

COMMONWEALTH OF AUSTRALIA

Copyright Regulations 1969

Warning

This material has been reproduced and communicated to you by or on behalf of *The Charles Darwin University* pursuant to Part VB of the *Copyright Act 1968* (the Act). The material in this communication may be subject to copyright under the Act. Any further reproduction or communication of this material by you may be the subject of copyright protection under the Act.

Do not remove this notice



Family Name	
Given Names	
Student Number	
Teaching Period	Semester 1, 2016

FINAL EXAMINATION	DURATION				
ACT501 – Accounting Principles	<table border="1"> <tr> <td>Reading Time:</td> <td>10 minutes</td> </tr> <tr> <td>Writing Time:</td> <td>180 minutes</td> </tr> </table>	Reading Time:	10 minutes	Writing Time:	180 minutes
Reading Time:	10 minutes				
Writing Time:	180 minutes				

INSTRUCTIONS TO CANDIDATES

The examination has **one** section:

Section A: Suggested Time: 180	Answer ALL 8 (eight) questions Marks as indicated by lecturer
--	--

Section A must be answered in the booklet provided. Please ensure that your name and student number are clearly indicated on your Answer Booklet and at the top of this examination paper.

- 1.2 Note that questions **ARE NOT** of equal value.
- 1.3 Read **ALL** questions carefully.

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
No additional printed material is permitted	1 x 8 Page Book

**THIS EXAMINATION IS PRINTED
DOUBLE-SIDED.**

**THIS PAGE HAS BEEN INTENTIONALLY LEFT
BLANK.**

Section A
Short Answer Questions

Total No of Marks for this section:

This section should be answered in the Answer Booklet provided.
Marks for each question are indicated.

Q. 1 (Max marks: 8)

The accounting records for Disney manufacturing included the following at 30 June 2016:

Estimated Warranty Payable	
bal.	3,800 cr

In the past, Disney's warranty expense has been 4% of sales. During 2016/17, Disney made sales of \$150,000 and paid \$6,200 to satisfy warranty claims.

Required

a) Journalise Disney's warranty expense & warranty payments during 2016/2017. Explanations are not required.

Marks: 5

b) What balance of Estimated warranty payable will Disney report on its balance sheet as at 30 June 2017? Please show calculations clearly.

Marks: 3

Q 2 (Max marks: 17)

DJS's February Cash from its general ledger is as follows:

Cash			
Jan 31 Bal	23,115	Feb-01 Chq 207	4,300
Feb-06	2,930	Feb-14 Chq 208	825
Feb-13	2,800	Feb-14 Chq 209	1,455
Feb-20	4,800	Feb-28 Chq 210	190
Feb-27	3,690	Feb-28 Chq 211	550
Feb-28 Unadj Bal.	30,015		

DJS's bank statement dated 28 February 2016 follows:

Bank Statement for February 2016

Beginning Balance, 31 January 2016			\$23,510
<i>Deposits & other credits</i>			
Feb-01		\$700	
Feb-08		\$2,930	
Feb-14		\$2,800	
Feb-20	EFT Hip Hop Hats - Customer	\$400	
Feb-22		\$4,800	
Feb-28	Interest credit	\$22	\$11,652
 <i>Cheques & other debits</i>			
Feb-02	EFT to Paper Products	\$9	
Feb-02	Chq 206	\$1,095	
Feb-18	Chq 207	\$4,300	
Feb-19	Chq 209	\$1,455	
Feb-28	EFT to Cable Co.	\$85	
Feb-28	Chq 208	\$825	
Feb-28	Bank Service Charge	\$18	-\$7,787
Ending Balance, 28 February 2016		<u>\$27,375</u>	

Required:

- a) Prepare the February bank reconciliation Marks: 10
- b) Journalise & post any transactions required from the bank reconciliation. Indicate all items by date. Include an explanation for each entry. Marks: 7

Q. 3 (Max marks: 15)

Property purchased for \$2 million was revalued on 1 July 2017 to \$3.5 million. Accumulated depreciation at the time of revaluation was \$500,000. The property had not previously been revalued. At the time of revaluation, the property was expected to have a further useful life of 20 years with no residual value. On 1 July 2021, the property was again revalued, to \$2.3 million.

Required:

Show the journal entries to record:

- a) the initial revaluation Marks: 6
- b) depreciation expense for each of the years ending 30 June 2018 to 2021 Marks: 2
- c) the revaluation on 30 June 2021 Marks: 5
- d) the depreciation expense for the year ending 30 June 2022? Marks: 2

Explanations are not required. Please show your calculations clearly.

Q 4. (Max marks: 9)

ABC Oriental Designs is a partnership owned by three individuals. The partners A, B & C share profits & losses in the ratio 3:4:3. At December 2016, the firm has the following on its balance sheet. On 31 December, A withdraws from the partnership.

Assets		Liabilities	
Cash	60,000	Accounts Payables	92,000
Accounts Receivables	15,000		
Inventory	65,000	Partners' equity	
Equipment, net	96,000	A, Capital	38,000
		B, Capital	52,000
		C, Capital	54,000
	<u>236,000</u>		<u>236,000</u>

Required:

Record A's withdrawal from the partnership under the following independent plans:

- a) In a personal transaction, A sells his equity to D, who pays A \$95,000 for his interest. B & C agree to accept D as a partner. Marks: 2.5
- b) The partnership pays A \$52,000 for the book value of his equity. Marks: 6.5

Q 5. (Max marks: 10)

B-Mobile Wireless needed additional capital to expand, so the business incorporated. B-Mobile Ltd then completed the following transactions:

Oct 2	Issued 16,000 ordinary shares for equipment with a market value of \$130,000
Oct 9	Received application for 18,000 ordinary shares, at a total issue price of \$6 per share, each accompanied by an initial payment of 25% of the issue price, and allotted the 18,000 shares to these applicants.
Oct 12	Issued 7,000 preference shares to acquire a patent with a market value of \$90,000
Oct 28	Made a call on the partly paid ordinary shares of a further \$3 per share. The call was paid in full.

Required:

- a) Record the transactions in the general journal Marks: 7
- b) Prepare the shareholders equity section of B-Mobile Ltd balance sheet at 31 October. The ending balance of Retained earnings is \$53,000 Marks: 3

Q. 6 (Max marks: 15)

Kansas Ltd. had the following income statement & balance sheet for 2016:

Kansas Ltd
Income Statement
for the year ended 31 December 2016

Service Revenue	\$80,000
Depreciation Expense	\$5,600
Other expenses	<u>\$49,000</u>
Profit	<u><u>\$25,400</u></u>

Kansas Ltd
Comparative Balance Sheet
as at 31 December 2016 and 2015

Assets:	2016	2015	Liabilities:	2016	2015
<i>Current</i>			<i>Current</i>		
Cash	\$4,800	\$3,800	a/c Payable	\$9,000	\$4,000
A/c Receivable	\$9,600	\$4,100	<i>Non-Current</i>		
<i>Non-Current</i>			LT Bills Payable	\$9,000	\$15,000
Equipment, net	\$78,000	\$67,000	Shareholders'		
			Equity		
			Ord Share Capital	\$22,000	\$17,000
			Retained earnings	\$52,400	\$38,900
	<u>\$92,400</u>	<u>\$74,900</u>		<u>\$92,400</u>	<u>\$74,900</u>

The business sold no equipment during the year. During the year, the business issued a \$5,300 bill payable.

Required:

a) Prepare Kansas Ltd.'s cash flow statement for the year ended December 31, 2016, using the indirect method.

Marks: 12

b) Evaluate Kansas Ltd.'s cash flows for the year 2016. Mention all three categories of cash flows & give the reason for your evaluation.

Marks: 3

Q 7. (Max marks: 11)

At 30 June 2015, Vincon Ltd reported the following shareholders' equity:

Share Capital, 100,000 ordinary shares issued	\$800,000
Retained Earnings	\$850,000
Total	\$1,650,000

During year ending June 2016, Vincon Ltd completed the following transactions and events:

- a) Split the ordinary shares 2 for 1 to decrease the market price of its shares.
- b) Transferred \$450,000 to general reserves.
- c) Issued 5,000 ordinary shares to employees at \$15 per share.
- d) Declared & paid cash dividends of \$65,000
- e) Profit for the year was \$315,000

Required:

Prepare the company's statement of changes in equity for the year ending June 2016.

Marks: 11

Q. 8 (Max marks: 15)

Marathon Shoes reported the following:

2016

- May 4 Recorded credit card sales of \$148,000. A processing fee of 2.2% is incurred.
- Sep 1 Loaned \$25,000 to Loc Nguyen, an executive with the company, on a one-year, 12% bill.
- Dec 31 Accrued interest revenue on Nguyen bill.

2017

- Jun 1 Sold the Nguyen bill to National Bank at 15% discount rate.

Required:

Record the transactions in the general journal for Marathon Shoes. Explanations are not required. Please show your calculations clearly.

Marks: 15