

COMMONWEALTH OF AUSTRALIA

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	Family Name	
	Given Names	
	Student Number	
	Teaching Period	Semester 2 Special/Summer Semester, 2016
FINAL EXAMINATION	DURATION	
ACT101 – Accounting for Managers	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 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

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DOUBLE-SIDED.**

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Section A

Total No of Marks for this section: 72

This section should be answered in the Answer Booklet provided.

You are required to answer any SIX of the EIGHT questions.

Marks for each question are indicated

Question 1: (12 Marks)

- (a) What are the essential elements of a useful definition of an asset? (2 Marks)
- (b) The final account balances (after all adjustments) of Mars limited for the year ending 30 June 2016 are listed below. From the information given prepare a balance sheet, in good form **and** list the accounts that would not be included in the balance sheet (10 Marks)

	\$
Banks overdraft	11 900
Salaries payable	1000
Salaries Expense	1000
Sales	137 250
Inventory	13 100
Accounts receivable	17 300
Owner's equity	?
Interest expense	330
Land and Building(net)	110 000
long-term loan (due 19 December 2019)	100 000
Accounts Payable	45 600
Plant and Equipment(net)	22 000
Cost of Goods sold	110 000
Telephone expense	2500
Wages	170

Question 2: (12 Marks)

- A. Explain what is meant by the term ‘intangible asset’ and give examples. (2 Marks)
- B. Your friend Tom, knowing that you are a ‘top gun’ accounting student, has asked you to prepare a **statement of comprehensive income** from the following information. He does not know the owners’ equity figure as he has not been able to calculate the profit for the period.

Required:

Provide the statements that James has requested:

(7 Marks)

	\$
Salaries Expense	1236
Cash Sales	132 000
Insurance expense	932
Cost of supplies used to make cash sales	32 400
Equipment	320
Electricity and telephone expense	9560
Accounts Payable	14 020
Bank Overdraft	2300
Wages Expense	38 900
Land and Buildings	125 000
Vehicles	23 230
Mortgage on Land	23 000

- C. The Monotony Company makes all its sales on 30-days credit. For the year ending 31 December 2019, cash collections from customers amounted to \$1,078,333. Net credit sales in 2019 totalled \$1,022,111 and the balance of accounts receivable on 31 December 2019 was \$187 000. What was the balance of accounts receivable on 31 December 2018? (**3 Marks**)

Question 3: (12 Marks)

Part A (7 Marks)

One of the items sold by Bodybuild, a sporting goods company, is cricket bats. One such bat, 'the Humdinger', sells well. Beginning inventory, purchases and sales for this item for the month of December were as follows:

December 1	Beginning inventory 4 bats @ \$56 each
3	Purchased 6 bats @ \$58 each
6	Sales of 3 bats
8	Purchased 6 bats @ \$44 each
10	Sales of 5 bats
13	Sales of 6 bats
18	Purchased 12 bats @ \$50 each
20	Sales 3 bats
24	Sales 5 bats
25–31	Closed

Calculate, using FIFO, periodic method, the total cost of sales for each sale day and the inventory balance after each sale day.

Part B (5 Marks)

Assume that Sample Company purchased factory equipment on January 1, 2016, for \$60,000. The equipment has an estimated life of five years and an estimated residual value of \$6,000. Sample's accountant is considering whether to use the **straight-line** or the **units-of-production** method to depreciate the asset. Because the company is beginning a new production process, the equipment will be used to produce 10,000 units in 2016, but production subsequent to 2016 will increase by 10,000 units each year.

Required:

Calculate the depreciation expense, accumulated depreciation, and book value of the equipment **under both methods** for each of the three years of its life.

Question 4 : (12 Marks)

Monster Limited		
Balance Sheet as at 30 June		
	2015	2016
	\$m	\$m
Current Asset		
Cash	50	330
Receivables	540	310
Inventories	<u>450</u>	<u>260</u>
Total Current Assets	<u>1040</u>	<u>900</u>
Noncurrent Assets		
Property Plant and Equipment	<u>160</u>	<u>140</u>
Total Non Current Assets	<u>160</u>	<u>140</u>
Total Assets	<u>1200</u>	<u>1040</u>
Current Liabilities		
Creditors and borrowings	630	510
Provisions	<u>15</u>	<u>10</u>
Total Current Liabilities	<u>645</u>	<u>520</u>
Non Current Liabilities		
Creditors and borrowings	245	195
Provisions	10	15
Total noncurrent liabilities	<u>255</u>	<u>210</u>
Total Liabilities	<u>900</u>	<u>730</u>
Net Assets	<u>300</u>	<u>310</u>
Shareholders' Equity		
Share capital(\$1 ordinary shares)	80	80
Reserves	35	35
Retained Earnings	<u>185</u>	<u>195</u>
Total shareholders' equity	<u>300</u>	<u>310</u>

Additional Information:

Net operating profit after tax is \$25 million (2015: \$38 million)

Required:

Use the information above to calculate for **2016 and 2015**:

- Working capital
- Current ratio
- Quick ratio
- Debt-to-equity ratio
- Return on equity ratio
- Return on Asset ratio

Question 5: (12 Marks)

Part A (7 Marks)

MCG Ltd produces electronic mapping devices for luxury cars and uses a normal costing system. The following data is available for the current year:

BUDGETED:	
Overhead	\$900,000
Machine Hours	3750
Direct Labour Hours	120,000

ACTUAL:	
Units produced	150,000
Overhead	\$893,250
prime (Direct) costs	\$1,350,000
Machine hours	37575
Direct Labour hours	117,000

Overhead is applied on the basis of the direct labour hours.

Required:

- a) What is the predetermined overhead rate? (**1.5 Marks**)
- b) What is the applied overhead for the current year? (**1.5 Marks**)
- c) Was overhead over-applied or under-applied during the current year, and by how much? (**2 Marks**)
- d) What is the cost per unit for the current year? (**2 Marks**)

Part B (5 Marks)

Tomy Company has been producing 10,000 units for 7021 (a product name) for its products. The unit cost for the part is as follows:

	\$
Direct Materials	5
Direct Labour	10
Variable manufacturing overhead	6
Fixed Manufacturing overhead	8
Total	29

Tomy Company can purchase 10 000 units of part 7021 for \$25 each. If the part is purchased, Tomy can make another product and provide a contribution margin of \$10 000. If the part is purchased, 75 per cent of the fixed manufacturing overhead costs will still be incurred.

Required:

- a. Should Tomy make or buy the part?

Question 6 : (12 Marks)

Part A (6 Marks)

Adnan Enterprises manufactures miniature digital diaries. Variable costs are \$30 per diary, the price is \$45, and fixed costs are \$90 000.

Required:

- a) What is the contribution margin for one diary? **(1.5 Marks)**
- b) How many diaries must Adnan enterprises sell to break even? **(1.5 Marks)**
- c) If Adnan enterprises sells 6300 diaries, what is the net profit? **(3 Marks)**

Part B (6 Marks)

Maxim Pty ltd makes washing machines, and with its existing plant capacity the maximum production possible is 1000 units per year. Fixed costs are estimated at \$36 000 per annum and the selling price of each machine is \$240. Sales for the next year are expected to drop to 800 units. The cost of each washing machine is calculated as follows: direct material cost, \$40; direct labour cost, 10 hours at \$8 per hour.

Required:

- a) the break-even point **(2 Marks)**
- b) the maximum profit and **(2 Marks)**
- c) the profit at an estimated sales level of 800 units **(2 Marks)**

Question 7: (12 Marks)

Martin is preparing its quarterly production budget and the following forecast information is available:

Product	Estimated Sales	Opening Inventory	Closing Inventory
	(Units)		
A	276	12	33
B	33	7	6
C	99	12	15

Material	Cost Per Unit	Units of Material used for Unit of Product			Opening Inventory	Closing Inventory
		A	B	C		
X	\$76	0.5	2	-	22	8
Z	\$8	-	3	7	102	45

Required:

- a) Prepare the production budget in units. (3 Marks)
- b) Give the total cost of materials used in the production of A, B and C. (7 Marks)
- c) Give the total cost of materials purchased. (2 Marks)

Question 8: (12 Marks)

Part A (6 Marks)

- a) Explain what is meant by the term ‘factoring’. (2 Marks)
- b) How does a hire- purchase agreement differ from a lease (2 Marks)
- c) What is debenture? (2 Marks)

Part B (6 Marks)

Each of the transactions listed below will affect one of the four categories on the statement of cash flows: cash flows from operating activities, cash flows from investing activities, cash flows from financing activities, or non-cash investing and financing activities.

Required:

Analyse each transaction and state which category will be affected.

- a. Machinery to the value of \$80 000 was acquired for cash.
- b. A patent that was sold for \$30 000 had a carrying value of \$20 000.
- c. Office supplies on hand, valued at \$2000, were exchanged for a second-hand car.
- d. Used machinery having a carrying value of \$50 000 was traded for 500 shares of another company. The shares are intended to be a long-term investment.
- e. Dividends to the amount of \$5000 were paid.
- f. Long-term debenture notes payable for the amount of \$20 000 were paid in cash.
- g. Interest of \$5000 was paid.

Section B

Multiple Choice Questions

Total No of Marks for this section: 28. Each question carries 1 Mark

This section should be answered on the Multiple Choice 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.

*****END OF EXAM*****