



**2007 VCE VET Financial Services GA 2: Written examination**

**GENERAL COMMENTS**

Students were well prepared for the 2007 VCE VET Financial Services examination. They are reminded to attempt each question and show all workings used to arrive at their answer.

**SPECIFIC INFORMATION**

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

**Question 1a.**

| Marks | 0 | 1 | 2 | 3 | 4  | 5  | 6 | 7  | 8  | 9 | 10 | Average |
|-------|---|---|---|---|----|----|---|----|----|---|----|---------|
| %     | 0 | 0 | 0 | 0 | 25 | 25 | 0 | 13 | 13 | 0 | 25 | 6.7     |

**Cash Receipts Journal**

| Date    | Details   | Rec. No. | Debtors | Plumbing Services | Sales Plumbing Parts | GST | Sundries | Bank |
|---------|-----------|----------|---------|-------------------|----------------------|-----|----------|------|
| 13/9/07 | Cash Fees | 048      |         | 500               |                      | 50  |          | 550  |
| 19/9/07 | A Brown   | 049      | 220     |                   |                      |     |          | 220  |
|         | TOTAL     |          | 220     | 500               | 0                    | 50  |          | 770  |

**Cash Payments Journal**

| Date    | Details         | Chq. No. | Creditors | Plumbing Parts | GST | Sundries | Bank |
|---------|-----------------|----------|-----------|----------------|-----|----------|------|
| 12/9/07 | Vehicle Repairs | 496      |           |                | 25  | 250      | 275  |
| 12/9/07 | Plumbing Inc    | 497      | 275       |                |     |          | 275  |
|         | TOTAL           |          | 275       |                | 25  | 250      | 550  |

**Plumbing Services Journal**

| Date    | Debtors | Inv. No. | Service | GST | Total |
|---------|---------|----------|---------|-----|-------|
| 2/9/07  | A Brown | 10       | 200     | 20  | 220   |
| 15/9/07 | B Green | 11       | 300     | 30  | 330   |
|         | TOTAL   |          | 500     | 50  | 550   |

**Purchases Journal**

| Date    | Creditors    | Inv. No. | Plumbing Parts | GST | Total |
|---------|--------------|----------|----------------|-----|-------|
| 5/9/07  | Plumbers Inc | 101      | 100            | 10  | 110   |
| 18/9/07 | Plumbers Inc | 110      | 500            | 50  | 550   |
|         | TOTAL        |          | 600            | 60  | 660   |

**General Journal**

| Date    | Account                      | Debit | Credit |
|---------|------------------------------|-------|--------|
| 8/9/07  | Donation                     | 150   |        |
|         | Stock Control/Plumbing Parts |       | 150    |
|         | Memo #6                      |       |        |
| 16/9/07 | Drawings                     | 100   |        |
|         | Stock Control/Plumbing Parts |       | 100    |
|         | Memo #7                      |       |        |

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The 10 marks for this question were allocated to entries in the Cash Receipts Journal, Cash Payments Journal, Plumbing Services Journal, Purchases Journal and the General Journal. Some errors occurred where students had counted the GST twice.

### Question 1b.

|              |          |          |          |                |
|--------------|----------|----------|----------|----------------|
| <b>Marks</b> | <b>0</b> | <b>1</b> | <b>2</b> | <b>Average</b> |
| <b>%</b>     | 0        | 50       | 50       | <b>1.5</b>     |

|                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Account Number</b><br/>111-888 195-0123</p> <p><b>Account Title</b><br/>Peter Piper Plumbers</p> <p>The Financial Banking Company<br/>Melbourne Branch</p> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| Date       | Details                 | DR  | CR   | Balance |
|------------|-------------------------|-----|------|---------|
| 2007 Oct 1 | Balance Carried Forward |     |      | 300 CR  |
| 2          | Chq. 500                | 600 |      | 300 DR  |
| 5          | Deposit                 |     | 1201 | 901 CR  |
| 10         | Deposit                 |     | 1050 | 1951 CR |
| 15         | Deposit                 |     | 200  | 2151 CR |
| 16         | Chq. 501                | 700 |      | 1451 CR |
| 20         | Chq. 502                | 600 |      | 851 CR  |
| 22         | Dis. Chq.               | 200 |      | 651 CR  |
| 29         | Deposit                 |     | 450  | 1101 CR |
| 31         | Dis. Chq. Fees          | 35  |      | 1066 CR |
| 31         | Interest Credit         |     | 5    | 1071 CR |

Students completed this part of the question well.

### Question 1c.

|              |          |          |          |          |          |                |
|--------------|----------|----------|----------|----------|----------|----------------|
| <b>Marks</b> | <b>0</b> | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>Average</b> |
| <b>%</b>     | 0        | 25       | 25       | 50       | 0        | <b>2.3</b>     |

### Cash Receipts Journal

| Date  | Details         | Rec. No. | Debtors | Plumbing Services | Parts Sales | Sundries | Bank |
|-------|-----------------|----------|---------|-------------------|-------------|----------|------|
| 2007  |                 |          |         |                   |             |          |      |
| Oct 5 | Plumbing        | 050      | 1201    |                   |             |          | 1201 |
| 10    | Cash Fees       | 051      |         | 1050              |             |          | 1050 |
| 15    | Sale of Parts   | 052      |         |                   | 200         |          | 200  |
| 29    | Plumbing        | 053      | 450     |                   |             |          | 450  |
| 30    | Cash Fees       | 054      |         | 770               |             |          | 770  |
| 31    | Interest Credit | B/S      |         |                   |             | 5        | 5    |
|       | <b>TOTAL</b>    |          | 1651    | 1820              | 200         | 5        | 3676 |

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## Cash Payments Journal

| Date  | Details                | Chq. No. | Creditors | Stock Plumbing Parts | Sundries | Bank |
|-------|------------------------|----------|-----------|----------------------|----------|------|
| 2007  |                        |          |           |                      |          |      |
| Oct 2 | Point Cook Petrol Pump | 500      |           | 600                  |          | 600  |
| 5     | Plumbing Plus          | 501      | 700       |                      |          | 700  |
| 5     | Cash (Drawings)        | 502      |           |                      | 600      | 600  |
| 5     | Plumbing Pipes         | 503      | 200       |                      |          | 200  |
| 31    | Dishonoured Chq. Fees  | B/S      |           |                      | 35       | 35   |
| 31    | Dishonoured Chq. Rec.  | B/S      |           |                      | 200      | 200  |
|       | TOTAL                  |          | 900       | 600                  | 835      | 2335 |

The dishonoured cheque could be entered in either the Cash Receipts or Cash Payments Journal; either method was acceptable. However, the end date needed to be used and students had to use correct terminology – ‘dishonoured cheque’.

### Question 1d.

| Marks | 0  | 1  | 2 | 3  | Average |
|-------|----|----|---|----|---------|
| %     | 25 | 50 | 0 | 25 | 1.3     |

### T-FORMAT Bank Account

| Date       | Details       | Amount | Date       | Details       | Amount |
|------------|---------------|--------|------------|---------------|--------|
| 2007 Oct 1 | Balance       | 300    | 2007 Oct 1 | Cash Payments | 2335   |
| 31         | Cash Receipts | 3676   |            | Balance       | 1641   |
|            |               | 3976   |            |               | 3976   |
|            |               |        |            |               |        |

### COLUMNAR FORMAT Bank Account

| Date       | Particulars   | Debit | Credit | Balance |
|------------|---------------|-------|--------|---------|
| 2007 Oct 1 | Balance       |       |        | 300 DR  |
| 31         | Cash Receipts | 3676  |        | 3976 DR |
| 31         | Cash Payments |       | 2335   | 1641 DR |
|            |               |       |        |         |

Consequential errors were not penalised in this question, but dates needed to be correct.

### Question 1e.

| Marks | 0  | 1  | 2  | 3 | 4 | Average |
|-------|----|----|----|---|---|---------|
| %     | 38 | 38 | 25 | 0 | 0 | 0.9     |

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## Bank Reconciliation Statement for Peter Piper Plumbers as at 31 October 2007

|                                      | \$ | \$      |
|--------------------------------------|----|---------|
| Balances as per Bank Statement       |    | 1071 CR |
| Add Deposits not yet credited        |    | 770     |
|                                      |    | 1841    |
| Less Unpresented Cheque no. 503      |    | 200     |
| Balance as per Business Bank Account |    | 1641 DR |

This part of Question 1 was not completed well. Some students did not list the cheque number of the dishonoured cheque and/or did not state DR/CR in their balances.

### Question 1f.

| Marks | 0  | 1  | 2 | Average    |
|-------|----|----|---|------------|
| %     | 25 | 75 | 0 | <b>0.8</b> |

Detection of errors; Dishonoured cheque of \$200 or Bank Fees of \$35.

The example given needed to relate to the scenario on the examination paper.

### Question 1g.

| Marks | 0  | 1  | Average    |
|-------|----|----|------------|
| %     | 75 | 25 | <b>0.3</b> |

An Accounting Double Entry software package can automate this process.

A number of answers were accepted, including accounting software packages and the use of an accountant.

### Question 1h.

| Marks | 0  | 1  | Average    |
|-------|----|----|------------|
| %     | 88 | 13 | <b>0.2</b> |

The Trial Balance balances the information put into the General Ledger. Just because the Trial Balance balances does not mean that all relevant transactions have been entered.

Students were given no marks if they simply repeated the statement in the question.

### Question 1i.

| Marks | 0 | 1  | 2  | Average    |
|-------|---|----|----|------------|
| %     | 0 | 25 | 75 | <b>1.8</b> |

### Credit Purchases Journal

| Date        | Creditors         | Inv. No. | Plumbing Parts | GST   | Total  |
|-------------|-------------------|----------|----------------|-------|--------|
| 2007 Oct 10 | Plumbing Supplies | P111     | 100.00         | 10.00 | 110.00 |
| 15          | Plumbing Supplies | P121     | 22.70          | 2.27  | 24.97  |
|             |                   |          |                |       |        |
|             |                   |          |                |       |        |

This part was answered well. A mark was given for each entry in the Credit Purchases Journal.

### Question 1j.

| Marks | 0  | 1  | 2  | Average    |
|-------|----|----|----|------------|
| %     | 50 | 25 | 25 | <b>0.8</b> |



**T-FORMAT  
Creditors Subsidiary Ledger – Plumbing Supplies**

| Date | Details | Amount | Date        | Details                            | Amount |
|------|---------|--------|-------------|------------------------------------|--------|
|      |         |        | 2007 Oct 10 | Stock Control/GST<br>Inv. no. P111 | 110.00 |
|      |         |        | 15          | Stock Control/GST<br>Inv. no. P121 | 24.97  |
|      |         |        |             |                                    |        |

**COLUMNAR FORMAT  
Creditors Subsidiary Ledger – Plumbing Supplies**

| Date        | Details                            | Debit | Credit | Balance   |
|-------------|------------------------------------|-------|--------|-----------|
| 2007 Oct 10 | Stock Control/GST Inv.<br>no. P111 |       | 110.00 | 110.00 CR |
| 15          | Stock Control/GST Inv.<br>no. P121 |       | 24.97  | 134.97 DR |
|             |                                    |       |        |           |

Students using the columnar format of the ledger needed to state DR/CR in the balance.

**Question 1k.**

| Marks | 0   | 1 | Average    |
|-------|-----|---|------------|
| %     | 100 | 0 | <b>0.0</b> |

A schedule is drawn up showing the individual creditor balances, totalling them and comparing that to the Creditors Control total.

This part was not answered well, with no students scoring the available mark.

**Question 2a.**

| Marks | 0  | 1 | 2 | 3 | 4  | Average    |
|-------|----|---|---|---|----|------------|
| %     | 75 | 0 | 0 | 0 | 25 | <b>1.0</b> |

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## PLUMBERS PLUS CASH FLOW STATEMENT FOR MONTH ENDED 30 NOVEMBER 2007

| Cash Flow from Operating Activities       | \$      | \$           |
|-------------------------------------------|---------|--------------|
| Plumbing Services                         | 2 500   |              |
| Receipts from Debtors                     | 3 765   |              |
| Sales Plumbing Parts                      | 1 625   |              |
| GST Collected                             | 412     | 8 302        |
| Payments to Creditors                     | (2 800) |              |
| Stock Plumbing Parts                      | (780)   |              |
| Wages                                     | (2 500) |              |
| Vehicle Expenses                          | (505)   |              |
| Cartage In                                | (75)    |              |
| Interest on Loan                          | (45)    |              |
| Bank Charges                              | (70)    |              |
| GST Payments                              | (386)   | (7 161)      |
| <b>NET CASH FROM OPERATING ACTIVITIES</b> |         | <b>1 141</b> |

This part was poorly answered. Students must remember to put Cash Outflows in brackets.

### Question 2b.

| Marks | 0  | 1 | 2  | 3  | 4 | Average |
|-------|----|---|----|----|---|---------|
| %     | 50 | 0 | 25 | 25 | 0 | 1.3     |

### General Journal

| Date 2007 | Accounts      | Debit<br>\$ | Credit<br>\$ |
|-----------|---------------|-------------|--------------|
| Nov 30    | Rent Expense  | 132         |              |
|           | Prepaid Rent  |             | 132          |
| Nov 30    | Wages         | 500         |              |
|           | Accrued Wages |             | 500          |

Students had problems with the length of the reporting period in this part.

### Question 2c.

| Marks | 0  | 1  | 2  | 3 | Average |
|-------|----|----|----|---|---------|
| %     | 13 | 63 | 25 | 0 | 1.2     |

### T-FORMAT Prepaid Rent

| Date  | Details | \$  | Date   | Details      | \$  |
|-------|---------|-----|--------|--------------|-----|
| 1 Nov | Balance | 264 | 30 Nov | Rent Expense | 132 |
|       |         |     |        | Balance      | 132 |
|       |         | 264 |        |              | 264 |
| 1 Dec | Balance | 132 |        |              |     |



Accrued Wages

| Date | Details | \$ | Date   | Details | \$  |
|------|---------|----|--------|---------|-----|
|      |         |    | 30 Nov | Wages   | 500 |

COLUMNAR FORMAT

Prepaid Rent

| Date   | Details      | Post Ref. | Debit<br>\$ | Credit<br>\$ | Balance<br>\$ |
|--------|--------------|-----------|-------------|--------------|---------------|
| 1 Nov  | Balance      |           | 264         |              | 264 DR        |
| 30 Nov | Rent Expense |           |             | 132          | 132 DR        |

Accrued Wages

| Date   | Details | Post Ref. | Debit<br>\$ | Credit<br>\$ | Balance<br>\$ |
|--------|---------|-----------|-------------|--------------|---------------|
| 30 Nov | Wages   |           |             | 500          | 500 CR        |

Dates and the Opening balance were common problems in this part of Question 2.

Question 2d.

| Marks | 0  | 1 | 2  | 3  | Average |
|-------|----|---|----|----|---------|
| %     | 50 | 0 | 25 | 25 | 1.3     |

Calculation for Depreciation on vehicle using Reducing Balance Depreciation

$$30000 - 6300 = 23700$$

$$23700 \times 20\% = 4740$$

$$\frac{4740}{12 \text{ months}} = \$395 \text{ depreciation expense per month}$$

(Historical cost – Acc Dep'n = Written Down Value  $\times$  20% (dep'n rate) divide by 12 = expense per month)

Students are reminded to read the question carefully, as this part required depreciation to be calculated for the **month** only.

Question 2e.

| Marks | 0  | 1  | 2  | Average |
|-------|----|----|----|---------|
| %     | 25 | 50 | 25 | 1.0     |

A business may choose to use different methods for depreciating their assets as assets contribute differently to revenue over their life. The tools and equipment are expected to contribute evenly to revenue; however, the vehicle is expected to contribute more to revenue when it is new and less as it gets older and requires more service and maintenance. The different depreciation methods reflect these different contributions to revenue over the life of the asset.

This part was answered well.

Question 2f.

| Marks | 0  | 1  | 2 | 3 | Average |
|-------|----|----|---|---|---------|
| %     | 75 | 25 | 0 | 0 | 0.3     |



**T-FORMAT  
Profit and Loss Account**

| Date   | Details  | Amount | Date   | Details  | Amount |
|--------|----------|--------|--------|----------|--------|
| Nov 30 | Expenses | 12 575 | Nov 30 | Revenues | 20 350 |
|        | Capital  | 7 775  |        |          |        |
|        |          | 20 350 |        |          | 20 350 |

**COLUMNAR FORMAT  
Profit and Loss Account**

| Date   | Particulars | Debit | Credit | Balance  |
|--------|-------------|-------|--------|----------|
| Nov 30 | Revenues    |       | 20350  | 20350 CR |
|        | Expenses    | 12575 |        | 7775 CR  |
|        | Capital     | 7775  |        | -        |
|        |             |       |        |          |

Students had problems with incorrect titles in this question.

**Question 2g.**

| Marks | 0  | 1  | 2 | 3  | 4 | 5 | Average |
|-------|----|----|---|----|---|---|---------|
| %     | 25 | 50 | 0 | 25 | 0 | 0 | 1.3     |

| <b>Profit and Loss Statement for the month ended 30 November 2007</b> |             |               |
|-----------------------------------------------------------------------|-------------|---------------|
|                                                                       | \$          | \$            |
| Revenue                                                               |             |               |
| Plumbing Services                                                     | 17,900      |               |
| Sales                                                                 | <u>2450</u> | 20,350        |
| <u>Less Cost of Goods Sold</u>                                        |             |               |
| Cost of Sales                                                         | 620         |               |
| Cartage Inwards                                                       | 150         |               |
| Buying Expenses                                                       | <u>50</u>   | <u>820</u>    |
| Gross Profit                                                          |             | 19,530        |
| <u>Less Expenses</u>                                                  |             |               |
| Interest Expense                                                      | 260         |               |
| Vehicle Expenses                                                      | 1500        |               |
| Wages (8900+500)                                                      | 9400        |               |
| Rent Expense                                                          | 132         |               |
| Depreciation of Vehicle                                               | 395         |               |
| Depreciation of Tolls and Equipment                                   | <u>250</u>  | <u>11,937</u> |
| Net Profit                                                            |             | 7,593         |

Students had difficulty classifying Buying Expenses, and some included aliens in their answer.

**Question 2h.**

| Marks | 0  | 1  | Average |
|-------|----|----|---------|
| %     | 50 | 50 | 0.5     |

To zero off all revenue and expense accounts in preparation for the next reporting period.



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This part was answered well.

### Question 2i.

| Marks | 0  | 1 | 2  | 3 | Average |
|-------|----|---|----|---|---------|
| %     | 25 | 0 | 75 | 0 | 1.5     |

| Current Liabilities |       |       |
|---------------------|-------|-------|
| Bank                | 5000  |       |
| Accrued Wages       | 500   |       |
| Loan                | 3000  |       |
| GST Clearing a/c    | 2440  |       |
| Creditors Control   | 12010 | 22950 |

This part was answered well.

### Question 3a.

| Marks | 0  | 1  | 2  | Average |
|-------|----|----|----|---------|
| %     | 25 | 38 | 38 | 1.2     |

|          |                                     |
|----------|-------------------------------------|
| <b>A</b> | A credit sale to Niva's Mega Music. |
| <b>B</b> | Payment of Account.                 |

This part was answered well.

### Question 3b.

| Marks | 0  | 1  | Average |
|-------|----|----|---------|
| %     | 38 | 63 | 0.7     |

To list/itemise the month's transactions and the closing balance.

This part was answered well.

### Question 3c.

| Marks | 0 | 1  | 2  | Average |
|-------|---|----|----|---------|
| %     | 0 | 25 | 75 | 1.8     |

Advantage for the Customer: The customer will receive a discount of five per cent on their purchases if they pay within 10 days.

Advantage for the Supplier: This encourages debtors to pay faster and reduces the likelihood of bad debts.

This part was answered well.

### Question 3d.

| Marks | 0 | 1 | 2  | 3  | 4  | Average |
|-------|---|---|----|----|----|---------|
| %     | 0 | 0 | 25 | 50 | 25 | 3.0     |

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## Credit Sales Journal

| Date  | Details   | Inv. No. | Sales  | GST   | Total  |
|-------|-----------|----------|--------|-------|--------|
| Oct 7 | P Smith   | S204     | 120.00 | 12.00 | 132.00 |
| 16    | M Johnson | S205     | 174.55 | 17.45 | 192.00 |
| 29    | P Smith   | S207     | 135.45 | 13.55 | 149.00 |
|       |           |          |        |       |        |
|       | Total     |          | 430.00 | 43.00 | 473.00 |

## Cash Receipts Journal

| Date   | Details   | Rec. No. | Disc. Exp. | Debtors | Cash Sales | GST | Sundries | Bank   |
|--------|-----------|----------|------------|---------|------------|-----|----------|--------|
| Oct 23 | M Johnson | 3453     | 7.68       | 192.00  |            |     |          | 184.32 |
| 24     | P Smith   | 3454     |            | 132.00  |            |     |          | 132.00 |
|        |           |          |            |         |            |     |          |        |
|        | Total     |          | 7.68       | 316.32  |            |     |          | 324.00 |

This part was answered well.

### Question 3e.

| Marks | 0 | 1  | 2  | Average |
|-------|---|----|----|---------|
| %     | 0 | 25 | 75 | 1.8     |

### T-FORMAT M Johnson

#### Debtors Subsidiary Ledger

| Date  | Details       | Debit  | Credit | Balance |
|-------|---------------|--------|--------|---------|
| 16/10 | Sales/GST     | 192.00 |        | 192.00  |
| 23/10 | Bank/Disc Exp |        | 192.00 |         |
|       |               |        |        |         |
|       |               |        |        |         |

### COLUMNAR FORMAT M Johnson

#### Debtors Subsidiary Ledger

| Date  | Details         | Debit  | Credit | Balance   |
|-------|-----------------|--------|--------|-----------|
| 16/10 | Sales/GST       | 192.00 |        | 192.00 DR |
| 23/10 | Bank/Disc. Exp. |        | 192.00 | 0.00      |
|       |                 |        |        |           |

This part was answered well. One mark was awarded for each line.

### Question 3f.

| Marks | 0  | 1  | 2 | Average |
|-------|----|----|---|---------|
| %     | 75 | 25 | 0 | 0.3     |

### T-FORMAT Debtors Control

| Date  | Details   | Debit | Credit | Balance |
|-------|-----------|-------|--------|---------|
| 1/10  | Balance   | 240   |        | 324     |
| 31/10 | Sales/GST | 473   |        |         |
|       |           |       |        |         |
|       |           |       |        |         |



**COLUMNAR FORMAT  
Debtors Control**

| <b>Date</b> | <b>Details</b>  | <b>Debit</b> | <b>Credit</b> | <b>Balance</b> |
|-------------|-----------------|--------------|---------------|----------------|
| 1/10/07     | Balance         |              |               | 240.00         |
| 31/10       | Sales/GST       | 473          |               | 713.00         |
| 31/10       | Bank/Disc. Exp. |              | 324.00        | 389.00         |
|             |                 |              |               |                |

One mark was awarded for each entry. Students needed to include all relevant transactions.

**Question 3g.**

| <b>Marks</b> | <b>0</b> | <b>1</b> | <b>Average</b> |
|--------------|----------|----------|----------------|
| <b>%</b>     | 50       | 50       | <b>0.5</b>     |

To reconcile the General Ledger to the business's subsidiary accounts.

This part was answered well.

**Question 3h.**

| <b>Marks</b> | <b>0</b> | <b>1</b> | <b>2</b> | <b>Average</b> |
|--------------|----------|----------|----------|----------------|
| <b>%</b>     | 25       | 50       | 25       | <b>1.0</b>     |

| <b>Date</b> | <b>Details</b>  | <b>Debit</b> | <b>Credit</b> |
|-------------|-----------------|--------------|---------------|
| 31/10       | Bad Debts       | \$149        |               |
|             | Debtors Control |              | \$149         |
|             | Memo 102        |              |               |

Students need to include the date and source document number in the narration.

**Question 3i.**

| <b>Marks</b> | <b>0</b> | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>Average</b> |
|--------------|----------|----------|----------|----------|----------|----------------|
| <b>%</b>     | 0        | 25       | 25       | 0        | 50       | <b>2.8</b>     |

Appropriate strategies included:

- check the credit rating of all new customers
- limit the amount of credit given to new customers.

This question was answered well.