



HEBRON CHRISTIAN COLLEGE

**LEVEL ONE ACCOUNTING
ASSESSMENT**

**ACHIEVEMENT STANDARD 90977 v1
Process Financial Transactions
for a Small Entity**

5 credits

Solution

PART A – Completing source documents

Evidence

Italics indicate the evidence required to be recorded on each document. Note the dates may be in any acceptable format. Descriptions may vary from those suggested but should cover the essential components of the transaction such as indicating a layby deposit and both a music CD and CD tower on the receipt.

Mad Music Shop		RECEIPT		258	
PO Box 5841 Hamilton GST REG No. 22-629-327		Date: <u>14/02/2011</u>			
To <i>James Miller</i>					
For <i>layby deposit on one Crowded School music CD plus one CD tower</i>					
Amount <i>ninety two dollars and forty five cents only</i>					
		\$		c	
Per John Edwards	Cash/cheque				
	EFTPOS		92	45	
	Direct Credit				
	Total		92	45	
Amounts include GST					

Langley Computers		TAX INVOICE		1648	
PO BOX 427, Hamilton		GST Reg. No. 24-872-917			
TO: <i>Mad Music Shop</i>		Date: <u>16/03/2011</u>			
Address: <i>PO Box 5841</i>					
<i>Hamilton</i>					
Description of service <i>New music editor software package supplied and installed as requested.</i>	Detail	Amount			
	Software	3,970	00		
	Installation	400	00		
	Other charges	130	00		
Please pay on this invoice	Sub-total	4,500	00		
Bank account for direct payment	GST	675	00		
09-6372-0185493-00	Total now due	5,175	00		

Mad Music Shop					
Internal Payment Voucher					
To <i>Langley Computers</i>				Date	<i>02/04/2011</i>
Invoice number	1648	Account Name	Acc code	Amount	
Payment method	<i>Bill Pay.</i>	<i>Office Equipment</i>		4,500	00
Payment reference	<i>434792</i>				
Authorised signature		GST		675	00
<i>J Edwards</i>		Bank (total payment)	101	\$5,175	00

Judgement for the documents

Achievement

- Key information for recording the transaction in the accounting records of the business that issued the document is present eg what the document is for (eg layby, new software, office equipment), the amount(s)/total is shown (allowing for calculation errors) on the tax invoice and one other document.

Merit

- Evidence must include key information (see Achieved) and detail on the tax invoice and key information on each of the other two documents
- Transactions have been entered in detail on the source documents with most of the necessary information required for recording the transactions in the accounting records of the business that issued them, allowing for minor errors in figures/calculations/name and/or address of customer/signature on the payment voucher.

Note

To meet the requirement to be in-depth, most detail is required. Most is generally accepted as being between 75% and 90%.

Excellence

- Evidence must include the tax invoice and two other source documents.
- The transactions have been accurately recorded on the source documents so that:
 - all the information needed to process the transactions in the accounting records has been captured (e.g. date, address, correct figures, account name, customer / supplier name);
 - the source documents are fit for purpose for the business that issued them (e.g. record of what is on layby on the receipt; correct accounts identified, correct references on the payment voucher)

Note

To meet the requirement to be comprehensive, all/nearly all detail is required to be correct. All/nearly all is generally accepted as being greater than 90%. However there should not be any key errors such as the amounts to record in the accounting records. If students have miscalculated any of the figures they are either Merit or should be give a resubmission opportunity to fix calculation errors if these are otherwise preventing Excellence being awarded.

PART B – Cash Journals and Bank Reconciliation

Mad Music Shop General Ledger extract								
BANK							No. 101	
26/4	Balance					6,950	84	Dr
30/4	Cash Receipts	26,264	60			33,215	44	Dr
	Cash Payments			25,145	98	8,069	46	Dr

Mad Music Shop Bank Reconciliation Statement as at 30 April 2011				
	\$	c	\$	c
Closing bank statement balance			6,522	70
Add deposits not on the bank statement				
Cash deposit	1,474	40		
EFTPOS for the day	5,648	26	7,122	66
			13,645	36
Less withdrawals not on the bank statement				
Accountancy fees	855	90		
Music CDs	4,720	00	5,575	90
Closing balance in general ledger bank account			8,069	46

Judging the Bank Reconciliation

Note for all grade levels

Cash journal entries must be correct as per requirements for cash journals – see below. Entries for deposits and withdrawals on the bank reconciliation statement do not require a description such as Music CDs, but individual amounts must be shown.

Achievement

- The bank reconciliation process has been attempted with at least TWO items recorded in either the cash journals or on the bank reconciliation statement without being incorrectly recorded in both and entries have been made in the bank account.

Merit

- In the bank reconciliation process most of the items have been entered correctly in the cash journals, bank account and bank reconciliation statement. Items recorded on the bank reconciliation statement have been correctly treated.

Excellence

- In the bank reconciliation process all of the items have been entered correctly in the cash journals, bank account and bank reconciliation statement. The bank reconciliation statement bank account balance agrees with the general ledger bank account balance.

Judging the Cash Journals

Marking entries

An entry is marked correct when it has:

- a particulars – may be incorrect but must provide some access to the account in the general ledger for items extended to the other column. For example *'paid internet, 'direct debit for internet'* are acceptable; *'direct debit'* is not acceptable. *'Purchased shop shelves'* is acceptable, *'Purchases'* is not acceptable.
- the correct figures in the receipts or bank column plus correct extensions including GST/no GST as appropriate.
- Minor rounding errors/differences may be ignored. This evidence was created on a spreadsheet with cells formatted to two decimal places for numbers. For Excellence rounding errors should not result in more than a 1c or 2c difference overall.

Achieved

A majority of the transactions have been correctly entered as line items in the cash journals, ignoring good accounting practice.

Majority is normally accepted to mean between 60% and 75%.

Merit

- Most of the transactions including both GST and non-GST transactions have been correctly entered as line items in the cash journals, mostly following good accounting practice
- Mostly following good accounting practice for the cash journals means the cash journals have:
 - been totalled;
 - most dates correct;plus either:
 - the bank column of the cash receipts journal reflects line items on the bank statement
 - or
 - account names in the particulars for items extended to the 'other' column. Note for the shop shelves accept alternative appropriate asset account names such as Shop Fittings, Shop Shelves. Do not accept Office Equipment/Vehicles/Buildings.

Most is normally accepted to mean between 75% and 90%.

Excellence

- All/nearly all of the transactions including both GST and non-GST items have been correctly entered in detail as line items in the cash journals, consistently following good accounting practice.
- Consistently following good accounting practice for the cash journals means the cash journals have all of the following:
 - been totalled;
 - all/nearly all dates correct;
 - the bank column of the cash receipts journal reflects line items on the bank statement;
 - account names in the particulars for items extended to the 'other' column (see Merit for notes).

All/nearly all is normally accepted to mean more than 90%.

Mad Music Shop Cash Receipts Journal

Date	Particulars	Ref	Unbanked		Bank		GST Received		Music Gear Sales		Music CD Sales		Other	
27/4	Music gear sales	Cash	2,769.	20			361.	20	2,408.	00				
	Music CD sales	Cash	1,350.	60	4,119.	80	176.	16			1,174.	44		
	Music gear sales	EFT	3,854.	86			502.	80	3,352.	06				
	Music CD sales	EFT	4,875.	50	8,730.	36	635.	94			4,239	56		
29/4	Music gear sales	EFT	1,875.	24			244.	60	1,630.	64				
	Music CD sales	EFT	3,496.	54	5,371	78	456.	08			3,040.	46		
30/4	Music gear sales	Cash	631.	40			82.	36	549.	04				
	Music CD sales	Cash	843	00	1,474.	40	109.	96			733.	04		
	Music gear sales	EFT	1,978.	74			258.	10	1,720.	64				
	Music CD sales	EFT	3,669.	52	5,648.	26	478.	64			3,190.	88		
	Fittings and Equipment	DC			920.	00	120.	00					800.	00
					\$26,264.	60	\$3,425.	82	\$9,660.	38	\$12,378.	40	\$800.	00

Mad Music Shop Cash Payments Journal

Date	Particulars	Ref	Bank		GST		Music Gear Purchases		Music CD Purchases		Wages		Drawings		Other	
28/4	Music gear purchases		2,641.	80	344.	58	2,297.	22								
	Music CD purchases		4,345.	50	566.	80			3,778.	70						
	Fittings and Equipment		5,520.	00	720.	00									4,800.	00
29/4	Wages		1,748.	84							1,748.	84				
	Shop Rent		2,760.	00	360.	00									2,400.	00
	Drawings		205.	00									205	00		
30/4	Drawings		437.	10									437.	10		
	Accountancy fees		855.	90	111.	64									744.	26
	Music CD purchases		4,720.	00	615.	66			4,104.	34						
	Loan	BS	1,200.	00											1,200.	00
	Interest on loan	BS	120.	00											120.	00
	Internet	BS	536.	84	70.	02									466.	82
	Bank fees	BS	55.	00											55.	00
			25,145.	98	2,788.	70	2,297.	22	7,883.	04	1,748.	84	642.	10	9,786.	08

Marking the General Ledger

Marking opening balances

An opening balance is marked correct when it has:

- a particulars ('Opening balance' is acceptable)
- the correct figure in the balance column with the correct Dr/Cr indicator for the balance

Note if students also record the balances in the correct debit/credit column, do not mark the balances wrong except for the first one. Apply the same rule if students use particulars other than 'Balance' or 'Opening balance'.

Marking entries

A posting entry is marked correct when it has:

- a particulars
- the correct figure in the correct debit/credit column
- the correct treatment in the balance column
- the correct Dr/Cr indicator for the balance

Note negative numbers are not acceptable for entries or balances in general ledger accounts.

Judging the General Ledger and Trial Balance

Achievement

- A majority of the opening balances are correctly entered in the general ledger accounts, ignoring good accounting practice.
- A majority of the posting entries have been correctly made in the general ledger accounts, ignoring good accounting practice. Allow follow through from the students' cash journals.

Majority is normally accepted to mean between 60% and 75%.

Merit

- Most of the opening balances are correctly entered in the general ledger accounts with particulars 'balance' or 'opening balance'
- Most of the posting entries in the general ledger accounts are correct
- Most of the posting entries have appropriate particulars (particulars should **not** be the account name in the account or balance for a posting entry)
- Most of the general ledger accounts have correct account codes
- Most of the general ledger closing balances correctly transferred to the trial balance

Most is normally accepted to mean between 75% and 90%.

Note: Where the student has two out of the three aspects of GAP fully correct for the general ledger (eg particulars and the trial balance all correct) and the third aspect does not meet the expectation for 'most' (eg identifying chart of accounts codes) Merit can be given on the basis of 'most aspects of GAP'.

Excellence

- All/nearly all of the opening balances are correctly entered in the general ledger accounts with particulars 'balance' or 'opening balance'.
- All/nearly all of the posting entries in the general ledger accounts are correct with appropriate particulars (see Merit).
- All/nearly all of the general ledger accounts have correct account codes and balances transferred to the trial balance.

All/nearly all is normally accepted to mean more than 90%.

PART C**Mad Music Shop General Ledger**

BANK								No. 101	
26/4	Balance					6,950	84	Dr	
30/4	Cash Receipts	26,264	60			33,215	44	Dr	
	Cash Payments			25,145	98	8,069	46	Dr	

INVENTORY								No. 110	
26/4	Balance					10,800	00	Dr	

FITTINGS and EQUIPMENT								No. 120	
26/4	Balance					72,500	00	Dr	
30/4	Bank			800	00	71,700	00	Dr	
	Bank	4,800	00			76,500	00	Dr	

GST								No. 201	
26/4	Balance					1,828	44	Cr	
30/4	Bank			3,425	82	5,254	26	Cr	
	Bank	2,788	70			2,465	56	Cr	

LOAN								No. 220	
26/4	Balance					19,200	00	Cr	
30/4	Bank	1,200	00			18,000	00	Cr	

CAPITAL								No. 301	
26/4	Balance					63,400	00	Cr	

DRAWINGS								No. 302	
26/4	Balance					1,128	00	Dr	
30/4	Bank	642	10			1,770	10	Dr	

MUSIC GEAR SALES								No. 401	
26/4	Balance					8,781	12	Cr	
30/4	Bank			9,660	38	18,441	50	Cr	

MUSIC CD SALES							No. 402		
26/4	Balance					14,582	90	Cr	
30/4	Bank			12,378	40	26,961	30	Cr	

MUSIC GEAR PURCHASES							No. 501		
27/4	Balance					3,469	60	Dr	
30/4	Bank	2,297	22			5,766	82	Dr	

MUSIC CD PURCHASES							No. 502		
27/4	Balance					6,575	50	Dr	
30/4	Bank	7,883	04			14,458	54	Dr	

ACCOUNTANCY FEES							No. 510		
30/4	Bank	744	26			744	26	Dr	

BANK FEES							No. 512		
30/4	Bank	55	00			55	00	Dr	

INTERNET							No. 513		
30/4	Bank	466	82			466	82	Dr	

INSURANCE							No. 514		
26/4	Balance					493	70	Dr	

INTEREST ON LOAN							No. 515		
30/4	Bank	120	00			120	00	Dr	

SHOP RENT							No. 516		
30/4	Bank	2,400	00			2,400	00	Dr	

TELEPHONE							No. 517		
26/4	Balance					633	68	Dr	

WAGES							No. 521		
26/4	Balance					5,241	14	Dr	
30/4	Bank	1,748	84			6,989	98	Dr	

Mad Music Shop
Trial Balance
as at 30 April 2011

	Debit		Credit	
	\$	c	\$	c
Bank	8,069	46		
Inventory	10,800	00		
Fittings and Equipment	76,500	00		
GST			2,465	56
Loan			18,000	00
Capital			63,400	00
Drawings	1,770	10		
Music Gear Sales			18,441	50
Music CD Sales			26,961	30
Music Gear Purchases	5,766	82		
Music CD Purchases	14,458	54		
Accountancy Fees	744	26		
Bank Fees	55	00		
Internet	466	82		
Insurance	493	70		
Interest on Loan	120	00		
Shop Rent	2,400	00		
Telephone	633	68		
Wages	6,989	98		
	\$129,268	36	\$129,268	36

Overall judgement

Achievement	Merit	Excellence
Meets the minimum requirements for Achievement in all three parts.	Meets the minimum requirements for Merit in all three parts.	Meets the minimum requirements for Excellence in all three parts.

Holistic judgement

Professional judgement can be used to overlook minor errors in good accounting practice. The student must meet the criteria of the standard to be awarded a grade. The processing must be 'in-depth' for Merit and 'comprehensive' for Excellence.