



GENERAL COMMENTS

The June 2007 examination was the first examination of the re-accredited *Accounting VCE Study Design*. As in the past, the examination was 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. It is expected that this format will continue.

Each question dealt with one scenario and was worth 45 marks. The majority of students were able to complete the examination.

To enable the questions to be broken into parts, each scenario dealt with time periods of differing length. Often students did not adequately read the dates provided, which caused them to miscalculate figures such as depreciation and/or omit information.

It appeared that many students and teachers had used past assessment reports in their preparation for the examination, which was pleasing to note. The purpose of the assessment report is to identify areas in which students performed well or poorly, to comment on trends and to offer advice to students and teachers. Current and past reports often contain valuable advice and information for current Unit 3 and 4 students. Nonetheless, it should be noted that assessment reports should not be used to predict future examination questions. For example, it seems to have become a trend for students to identify 'Relevance' as the most appropriate response when asked for a Qualitative Characteristic. However, this is not always the most appropriate response, as was seen in Question 1.1.3 of this examination.

Perhaps the biggest change to the study design and hence the examination is the inclusion of the GST throughout the whole study. With the exception of General Journal entries, the GST is to be identified for all relevant transactions, even if no entry is required. There were many transactions in this examination with GST attached to them, however, the GST amount was not expected to be recorded (Question 2.4.1 is an example). Students must ensure they are fully aware of when to include the GST in their recording. Students should note particularly that, in the end of year examination, they will not be required to consider GST in questions involving the topic 'Budgets'.

Students must ensure they read the questions carefully so that they answer questions appropriately. In this examination, two questions contained restrictions that were designed to focus students' attention. Students who did not take note of these restrictions could not achieve full marks for that particular question.

SPECIFIC INFORMATION

Question 1 – Barker Electrics

1.1.1

Marks	0	1	2	3	4	Average
%	24	14	14	23	26	2.2

GENERAL JOURNAL

Date 2007	Particulars	General Ledger		Subsidiary Ledger	
		Debit	Credit	Debit	Credit
		\$	\$	\$	\$
1 January	Cash at Bank	6 000			
	Stock Control	85 000			
	Equipment	30 000			
	Accrued Wages		2 000		
	Loan		42 000		
	Creditors Control		19 000		
	Creditor – Luxaflo Limited				9 000
	Creditor – Washlex				10 000
	Capital		58 000		

It is often assumed that the first question on an examination will be the least difficult. Although on the surface this question appeared straightforward, there were three areas that required particular attention, each of which was worth one mark.

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- As this was an opening journal, students were expected to calculate and record Capital. Students who did not record this item could only receive a maximum of three marks. Failure to calculate and record Capital was the most common error in this question.
- The information provided in the question specifically stated that the new double-entry recording system was to have control accounts for creditors. Students were therefore required to create a Creditors Control Account and record the balance of this account and the subsidiary creditor accounts in the Journal. This was worth one mark.
- The new recording system was also to have a control account for stock, so the title for stock in the Journal needed to be Stock Control. Students who did not refer to this account as Stock Control did not gain the mark allocated to the assets of the business in the Journal.

The fourth mark for this question was allocated to the remaining two liabilities.

1.1.2

Marks	0	1	2	3	Average
%	8	16	26	50	2.3

Barker Electrics Balance Sheet as at 1 January 2007 (Extract)

Current Liabilities	\$
Accrued Wages	2 000
Creditors Control	19 000
Loan	6 000
	\$27 000

This type of question has been asked frequently in recent examinations; however, it remains an area of concern. Students need to be able to identify the part of the Loan that is a Current Liability.

A common title error was to refer to the Loan as 'Loan Repayment'. This title is incorrect and students who used it did not receive the mark allocated to the item. Students were not penalised for incorrect titles that were consequential to their response to Question 1.1.1.

Another common error occurred where the Creditors Control account in Question 1.1.1 was recorded correctly but then the creditors were separated in this question.

Students were penalised a maximum of one mark over the two questions (1.1.1 and 1.1.2) for not using the term 'Control' when referring to the Creditors Control or Stock Control accounts. For the remainder of the examination, there was a further deduction of a maximum of one mark for not using the term Control when referring to the Debtors, Creditors or Stock Control accounts.

1.1.3

Marks	0	1	2	3	Average
%	54	24	14	7	0.8

Explanation

- Reports should be prepared in a manner that makes it easy for the user to comprehend their meaning. Classifying Assets and Liabilities in the Balance Sheet allows users with little accounting knowledge to understand the basics of the report.

Qualitative Characteristic

- Understandability

This question was not answered well, and many different answers involving all four Qualitative Characteristics were given. Two marks were allocated for the explanation and one mark for the characteristic.

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The key to a successful answer was in the question – students were asked why Assets and Liabilities are **classified** in the Balance Sheet, not why they are included. Relevance is why they are included in the Balance Sheet, but Understandability is why they are classified.

Students who identified Relevance tended to give a definition of Assets and Liabilities and/or explain that classifying Assets and Liabilities allows the Owner's Equity to be calculated. Such responses did not score any marks. In order to achieve any marks, students who chose Relevance needed to discuss the concept that classification allows for improved decision making.

Answers stating Reliability or Comparability were unable to provide any explanation that attracted marks.

1.2.1

Transaction 1

Marks	0	1	2	3	Average
%	19	13	39	29	1.9

Transaction 2

Marks	0	1	Average
%	16	84	0.9

Transaction 3

Marks	0	1	2	Average
%	29	18	54	1.3

Transaction 4

Marks	0	1	2	Average
%	16	22	63	1.5

Transaction 5

Marks	0	1	Average
%	19	81	0.9

Totals

Marks	0	1	Average
%	34	66	0.7

GENERAL JOURNAL

Date 2007	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
31 Jan	Motor Vehicle	30 000			
	Loan		10 000		
	Capital		20 000		
	Drawings	720			
	Stock Control		720		

Transaction 1, the Motor Vehicle, was a different type of transaction from those that have appeared in previous examinations. The idea of the owner contributing an Asset to the business was not new, but the business taking over the Loan associated with that Asset was a different concept. This part of the question was poorly answered.

Transaction 3 would have been very familiar to students and as a result was handled well. The most common error was including the GST in the transaction. This aspect of the transaction is not part of the current course and, although the GST information was provided, students need to be aware of when to disregard the GST.

One mark was allocated for each line of the Journal entry.

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CASH RECEIPTS JOURNAL

Date 2007	Details	Rec. No.	Bank	Disc. Exp.	Debtors	Cost of Sales	Sales	GST	Sundries
30 Jan	Totals to date		43 500	100	6 200	20 400	34 000	3 400	–
31 Jan	Sale	17	1 320			720	1 200	120	
			44 820	100	6 200	21 120	35 200	3 520	–

Transaction 4 was also handled well by students. One mark was allocated to the Date, Details, Rec. No. and Bank columns and the second mark to the Cost of Sales, Sales and GST columns.

The most common error was including the GST on the cost price of the item.

PURCHASES JOURNAL

Date 2007	Creditor	Inv. No.	Stock	GST	Total Creditors
30 Jan	Totals to date		43 000	4 300	47 300
31 Jan	Luxaflo Ltd	L36	4 000	400	4 400
			47 000	4 700	51 700

Transaction 2, a straightforward Journal entry, was handled well by students. The main error was recording the name of the business (Barker Electrics) as the creditor, rather than the supplier (Luxaflo Ltd). This transaction was worth one mark.

CASH PAYMENTS JOURNAL

Date 2007	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Stock	Wages	GST	Sundries
30 Jan	Totals to date		63 000	500	34 500	17 000	5 000	2 000	5 000
31 Jan	Electricity	111	495					45	450
			63 495	500	34 500	17 000	5 000	2 045	5 450

Transaction 5 was perhaps the best-handled part of this question. As the transaction was only worth one mark, students needed to complete the whole line in the Journal to be awarded the mark.

The final mark for this question was allocated to the totalling of the Journals. This requirement was clearly identified in the question. Students needed to total **all** columns in the Cash Receipts, Purchases and Cash Payments journals, regardless of whether or not an entry was made.

1.2.2

Sales

Marks	0	1	2	Average
%	44	18	38	1.0

Stock Control

Marks	0	1	2	3	4	5	Average
%	23	13	8	11	21	23	2.8

SALES

Date 2007	Cross reference	\$	Date 2007	Cross reference	\$
			31 Jan	Bank	35 200
				Debtors Control	31 000



STOCK CONTROL

Date 2007	Cross reference	\$	Date 2007	Cross reference	\$
1 Jan	Balance	85 000	31 Jan	Cost of Sales	21 120
31 Jan	Bank	17 000		Cost of Sales	18 600
	Creditors Control	47 000		Drawings	720

There were seven entries required and seven marks allocated: two marks for the two entries in the Sales Account and five marks for the five entries in the Stock Control Account. The most common errors were:

- not posting totals but just the transactions from Question 1.2.1
- not posting the Drawings of Stock from the General Journal
- including the GST in the amounts posted
- using the title of the Journal as the cross reference.

Allowances were made for consequential errors from the Journals. Although using terms such as 'Stock C' and 'Creditors C' was not penalised, students should avoid using such abbreviations.

1.3.1

Marks	0	1	2	Average
%	48	25	28	0.9

The debit entry of \$5500 represents:

- the amount of GST that the business has paid on its cash purchases of stock/expenses/non-current assets
- the amount of GST owed by the ATO to the business from its cash purchases of stock/expenses/non-current assets.

This was a very straightforward question. One mark was awarded for stating that the figure is for an amount paid or an amount owed by the business. The second mark was awarded for stating that the amount was paid or owed on cash purchases of stock/expenses/non-current assets.

The most common errors were stating that:

- the \$5500 was a payment for the month's GST settlement or that the amount was received rather than paid
- the amount was the balance of the account that is owed to the ATO.

1.3.2

Marks	0	1	2	3	4	Average
%	37	15	12	16	21	1.8

Report	GST Item(s) included in report (if any)	Classification
Cash Flow Statement	GST Paid/Payments	Operating
	GST Received/Collected	Operating
Profit & Loss Statement	n/a	n/a
Balance Sheet	GST Clearing	Current Liability

This question was poorly answered. The format provided in the Answer Booklet for this question should have been read carefully and the table completed according to the headings.

Most students completed the section concerning the Balance Sheet but did not to complete the other three sections. Many students were not able to classify the items in the Cash Flow Statement.

The most common errors were:

- stating an effect of GST on the Profit & Loss Statement
- using dollar amounts instead of titles
- not identifying the GST Clearing as a **Current** Liability
- identifying the GST Paid as GST Settlement.

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The GST is now taught throughout Units 3 and 4 and students need to be aware of how to deal with this item in every examination question.

1.4.1

Marks	0	1	2	3	4	5	6	7	8	Average
%	11	5	5	6	8	9	10	12	35	5.5

BARKER ELECTRICS CASH FLOW STATEMENT FOR QUARTER ENDED 30 JUNE 2007

	\$	\$
Cash Flow from Operating Activities		
Sales	90 000	
Receipts from Debtors/Debtors	72 800	
GST Received	9 000	171 800
GST Paid	(7 700)	
Payments to Creditors/Creditors	(88 000)	
Stock/Stock Control	(52 000)	
Wages	(17 000)	
Prepaid Advertising	(6 000)	
Loan Interest	(2 000)	
Administration Expenses	(9 000)	(181 700)
NET CASH FROM OPERATING ACTIVITIES	(9 900)	(9 900)
Cash Flow from Investing Activities		
Equipment		(10 000)
NET CASH FROM INVESTING ACTIVITIES		(10 000)
Cash Flow from Financing Activities		
Capital contribution	10 000	
Drawings	(7 000)	
Loan repayment	(3 000)	
NET CASH FROM FINANCING ACTIVITIES	0	0
NET INCREASE/(DECREASE) IN CASH		(19 900)
Cash at Bank (1/04/2007)		8 500
Cash at Bank (30/06/2007)		(11 400)

This question was handled very well by students. This type of question has been asked a number of times in recent years and has been handled poorly in the past. It was pleasing to see that students have heeded the advice in past assessment reports.

The mark allocation was as follows:

- one mark for Sales
- one mark for both GST Received and GST Paid (however these items needed to be shown as separate amounts)
- one mark for Receipts from Debtors and one mark for Payments to Creditors. If students included the amount for Discount Expense or Discount Revenue in these items, one mark was deducted
- one mark for Stock, Wages, Prepaid Advertising, Loan Interest and Administration Expenses. Students needed to state 'Prepaid Advertising', or a mark was deducted for an incorrect title
- one mark for Equipment
- one mark for Capital
- one mark for Drawings and Loan Repayment.

Marks were also deducted for alien entries such as Cost of Sales.

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When completing a Cash Flow Statement, students must ensure that they indicate those items that are inflows and those that are outflows. This can be done via headings in the report or by placing brackets around amounts that are outflows. Students who did not indicate items that were outflows were penalised one mark.

1.4.2

Marks	0	1	2	3	4	Average
%	33	15	18	18	16	1.8

Under accrual accounting there is a difference between revenue earned and received and expenses incurred and paid. Cash and profit are different resources. In the example, the cash at bank decreases but has no effect on net profit as the outgoings are not expenses. For example, Prepaid Advertising decreases the bank balance but the expense for the period impacts less on profit, and Discount Revenue increases net profit but has no effect on the bank as it is not a cash flow.

Examples

- Purchase of equipment
- GST Paid exceeded GST Collected
- Loan Repayment
- Cash Drawings
- Prepaid Advertising was greater than Advertising Expense
- Discount Revenue

This type of question has appeared on a number of recent examinations. Students must be able to explain how cash and profit are different.

One mark was awarded for explaining the difference between cash and profit and one mark for explaining how the examples used affected cash and profit. A further mark was awarded for each of the examples provided.

Students must draw their examples specifically from the information provided in the question. Using the example 'purchase of a non-current asset' was not specific enough; students needed to state 'purchase of equipment'. Students should not have used Credit Sales, Cash Receipts from Debtors, Payments to Creditors or Cost of Sales as examples as there was not enough information provided to be able to state these facts with any certainty.

If students used Discount Revenue or Prepaid Advertising as an example, the explanation needed to reflect their effect on cash and profit and not be a generic statement.

Question 2 – Bountiful Beds

2.1.1

General Ledger

Marks	0	1	2	3	4	5	Average
%	27	7	10	12	18	26	2.8

Debtors Subsidiary Ledger

Marks	0	1	2	3	Average
%	25	12	20	43	1.9

DEBTORS CONTROL (General Ledger)

Date 2007	Cross reference	\$	Date 2007	Cross reference	\$
1 Jun	Balance	20 190	30 Jun	Bank	10 900
30 Jun	Sales	7 100		Discount Expense	100
	GST Clearing	710		Bad Debts	4 200

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Debtor – BMC (Subsidiary Ledger)

Date 2007	Cross reference	\$	Date 2007	Cross reference	\$
1 Jun	Balance	6 000	12 Jun	Bank	4 000
4 Jun	Sales	2 000	30 Jun	Bad Debt	4 200
	GST Clearing	200			

The first part of this question was handled reasonably well by students. One mark was allocated for each of the five entries required. Students were able to combine the Sales and GST Clearing entries and the Bank and Discount Expense entries.

A common error in the control account was recording individual entries rather than the total. This attracted a two mark penalty – one for the individual entries and a second for incorrect dates. Other common errors included:

- using Stock Control as a cross reference rather than Sales
- omitting the Bad Debts
- recording the Bank/Discount Expense as \$10 900.

This subsidiary account was generally completed to a better standard than the control account. Errors that were consequential to the control account were not penalised twice.

Individual dates are required in a subsidiary account, and a one mark penalty applied if the dates were incorrect. Students were also penalised a mark if they included the Discount Expense in this account as no discount was allowed to this debtor.

2.1.2

Marks	0	1	2	Average
%	34	35	30	1.0

Debtors Control provides a summary of all transactions involving debtors, while the subsidiary accounts provide information regarding each individual debtor. Using the information in each subsidiary account to prepare a Debtors Schedule:

- provides a business with a mechanism for cross-checking the information
- allows for the removal of bulky detail from the general ledger, resulting in easier reporting
- allows for the division/specialisation of duties amongst staff.

This question was completed reasonably well by students. One mark was allocated for the first sentence and the second mark for either of the other statements. Students who did not receive full marks generally provided only one statement.

2.2.1

Marks	0	1	2	Average
%	32	26	43	1.2

Errors can still be present due to:

- using the wrong amount for a transaction in both the debit and credit entries
- reversing the debit and credit entries of a particular transaction
- omitting a transaction
- recording the same transaction twice.

This was a relatively straightforward question that students should have been able to handle well. One mark was allocated for any of the reasons above. Responses needed to be specific to be awarded the mark. Responses that were considered not specific enough included:

- wrong amount recorded
- debit and credit entries reversed.

Other common incorrect responses included:

- the business is yet to complete their balance day adjustments
- Stock Loss has not yet been identified.

These responses related to balance day adjustments that would appear in a Post Trial Balance, **not** a Trial Balance.

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2.2.2

Adjustment 1

Marks	0	1	2	Average
%	30	20	50	1.3

Adjustment 2

Marks	0	1	Average
%	30	70	0.8

Adjustment 3

Marks	0	1	2	Average
%	40	33	27	0.9

Adjustment 4

Marks	0	1	Average
%	64	36	0.4

Adjustment 5

Marks	0	1	2	Average
%	35	44	21	0.9

GENERAL JOURNAL

Date 2007	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
30 Jun	Office Supplies Expense	4 500			
	Prepaid Office Supplies		4 500		
	Wages Expense	1 100			
	Accrued Wages		1 100		
	Depreciation – Showroom Fittings	5 000			
	Accumulated Depreciation – Showroom Fittings		5 000		
	Prepaid Rent Expense	12 000			
	GST Clearing		12 000		
	Rent Expense	48 000			
	Prepaid Rent Expense		48 000		

This question involved four Balance Day Adjustments and one correcting entry to be recorded in the General Journal. The adjustments were straightforward and have been seen before in previous examinations. The correcting entry involved the GST Clearing Account.

The first adjustment was generally handled well. The most common error was to record the Expense at \$1500 rather than \$4500. This appeared to be an error students made when reading the question. This adjustment was worth two marks – one for each line of the General Journal. Students who used \$1500 received one mark.

The second adjustment was a very common adjustment and students generally handled it well. As there was no calculation required, only one mark was allocated.

The third was the most difficult of the four adjustments due to the calculation involved. Students were provided with a Pre-adjustment Trial Balance and given the date that the business purchased the asset, therefore they should have been able to calculate that the asset had already been depreciated \$10 000 over two years (hence it is depreciated at \$5000 per annum). Common problems with this adjustment were:

- leaving it out altogether
- dividing the per annum amount by 12, thus depreciating for only a month
- calculating the incorrect depreciation amount. The most common amounts provided were \$10 000 or \$3333.

Adjustment 4, which was the correcting entry, was not handled well by students. Many students debited the Rent Expense account (although this would have been acceptable if they had then recorded the next adjustment as \$36 000,

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therefore providing for a total Rent Expense of \$48 000). Another common error was to include the GST component in the transaction, making the amount recorded \$13 200. As this was a Correcting entry and worth only one mark, any of these errors resulted in students achieving no marks for this entry.

The most common error for the final entry was to record only one month's Rent Expense (\$4000). As this adjustment required a calculation, two marks were allocated – one for each line of the journal entry. Students who recorded \$4000 were awarded one mark provided the account titles were correct and were debited and credited correctly.

2.2.3

Closing

Marks	0	1	2	3	Average
%	37	12	19	32	1.6

Transfer

Marks	0	1	2	Average
%	42	15	43	1.1

GENERAL JOURNAL

Date 2008	Particulars	General Ledger		Subsidiary Ledger	
		Debit \$	Credit \$	Debit \$	Credit \$
30 Jun	Profit & Loss Summary	402 500			
	Office Supplies Expense		4 500		
	Depreciation – Showroom Fittings		5 000		
	Wages		95 000		
	Rent Expense		48 000		
	Cost of Sales		250 000		
	Capital	38 000			
	Drawings		38 000		

This was a standard closing entry that students should have seen many times in their preparation for the examination. One mark was allocated for Cost of Sales as this item did not appear in the previous question. A second mark was allocated to the remaining expenses. These amounts were all consequential from Question 2.2.2. The third mark was for the Profit & Loss Summary entry. The most common errors in the closing entry were:

- incorrect title for the Profit & Loss Summary (it was often written just as Profit & Loss)
- omitting the Cost of Sales account
- reversing the debit and credit entries
- incorrect title for Depreciation – Showroom Fittings. The title of the asset must be included.

Students were awarded one mark for each line of the entry to transfer the Drawings account. Some students tried to close the Drawings Account to Profit & Loss, while many others reversed the debit and credit entries.

2.2.4

Marks	0	1	2	Average
%	43	27	30	0.9

WAGES

Date 2008	Cross reference	\$	Date 2008	Cross reference	\$
30 Jun	Balance	93 900	30 Jun	Profit & Loss Summary	95 000
	Accrued Wages	1 100			
		95 000			95 000

This question specifically asked for the account to be closed, therefore students who did not present the total of the account as shown above were penalised one mark.

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In accounts that are not closed off to the Profit & Loss Summary Account, students should bring down a balance for the commencement of a new reporting period when asked to balance or complete an account in the future.

2.2.5

Marks	0	1	2	3	Average
%	26	25	20	29	1.6

Explanation

- Revenue and expenses are closed each period to prepare the accounts for the next reporting period. Closing them off to the Profit & Loss Summary account leaves these accounts with a zero balance.

Accounting principle

- Reporting Period

As this was a three mark question, students were expected to make two points as well as identify the accounting principle. Many students had difficulty identifying a second valid point. This was usually because they had included a constraint in their response – often as part of a rote-learned response. Students need to be aware that rote-learned responses usually do not match the particular requirements of the question being asked.

2.2.6

Marks	0	1	2	Average
%	36	36	28	1.0

Going Concern states that the life of the business is expected to go beyond one reporting period.

- Therefore the business has been able to depreciate its Showroom Fittings over a number of reporting periods.
- Showroom Fittings are reported as a non-current asset because they will contribute to earning revenue over a period greater than 12 months.
- The business has not expensed the asset because it will last more than one reporting period.

One mark was allocated to the explanation of the Going Concern Principle and the second mark to linking the Showroom Fittings to the principle. Many students were able to provide a good definition of the Going Concern Principle but did not go on with their response to discuss how the Showroom Fittings were affected.

2.3

Marks	0	1	2	Average
%	27	24	50	1.3

CASH PAYMENTS JOURNAL

Date 2007	Details	Chq. No.	Bank	Disc. Rev.	Creditors Control	Stock Control	Wages	GST	Sundries
9 July	Accrued Wages	7234	8 900						1 100
	Wages						7 800		

As in previous exams, students did not perform well on this question. One mark was allocated to each entry in the Cash Payments Journal. Students were penalised one mark if the amount was not separated between the two accounts or if two amounts were recorded in the Bank column.

2.4.1

Marks	0	1	2	3	4	5	6	Average
%	6	2	2	2	5	16	66	5.3

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Stock card: Double Beds

Date July 2008	Details	IN			OUT			BALANCE		
		Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$	Qty	Unit Cost \$	Total Cost \$
1	Balance							5	400	2 000
2	Rec. 154				3	400	1200	2	400	800
14	Inv SL77	12	420	5 040				2	400	
19	Memo 4				1	400	400	12	420	5 440
23	Inv.38				3	420	1 660	9	420	3 780
26	Memo 5				1	420	420	8	420	3 360
31	Memo 6	1	420	420				9	420	3 780

One mark was allocated for each complete line of the Stock Card.

This type of question has been asked consistently over the years and in previous assessment reports it has been noted that students often used incorrect titles in the Details column of the Stock Card. Although students have improved in this area in recent years, this year many students reverted to using the incorrect title 'Stock Gain' for the last entry. Another common error was including the GST as part of the cost price of the stock.

Despite these issues, this was the best answered question on the examination. Indeed, many students who performed poorly overall were still able to perform well in this question.

2.4.2

Marks	0	1	2	3	Average
%	28	24	21	27	1.5

Date	Item affected in Owner's Equity section of the Balance Sheet	Effect on Owner's Equity (Increase/Decrease)
19 July	Net Profit	Decrease
26 July	Drawings	Decrease
31 July	Net Profit	Increase

The format of this question was different from what students had seen on previous exam papers. Students were awarded one mark for each line in the table.

A common error for the second line was to state that Drawings increased. Although the account Drawings did increase, the effect on Owner's Equity was a decrease. Students must read the heading of any tables carefully and provide the information asked for in the question.

If students stated that the item affected was Capital, this was accepted. However, to be consistent they needed to state Capital for all three items to be awarded three marks. Owner's equity was not accepted as a response as the title of the column precluded that response.

2.4.3

Marks	0	1	2	Average
%	32	36	32	1.1

Stock Cards contain information about transactions relating to individual lines of stock. They allow the owner to check at a glance the stock balances. This will assist the owner in:

- identifying fast and slow moving lines of stock
- setting reorder points for stock
- improving the stock mix
- ordering more of fast selling stock

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- discontinuing some stock lines.

Students were asked to identify one benefit and then explain further about that benefit. Many students were able to make the first statement but could not expand upon it.

Students needed to ensure that they did not discuss the constraint within the question and that they discussed one benefit fully rather than identifying two benefits.