



ACCOUNTING AND FINANCE

Stage 2

WACE Examination 2010

Information Booklet

This contains information from the Question/Answer Booklet. No answers are to be written on this booklet. Do not hand this booklet in with your answers.

Question 27

(23 marks)

Poseidon Water Gardens is a retail business that sells a variety of garden products. The owner of Poseidon Water Gardens has provided you with the following trial balance extract after most balance day adjustments have been completed. He has also supplied a partly completed income statement and additional information about the business as at 30 June 2010.

**Poseidon Water Gardens
Trial Balance (extract)
as at 30 June 2010**

Ledger accounts	Debit \$	Credit \$
Accounts receivable	55,000	
Accounts payable		60,000
Discount allowed	10,000	
Bad debts	1,000	
Prepaid advertising	2,500	
Inventory	20,000	
Fountains	25,000	
Statues	9,000	
Cash at bank	40,000	
Dewdrop Bank loan – due 31 December 2010		8,000
Accumulated depreciation – statues		2,400
Fish fertiliser on hand	5,000	
Allowance for doubtful debts – 1 July 2009		2,500
Deposits on call	35,000	
Accumulated depreciation - fountains		7,500
Capital – 1 July 2009		115,000
GST clearing		7,100

**Poseidon Water Gardens
Income Statement
for the year ended 30 June 2010**

Sales			\$100,000
Less cost of sales			45,000
Gross profit			55,000
Add other income			
Interest income			6,000
Total income			61,000
Less operating expenses			
Selling and distribution			
Advertising	10,000		
Fish fertiliser	12,000		
Depreciation – statues	600		
Depreciation – fountains	500	23,100	
General and administration			
Office wages	36,900		
Rates	1,000	37,900	
Financial			

Additional information:

The following have not been taken into account:

- The allowance for doubtful debts is to be set at 9% p.a. of the year's total sales.
- The owner of Poseidon Water Gardens decided to inject \$50,000 into the business at the end of the year.

Question 28

(50 marks)

Fine Heritage commenced business on 1 April 2010. The owner has employed you to take over the recording processes for the first week. Fine Heritage provides you with the following:

**Fine Heritage
General Journal (extract)**

Date	Particulars	Debit \$	Credit \$
2010 1 April	Cash at bank	50,000	
	Office equipment	15,000	
	We Lend U – Loan		10,000
	Capital		?
	Assets and liabilities contributed by the owner to commence the business.		
2 April	Prepaid rent	2,000	
	GST credits	200	
	Cash at bank		2,200
	Paid fortnightly rent.		
3 April	Inventory	5,000	
	GST credits	500	
	Cash at bank		5,500
	Purchased stock for cash.		

End of Information Booklet

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