry. This question proved difficult for some students. It appears that some students simply ran out of time and could not attempt this question fully. Students are again reminded to allocate their time carefully to ensure that all questions on the examination can be attempted.

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2.4.2

Marks	0	1	2	Average
%	64	17	19	0.6

Cash Receipts Journal

Date 2012	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries
31 Jul	<i>Accrued Interest Revenue</i>	<i>B/S</i>	<i>100</i>						<i>50</i>
	<i>Interest Revenue</i>								<i>50</i>

This question was worth two marks and produced some disappointing responses. This type of question has been featured on many examinations and students have not heeded past warnings about this area. Common errors included:

- splitting the entry in the bank column into two amounts
- omitting the notation B/S (for bank statement) and including a receipt number
- recording the entire \$100 as either Interest or Accrued Interest
- using incorrect titles in the Details column.