

COMMONWEALTH OF AUSTRALIA

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Family Name	
Given Names	
Student Number	
Teaching Period	Semester 2 Special/Summer Semester, 2015

FINAL EXAMINATION	DURATION
CMA204 – Financial Accounting Applications	Reading Time: 10 minutes
	Writing Time: 180 minutes

INSTRUCTIONS TO CANDIDATES

There are **TWO** parts to the exam – **BOTH** must be answered.

Part A – Multiple Choice, 47 Marks. Total suggested time: 85 mins

Part B – Practical Questions, 53 Marks. Total suggested time: 95 mins

Part A must be answered on the Multiple Choice Answer Sheet provided in this examination paper and must be handed in with your answer booklet.

Part B is to be answered in the Answer Booklet provided.

Please ensure that your name and student number are clearly indicated on your Answer Sheet and at the top of this examination paper.

EXAM CONDITIONS

You may begin writing from the commencement of the examination session. The reading time indicated above is provided as a guide only.

This is a RESTRICTED OPEN BOOK examination

Any non-programmable calculator is permitted

No handwritten notes are permitted

Hard copy, unannotated English translation dictionary only

ADDITIONAL AUTHORISED MATERIALS	EXAMINATION MATERIALS TO BE SUPPLIED
Relevant Legislation (Unannotated)	1 x 16 Page Book 1 x 4-Multiple Choice Answer Sheet

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DOUBLE-SIDED.**

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PART A

Multiple choice questions – answer these in the sheet provided.

Attempt ALL questions

There are **27 questions** and the marks are shown for each of these.

Total Marks: **47 marks**

Part B – Practical questions
Attempt ALL questions

There are **4 questions** and the marks are shown for each of these.

Total Marks: **53 marks**

1) 25 On 1 July 2012 Big Wednesday Ltd acquired land at a cost of \$1 000 000. Big Wednesday Ltd makes the following estimates of the value of the land:

	30 June 2013	30 June 2014	30 June 2015
Net selling price	\$900 000	\$900 000	\$920 000
Value in use	\$1 050 000	\$960 000	\$900 000
Fair value	\$950 000	\$950 000	\$970 000

Required:

- (a) Determine the recoverable amount of the land for each reporting date.
(3 marks)
- (b) Assume that Big Wednesday Ltd uses the cost method. For each year calculate the carrying amount of the land. Prepare the journal entries necessary to effect any adjustments required by accounting standards.
(6 marks)
- (c) Assume that Big Wednesday Ltd revalues its land at the end of each year. For each year calculate the carrying amount of the land. Prepare the journal entries necessary to effect any adjustments required by accounting standards."
(8 marks)

2) Burt Ltd enters into a non-cancellable five-year lease agreement with Earnie Ltd on 1 July 2015. The lease is for an item of machinery that, at the inception of the lease, has a fair value of \$1 294 384. The machinery is expected to have an economic life of six years, after which time it will have an expected residual value of \$210 000.

There is a bargain purchase option that Burt Ltd will be able to exercise at the end of the fifth year for \$280 000. There are to be five annual payments of \$350 000, the first being made on 30 June 2016. Included within the \$350 000 lease payments is an amount of \$35 000 representing payment to the lessor for the insurance and maintenance of the equipment. The equipment is to be depreciated on a straight-line basis. The implicit interest rate is 12%

Required:

- (a) Prepare the journal entries in the books of Burt Ltd for the years ending 30 June 2016.

(10 marks)

- (b) Prepare the portion of the statement of financial position for the year ending 30 June 2016 relating to the lease asset and lease liability.

(6 marks)

3) Australasia Ltd started operating on 1 July 2013 with 12 employees. Three years later all of those employees were still with the company. On 1 July 2015 the company hired 15 more people but by 30 June 2016 only 10 of those employed at the beginning of that year were still employed by Australasia Ltd.

All employees are entitled to 13 weeks' long-service leave after a conditional period of 10 years of employment with Australasia Ltd.

At 30 June 2016 Australasia Ltd estimates the following:

- the aggregate annual salaries of all employees hired on 1 July 2013 is now \$600 000
- the aggregate annual salaries of all current employees hired on 1 July 2015 is now \$400 000
- the probability that employees hired on 1 July 2013 will continue to be employed for the duration of the conditional period is 40 per cent.
- the probability that employees hired on 1 July 2015 will continue to be employed for the duration of the conditional period is 20 per cent.

Salaries are expected to increase indefinitely at 1 per cent per annum.

The interest rates on high-quality corporate bonds are as follows:

	1 July 2015	30 June 2016
Corporate bonds maturing in seven years	4%	6%
Corporate bonds maturing in eight years	5%	8%
Corporate bonds maturing in nine years	5%	8%
Corporate bonds maturing in ten years	6%	10%

At 30 June 2015 the provision for long-service leave was \$6000.

Required:

- (a) Calculate the total accumulated long-service leave benefit as at 30 June 2016. **(4 marks)**
- (b) What amount should be reported for the long-service leave provision as at 30 June 2016 in accordance with AASB 119? **(4 marks)**
- (c) Prepare the journal entry for the provision for long-service leave for 30 June 2016 in accordance with AASB 119 **(2 marks)**

4) On 5 June 2014 Perth Ltd acquires goods on credit from a supplier in London. The goods are shipped FOB London on 5 June 2014. The cost of the goods is UK£250 000 and the debt remains unpaid at 30 June 2014. On 5 June 2014 the exchange rate is A\$1.00 5 UK£0.46. On 30 June 2014 it is A\$1.00 5 UK£0.44. Hence the value of the Australian dollar has decreased relative to the UK pound. Perth Ltd's reporting date is 30 June.

Required:

Provide the accounting entries necessary to account for the above purchase transaction for the year ending 30 June 2014.

(10 marks)