

# 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 2 Special/Summer Semester, 2016
<b>FINAL EXAMINATION</b>	<b>DURATION</b>	
<b>ACT501 – Accounting Principles</b>	Reading Time:	<b>10</b> minutes
	Writing Time:	<b>180</b> minutes

**INSTRUCTIONS TO CANDIDATES**

The examination has **one** section:

<b>Section A:</b> Suggested Time: 180	Answer ALL 7 (seven) 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

<b>ADDITIONAL AUTHORISED MATERIALS</b>	<b>EXAMINATION MATERIALS TO BE SUPPLIED</b>
No additional printed material is permitted	1 x 16 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: 100**

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

---

**Q.1 (Marks: 15)**

Tim Brass operates a fish-n-chip store. He just received the 31 March bank statement from Commonwealth Bank of Australia, and the statement shows an ending balance of \$9,124. Listed on the statement is an EFT collection of bill receivable of \$540, a service charge of \$15, dishonoured cheques totalling \$85 and a \$15 charge for stop cheque instruction given to the bank. In reviewing her cash records, Lyn identifies outstanding cheques totalling \$674 & a deposit in transit of \$1978. During March, she recorded a \$350 cheque by debiting rent expense & crediting cash at bank for \$35. Lyn's cash at bank account shows a 31 March balance of \$10,318

**Required:**

- i) Prepare the bank reconciliation for Tim Brass for 31 March. (Marks: 10)
- ii) Record the journal entries that bring the book balance of cash at bank into agreement with the adjusted book balance on the reconciliation. Include an explanation for each entry. (Marks: 5)

**Q. 2 (Marks : 10)**

David Sellers sells on credit. When a customer account becomes 3 months old, David converts the account to a bill receivable & immediately discounts the bill to the bank. During 2016, David completed these transactions:

July 31	Sold goods on credit to T Singer , \$6,600 (incl. GST)
Nov 1	Received a \$6,600, 60-day, 9% bill from T Singer in satisfaction of his past – due account.
Nov 1	Sold the T Singer bill by discounting it to a bank at 11%.

**Required:**

Record the transactions in David Sellers journal.

(Marks: 10)

**Q. 3 (Marks: 10)**

XYZ Consulting believes that the company will need to borrow \$500,000 in order to expand operations. The accountant consults the bank & secures a 10%, five year loan on 1 April 2015. He must pay the bank the principal in 4 equal instalments plus interest annually on 1 April each year for the next 4 years. The company's financial year runs from January to December.

**Required:**

- a) Record the \$500,000 loan payable on 1 April, 2015. (Marks: 1)
- b) Record the entry to accrue interest due on loan at 31 December 2015 & 31 December 2016 & any other adjusting entries required on these two dates. (Marks: 4)
- c) Record the entry the company would make to record the payment to the bank on 1 April 2017. (Marks: 5)

**Q. 4 (Marks: 15)**

Prior to liquidation, the accounting records of Bill, John & Terry included the following balances & profit & loss percentages:

Cash	\$8,000
Non cash assets	\$65,000
Liabilities	\$21,000
Capital, Bill	\$24,000
Capital, John	\$15,000
Capital, Terry	\$13,000

The partnership agreement allowed for profit sharing in the ration 2:1:1.

The partnership sold the non-cash assets for \$61,000, paid the liabilities & paid the remaining cash to partners.

**Required:**

- a) Prepare the summary of liquidation transactions in a table form. (Marks :9)
- b) Journalise the sale of non-cash assets, the payment of liabilities & the payment of the partners' final capital balances. (Explanations of transactions are not required). (Marks: 6)

**Q. 5 (Marks: 15)**

ABC Ltd was incorporated in 2015. At 31 December 2015, the balance sheet of ABC showed the following shareholders' equity:

Ordinary Share Capital, 55,000 shares fully paid	\$110,000
Preference Share Capital (\$1.25 annual dividend)	nil
Retained Earnings	<u>\$27000</u>
Total shareholders' equity	<u>\$137,000</u>

**Requirements:**

- a) Were operations during 2015 profitable? Give your reasons. (Marks: 1)
- b) At what price per share did ABC issue the ordinary shares? Please explain. (Marks: 1)
- c) During 2016, the company completed the following transactions. Journalise each transaction. Explanations are not required.
- i) Accepted applications for 2,500 ordinary shares at a total price issue price of \$3 per share and received an initial payment of one-half of that amount. The shares were allotted immediately.
- ii) Issued 5,000 preference shares of \$13 per share to acquire a piece of machinery.
- iii) Made a call on the partly paid ordinary shares for the balance of the issue price & received the full amount due on call.
- iv) Profit for the year was \$63,000 & the company declared no dividends. Make the closing entry for the profit. (Marks:7)
- d) Prepare the shareholder's equity section of ABC Ltd balance sheet at 31 December 2016. (Marks:4)
- e) How much in annual cash dividends will ABC expect to pay on its preference shares? (Marks: 2)

**Q. 6 (Marks:15)**

The balance sheet of Yulara Ltd. at 30 June 2016 showed the following shareholders' equity:

Share Capital, 20,000 ordinary shares fully paid	\$400,000
Retained earnings	<u>\$102,000</u>
Total Shareholders' equity	<u>\$502,000</u>

During 2016/17, Yulara Ltd. completed the following selected transactions:

Aug 8, 2016	Declared a dividend of \$15,750 to be satisfied by the issue of 750 new ordinary shares. The date of record was 19 August, with distribution to be made on 29 September.
Sept 29, 2016	Issued the share dividend shares.
Jan 20, 2017	Purchased 2,300 of the company's own shares at \$21.50 per share.
May 25, 2017	Declared a 11c per share dividend on the outstanding ordinary shares. The date of record is 17 June, 2017 & the payment date is 7 July 2017. The board of directors also resolved to transfer \$53,000 to a general reserve.
June 30, 2017	Closed the \$3,000 loss to Retained earnings.

**Required:**

- Record the transactions in general journals. (Marks: 6)
- Prepare the statement of changes in equity for the year ended 30 June 2017. (Marks: 5)
- Prepare the shareholders' equity section of the balance sheet as at 30 June 2017. (Marks : 4)

**Q. 7. (Marks: 20)**

To prepare the cash flow statement, accountants for Mayby Ltd. have summarised 2016 activity in the Cash accounts as follows:

Cash			
Beginning balance	87,200	Payments of operating expenses	46,800
Issue of ordinary shares	60,200	Payments of salaries & wages	64,500
Receipts of interest revenue	16,100	Payment of bill payable	79,000
Collections from customers	308,400	Payment of income tax	7,500
		Payment of a/c payable	101,600
		Payment of dividends	1,400
		Payment of interest	21,700
		Purchase of equipment	49,500
Ending balance	99,900		

**Required:**

- Prepare Mayby Ltd.'s cash flow statement for the year ended 31 December 2016, using the direct method. (Marks: 15)
- Comment & evaluate Mayby Ltd.'s cash flow operations during the period 2016. (Marks:5)