

EXAM REVISION 2022
UNIT 4 – ACCOUNTING – UPDATES & ERRATA

CONTENTS PAGE

The following additions have been made to the PDF copy on screen and in eLearning.

Balance Day Adjustment	48
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PAGE 9

Update the reference below

Justify = Back up the idea with evidence.

PAGE 15

Remove “on credit” as the balance owing says NIL (payment was received so this is not on credit).

PAGES 18, 30, 32, 196 (TWICE), 198

Change abbreviated Dep’n to read Depreciation.

The word must be stated in full.

PAGE 19

Under Calculation Include formula in the Straight-Line Calculation table.

Cost - Residual Value

Useful Life

Changing a Depreciation Method

Delete the point

- Consistency – Once a method is chosen, that method should be used from one period to the next (is an old study design idea)

Add the word Breaches before Comparability.

PAGE 22 – Question 13

Change date from 1st July 2020 to be 1st July 2019

PAGE 23 –QUESTION 13 b)

Remove top 3 rows in the table for Question 13 b) to show as below:

Accumulated Depreciation – Computer System

Date	Cross-reference	Amount	Date	Cross-reference	Amount

PAGE 24 –QUESTION 13 b)

Remove sentence below, paragraph 3:

The cost price is the carrying value and the selling price is what someone else is prepared to sacrifice for the asset.

Change sentence below, paragraph 4:

between the cost price (carrying value) and the selling price (or trade-in)

to read:

The reason for any difference between the carrying value and the proceeds is related to depreciation.

PAGE 25 –BOTTOM TABLE

Remove the line with revenue and value so table shows as below:

Expense	\$4000	
Loss on disposal	(\$1000)	We have not depreciated enough - \$29000 would have been the accurate figure. This entry will adjust our profit accordingly.

PAGE 27, 29 & 31

Remove the red crossed items shown in the 3 tables shown below

Proceeds are just cash, profit on disposal is a revenue account.

PAGE 27

General Journal

Date	Details	Debit	Credit
Nov 30	Bank	3000	
	Disposal of motor vehicle		3000

The proceeds from disposal is a revenue because it is increase in assets (bank) that leads to an increase in OE.

Whenever a NCA is Sold/Traded-In by a Business there Must be FOUR Entries Into The Disposal Of Asset Ledger (Identify Asset).

MOTOR VEHICLE

Date	Cross Reference	\$	Date	Cross Reference	\$
Nov 30	Balance	32000	Nov 30	Disposal of Motor Vehicle	32000
		32000			32000

ACCUMULATED DEPRECIATION – MOTOR VEHICLE

Date	Cross Reference	\$	Date	Cross Reference	\$
Nov 30	Disposal of Motor Vehicle	28000	Nov 30	Balance	28000
		28000			28000

DISPOSAL OF MOTOR VEHICLE

Date	Cross Reference	\$	Date	Cross Reference	\$
Nov 30	Motor Vehicle	32000	Nov 30	Acc. Depreciation – Motor Vehicle	28000
				Bank	3000
				Loss on Disposal of Motor Vehicle	1000
					32000

4 ENTRIES

PAGE 29

General Journal

Date	Details	Debit	Credit
Jun 30	Disposal of Motor Vehicle	20,000	
	Vehicle		20,000
	Accumulated Depreciation - Vehicle	15,000	
	Disposal of Motor Vehicle		15,000
	Bank	3000	
	Disposal of Motor vehicle		3000
	Loss on Disposal of Vehicle	2,000	
	Disposal of Motor Vehicle		2,000
	Bank	20000	
	Loan – Toyota Finance		20000
	Motor Vehicle	30000	
	GST Clearing	3000	
	Bank		33000

The Carrying Value \$20000 - \$15000 = a \$5000 revenue. A decrease in assets leads to a decrease in OE.

The cash proceeds is revenue because it is an increase in assets (bank) that leads to an increase in OE.

The difference between revenue and expense gives us the gain or loss. \$3000 - \$5000 = (\$2000)

Vehicle purchase financed by a taking out a loan.

PAGE 31

ALTERNATIVE 2

Old vehicle traded in for \$6,000 on a new vehicle that cost \$30000 plus \$3000 GST. Paid the balance in cash. GST will be added to the cash payment to Essendon Motors.

The first two entries will be the same in ALL alternatives.

General Journal

Date	Details	Debit	Credit
Jun 30	Disposal of Vehicle	20,000	
	Vehicle		20,000
	Accumulated Depreciation - Vehicle	15,000	
	Disposal of Vehicle		15,000
	Vehicle	6,000	
	Disposal of Vehicle		6000
	Disposal of Vehicle	1,000	
	Profit on Disposal of Vehicle		1,000
	Vehicle	24000	
	GST Clearing	3000	
	Bank		27000

VEHICLE

The Carrying Value \$20000 - \$15000 = a \$5000 revenue. A decrease in assets leads to a decrease in OE.

The trade-in is a revenue because it is an increase in assets (vehicle) that leads to an increase in OE.

The difference between the revenue and expense gives us the gain or loss. \$6000 - \$5000 = \$1000

The two debits to the vehicle ledger give us the cost price of \$30000. The balance paid is \$27000 after deducting the trade-in.

PAGE 30, 31, 33, 124, 125, 137, 230

Change the words Statement of Cash Flow with Cash Flow Statement (per study design).

PAGE 52

Point (c) change the word accrual with accrued (line 2).

PAGE 82 – QUESTION 34

Add the words shown in red at the end of the paragraph.

QUESTION 34

2010 VCAA exam

Greenfinger Nursery owns the office building next door to the nursery. The building is rented to a law firm. Payment is made on a monthly basis, in advance, on the last day of each month. The first payment, for July's rent, was made on 30 June 2020.

The monthly rent is \$5 000 plus \$500 GST. **The business reports on a yearly basis.**

PAGE 83 – QUESTION 35

Add the words shown in red at the end of the paragraph.

Bond Sports reports are prepared on a **monthly** basis.

PAGE 96 – QUESTION 39

Add the words shown in red at the end of the second dot point.

- On 16 March 2020 Jono took three pairs of jeans from the store as a gift for his son's teacher's birthday. These jeans cost the business \$150 each plus GST and were to sell for \$300 each plus GST **yet to be recorded.**

PAGE 191 - SOLUTIONS – QUESTION 1

Changes noted in Red to be updated.

The carrying **value** is the balance carried forward into future accounting periods to represent the economic benefit of the motor vehicle. The accumulated depreciation represents the cost of the asset that has been expensed **through its life showcasing that the business is continuing to operate into the future.**

PAGE 191 - SOLUTIONS – QUESTION 2

Remove sentence "Relevance always outweighs reliability".

(From previous study design)

PAGE 193 – SOLUTIONS QUESTION 9 b)

Remove "position and condition for productive use." and change to "to a revenue earning capacity".

PAGE 193 – SOLUTIONS QUESTION 9 b)

Remove "position and condition for productive use." and change to "to a revenue earning capacity".

PAGE 196 – SOLUTIONS QUESTION 13 d)

Remove first 3 rows with table shown below as the correct entries.

Date	Cross-reference	Amount	Date	Cross-reference	Amount
30/6/22	Balance	7884	1/7/21	Balance	6120
			30/6/22	Depreciation – computer system	1764
		7884			7884
			1/7/22	Balance	7884

The question asked for “Year ended 30th June 2022”. Students would not be expected to do the previous year as well in an exam scenario.

PAGE 196 – SOLUTIONS QUESTION 13 e)

Change 636 to 1764 (question doesn’t ask to compare but what the impact would be for Reducing Balance). Answer for the Table should read as below.

	Increase Decrease No effect	Amount \$
Assets	Decrease	1764
Liabilities	No effect	
Owner’s Equity	Decrease	1764

PAGE 198 – SOLUTIONS QUESTION 14 b)

Heading of table change from “Expenses” to read “Less Other Expenses”.

PAGE 203 – SOLUTIONS QUESTION 20

Table titled “Distinguish” delete the two statements below:

This will give a better matching of expenses and revenues in the *reporting period*.

This complies with the **accrual basis** assumption.

PAGE 204 – SOLUTIONS QUESTION 21 b)

Change the words from Balance to Bank as shown in red below.

(b)

Account: Wages

Date 2020	Cross Reference	Amount	Date 2020	Cross Reference	Amount
30/6	Bank	728 000	30/6	Profit & Loss Summary	732 000
	Accrued wages	4 000			
		732 000			732 000

Update tables to show workings below (rows deleted) and changes in red.

Account: Accrued Wages (CL)

Date 2020	Cross Reference	Amount	Date 2020	Cross Reference	Amount
30/6	Bank	4000	30/6	Wages	4 000
		4000			4000
			1/7	Balance	4 000

PAGE 210 QUESTION 26 c)

Change/add the words as shown in red below

(c)

Prepaid Rent expense

Date 2020	Cross Reference	Amount	Date 2020	Cross Reference	Amount
1 Jan 20	Balance	3200	Dec 31	Rent expense	7200
25 Oct	Bank	12000		Balance	8000
		15200			15200
1 Jan 21	Balance	8000			

PAGE 212 QUESTION 29 b)

Change/add the words as shown in red below

- (b) **Relevance.** Relevant information is capable of making a difference to the decisions made by users. Even though the Interest Revenue has not been received, it has still been earned in the current reporting period and needs to be recognised as revenue in order to determine an accurate profit figure. Information is relevant if it helps users to form predictions about the outcomes of past, present or future events, and provides valuable feedback to confirm or change previous evaluations.

PAGE 215 QUESTION 33 c)

Change/add the words as shown in red below

(c)

\$12,000 received on 25th October 2020 is in this figure.

Prepaid Rent Revenue

Date 2020	Cross Reference	\$	Date 2020	Cross Reference	\$
31 Dec	Rent Revenue	10,000	1 July	Balance	6,000
	Balance	8,000	25 Oct	Bank	12,000
		18000			18000
			1 Jan 21	Balance	8,000

Rent Revenue

Date 2020	Cross Reference	\$	Date 2020	Cross Reference	\$
31 Dec	Profit & Loss Summary	10,000	31 Dec	Prepaid Rent Revenue	10,000

4 months @\$1500
 2 months @

PAGE 224 – SOLUTIONS QUESTION 40

Change the words as shown in red below and delete the crossed out statement

QUESTION 40

The **period** and accrual basis assumption demand that all transactions that relate to the determination of profit in a period should be included. Cramer has incorrectly recorded the receipt of the \$2 000 on 26 June as revenue in the current period. The \$2 000 represents a present obligation of Cramer's Coats to provide coats to the customer within 12 months after the end of the reporting period. This is expected to occur in August 2020.

The amount of revenue and assets, and therefore owner's equity, reported by Cramer's Coats for the year ended 30 June 2020 would be deliberately overstated **and not be a faithful representation of the real-world economic event of the transaction**. Cramer's Coats has not yet earned the revenue and this intentional overstating of revenue could be viewed as an unethical and misleading practice.