

COMMONWEALTH OF AUSTRALIA

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	Family Name	
	Given Names	
	Student Number	
	Teaching Period	Semester 1, 2016
FINAL EXAMINATION	DURATION	
ACT505 – Accounting Theory	Reading Time:	10 minutes
	Writing Time:	180 minutes

INSTRUCTIONS TO CANDIDATES

1.1 The examination has 3 sections.

Section A:	Multiple Choice Questions: Answer ALL questions 50 marks Suggested Time: 90 minutes
Section B:	Short Answer Questions: Answer ALL questions 30 marks Suggested Time: 55 minutes
Section C:	Short Essay Questions: Answer ALL questions 20 marks Suggested Time: 35 minutes

Section A must be answered on the Multiple Choice Answer sheet provided in this examination paper and must be handed in with your answer booklet. Please ensure that your name and student number are clearly indicated on your Answer Sheet and at the top of this examination paper.

Section B and Section C are to be answered in the answer booklet provided.

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

No calculators are 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 16 Page Book 1 x 4-Multiple Choice Answer Sheet

Section A

Multiple Choice Questions

Total No of Marks for this section: 50 Marks

This section should be answered on the Answer Sheet provided Please ensure that your name and student number have been written on the Answer sheet and place in the completed answer Booklet.

Marks for each question are indicated. Suggested Time allocation for Section A: 90 mins

Section B

Short Answer Questions

Total No of Marks for this section: 30 Marks

This section should be answered in the Answer Booklet provided.

Marks for each question are indicated. Suggested Time allocation for Section B: 55mins

Question 1

From a critical perspective, what is the role of the IASB Conceptual Framework for Financial Reporting?

(Marks 10)

Question 2

Identify and explain the perceived benefits that flow from the decision that a country will adopt the International Financial Reporting Standards (IFRS).

(Marks 10)

Question 3

Compare and contrast the development and evaluation of positive accounting theories with normative accounting theories.

(Marks 10)

Section C

Short Essay Questions

Total Number of Marks for this section: 20

This section should be answered in the Answer Booklet provided.

Marks for each question are indicated. Suggested Time allocation for Section C: 35 mins

Question 4

Palmerston Tobacco Company (PTC) expects more profit growth this year, helped by markedly lower tobacco material costs, after a 5.25% increase in full year net profit of \$9.5M. The Palmerston-based, unlisted company's performance was driven by a 29.25% increase in interstate sales. Total revenue rose from \$84.3M to \$102.5M in the year to June 30. Its national sales volumes rose 16.9% in an overall domestic market that slipped 1% over the year, as Australia's third largest tobacco company continued to outpoint its larger rivals.

The current managing director Smokey Chain said sales in the first half of this financial year were about 20% ahead of the previous first half. Chain said PTC was benefiting from lower material costs, as tobacco prices dropped by about 25% per tonne this financial year. "The very high price of materials and taxes took more than \$2M of our bottom line," Chain said. "It was a very encouraging result in the circumstances and this year's result should be quite a bit better."

The strong growth in sales beyond its Palmerston base where sales grew 10.5% had resulted largely from the 75% investment in the Premium Brands joint venture with American Tobacco Distributors, which began trading in March 2013 and had enhanced national distribution.

Higher export sales, up 14.2%, had been gain in Britain, the United States and New Zealand, although they accounted for only about 2% of the total revenue. However, PTC did not have everything its own way, with its business in home tobacco kits suffering a 12.8% fall in sales volumes as Philip Norris and Emperor Tobacco entered the mature market.

Chain said the tobacco market had been in ‘gradual decline’ since the mid-2000s but still accounted for about 20% of revenue. “The entry of Philip Morris in 2013 and then Emperor Tobacco last year did hurt us but we’re holding our own,” he said.

Required:

- a) Why do you think counting profits ignores the social impacts of a Company’s products?
(Marks 5)

 - b) How would a tobacco company account for the social costs created by tobacco abuse and related health care costs?
(Marks 5)

 - c) Should a tobacco company account for the social costs created by tobacco abuse?
Explain your view.
(Marks 5)

 - d) Would GDP be positively or negatively affected by costs that arise from tobacco abuse?
(Such cost might include those that arise from tobacco-related health issues, diseases and so forth)?
(Marks 5)
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