

COMMONWEALTH OF AUSTRALIA

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Family Name	
Given Names	
Student Number	
Teaching Period	Semester 2, 2016

FINAL EXAMINATION	DURATION
ACT102 – Introduction to Accounting	Reading Time: 10 minutes
	Writing Time: 180 minutes

INSTRUCTIONS TO CANDIDATES

The examination has two sections: Section A (Practical Questions) and Section B (Multiple Choice Questions). Section A must be answered on the Exam booklet provided. Section B must be answered on the Multiple Choice Answer sheet provided in this examination paper and must be handed in with your answer booklet.

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 16 Page Book 1 x 4-Multiple Choice Answer Sheet 1 x Scrap Paper

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

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SECTION A

Total marks for this section: 70 marks

Answer **ALL** questions. Marks for each question are indicated.

Question 1 (25 marks)

Super Ltd's financial year runs from 1 July to 30 June. The following information regarding inventory transactions is available for the month of July 2016:

Date	Description	Quantity	Unit cost
Jul 1	Beginning Inventory	100	\$12
Jul 7	Purchase	50	14
Jul 11	Sale	70	
Jul 18	Sale	60	
Jul 20	Purchase	100	15
Jul 25	Sale	60	

Required (show all calculations clearly):

Prepare **Inventory records** and determine the correct balances at 31 July for **Inventory and Cost of sale** under each of the following inventory methods (**ignore GST and do rounding where required**):

- A) FIFO (8 marks)
- B) LIFO (8 marks)
- C) average cost (9 marks)

Question 2 (4 marks)

At 31 December, Hi-Fi Phones had Accounts receivable of \$14,000 and Allowance for doubtful debts of \$500. During January, Hi-Fi Phones recorded:

- a. Sales of \$90,000 (\$80,000 on credit; \$10,000 for cash)
- b. Collections on account, \$65,000
- c. Bad debts expense, estimated as 2% of credit sales
- d. Write-offs of bad debts, \$2,400.

Required (show all calculations and workings clearly):

- A) Record bad debt expense for January using the direct write-off methods. (Marks: 2)
- B) What balance of accounts receivable does Hi-Fi Phones report on 31 January balance sheet under the direct write-off method? (Marks: 2)

Question 3 (9 marks)

ABC Oriental Designs is a partnership owned by three individuals. The partners A, B & C share profits & losses in the ratio of 30% to A, 40% to B and 30% to C. At 31 December 2016 the firm has the following on its balance sheet. On 31 December, A withdraws from the partnership.

Assets		Liabilities	
Cash	25,000	Accounts Payables	44,000
Accounts Receivables	6,000		
Inventory	32,000	Partners' equity	
Equipment, net	43,000	A, Capital	15,500
		B, Capital	24,500
		C, Capital	22,000
	<hr/> <hr/>		<hr/> <hr/>
	106,000		106,000

Required (show all calculations clearly):

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 \$55,000 for his interest. B & C agree to accept D as a partner. (2.5 marks)
- B) The partnership pays A \$25,000 for the book value of his equity. (6.5 marks)

Question 4 (18 marks)

The 31 August 2016 bank statement of Spotless Cleaning Services (Spotless) has just arrived from Universe bank. To prepare its bank reconciliation, you gather the following data:

- a. Spotless's Cash account shows a balance of \$5,800 on 31 August.
b. The bank statement includes two dishonoured cheques from customers: \$800 and \$220.
c. The following Spotless cheques are outstanding at 31 August:

<u>Cheque no.</u>	<u>Amount</u>
237	\$100
288	340
291	1,040
294	1,160
295	100
296	280

- d. Spotless collects from a few customers by EFT. The August bank statement lists a \$2,600 EFT deposit for a collection on account.

- e. The bank statement includes two special deposits that Hero hasn't recorded yet; \$1,940 for dividend revenue, and \$160, the interest revenue Hero earned on its bank balance during August.
- f. The bank statement lists a \$60 bank service charge.
- g. On 31 August, Spotless deposited \$700, but this deposit doesn't appear on the bank statement.
- h. The bank statement includes a \$2,000 deduction for a cheque drawn by National Freight Company. Spotless notified bank of this error.
- i. The 31 August bank balance is \$9,740.

Required (show all calculations clearly):

A) Prepare the bank reconciliation for Spotless Cleaning Services (Spotless) at 31 August 2016. (Marks: 10)

B) Journalise & post any transactions required from the bank reconciliation. Indicate all items by date. Include an explanation for each entry. (Marks: 8)

Question 5 (14 marks)

Laurel Smith is a manager at the National Bank. During 2016 she worked for the bank all year at a \$6 500 monthly salary. She also earned a year-end bonus equal to 15% of her annual salary.

Laurel's income tax withheld during 2016 was \$820 per month, plus \$2 480 on her bonus cheque. Laurel authorised the following payroll deductions: charitable fund contribution of 1% of total earnings, and life insurance of \$20 per month.

National Bank incurred payroll tax expense of 8% of the total payroll. The bank provided Laurel with the following benefits: private health insurance at a cost of \$40 per month, and superannuation benefits to be paid to Laurel during her retirement. During 2016, the bank's cost of Laurel's superannuation plan was \$8 100.

Required (show all calculations clearly):

- A) Calculate Laurel Smith's gross pay, payroll deductions and net pay during 2016. (3.5 marks)
- B) Calculate the bank's total 2016 payroll cost for Laurel Smith. (2.5 marks)
- C) Make the journal entry to record the bank's expense for Laurel Smith total earnings for the year, her payroll deductions and her net pay. Debit Salary expense and Bonus expense as appropriate. Credit liability accounts for the payroll deductions and Cash for net pay. Then make another journal entry for payroll tax on Laurel Smith's earnings. Credit a liability account. (Narrations aren't required). (8 marks)

SECTION B

Total marks for this section: 30 marks

There are 20 multiple choice questions.

Please answer **ALL** questions on the Multiple Choice Answer sheet provided.

*****End of Exam*****