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Family Name					
Given Name/s					
Student Number					
Teaching Period	Semester 2, 2017				

ACT102 – Introduction to Accounting	DURATION	
	Reading Time:	10 minutes
	Writing Time:	180 minutes
INSTRUCTIONS TO CANDIDATES		
1.1 The examination has 2 sections.		
Section A:	Multiple Choice Questions: Answer ALL questions, 20 marks, 36 minutes.	
Section B:	Short Answer Questions: Answer ALL questions, 80 marks, 144 minutes.	
<p>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.</p> <p>Section B must be answered in the Answer booklet provided.</p>		
1.2 Note that questions ARE NOT of equal value.		
EXAM CONDITIONS		
<u>You may begin writing from the commencement of the examination session.</u> 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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LEFT BLANK.**

Section A
Multiple Choice Questions
Total No of Marks for this section: 20

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.
Each question carries 1 mark. Suggested Time allocation for this section A: 36 mins

Section B

Total No of Marks for this section: 80

Answer ALL questions. Marks for each question are indicated.

Suggested time allocation for this section: 144 mins

QUESTION 1

Data for the Unadjusted Trial Balance of Forrest Gump Pty Ltd at 31 March 2016 follow:

Cash	\$13,000
Equipment	66,500
Accumulated depreciation	18,500
Accounts Payable	3,200
Supplies	1,400
Gump, Capital	11,500
Service revenue	89,900
Salary expense	42,200
F. Gump, drawings	0

Adjusting data for March 2016 are:

- Accrued service revenue, \$2,600.
- Supplies used in operations, \$400.
- Accrued salary expense, \$1,700.
- Depreciation expense, \$4,100.

Gump, the owner, has received an offer to sell the business. He needs to know the profit or loss for the month covered by these date.

Required:

- (a) Prepare the 10 column worksheet for Forrest Gump Pty Ltd at 31 March 2016.

20 Marks

- (b) How much was the profit or loss for March 2016?

2 Marks

Total Marks: 22 Marks

QUESTION 2

Healthy Options uses the accrual method of accounting and records transactions on the date they occur. Descriptions of customer transactions are as follows:

- a) Received \$3,000 cash from customer for six months of service beginning 1 April 2016.
- b) Catered event for customer on 28 April. Customer paid Healthy's invoice of \$600 on 10 May.
- c) Scheduled catering event to be held on 3 June. Customer paid Healthy's a \$500 deposit on 25 May.
- d) Catered customer's wedding on 3 May. Customer paid Healthy's an \$800 deposit on 15 April and the balance due of \$1,000 on 3 May.
- e) The business provided catering to a local church's annual celebration service on 15 May. The church paid the \$800 fee to Healthy's on the same day.
- f) The business provides food to the local homeless shelter two Saturdays each month. The cost of each event to the shelter is \$280. The shelter paid Healthy \$1,120 on 25 May for April and May's events.
- g) On 1 April, Healthy's entered into an annual service contract with an oil company to provide catering for the customer's monthly staff events. The contract's total amount was \$4,000, but Healthy's offered a 2.5% discount since the customer paid the entire year in advance at the signing of the contract. The first event was held in April.
- h) Healthy's signed a contract for \$1,000 on 5 May to provide catering for X-treme sports events to be held on 15 June, 27 June, 1 October and 15 November.

Required:

Calculate the amount of revenue earned during May 2016 for Healthy Options for EACH transaction.

Total Marks: 8 Marks

QUESTION 3

The records of Colour Engraving Pty Ltd reveal the following:

Profit	\$38,000
Sale revenue	51,000
Loss on sale of land	5,000
Acquisition of land	39,000
Depreciation	4,000
Decrease in current liabilities	28,000
Increase in current assets other than cash	14,000

Required:

- (a) Calculate cash flows from operating activities by the indirect method. Present in the cash flows from operating activities in good form.

5 Marks

- (b) Evaluate the operating cash flow of Colour Engraving Pty Ltd. Give the reason for your evaluation.

2 Marks

Total Marks: 7 Marks

QUESTION 4

A Beautiful Mind Technology Pty Ltd prospered during the recent economic expansion. Business was so good that the company used very few internal controls. A recent decline in the high-tech sector of the economy brought a cash shortage. John Nash Jr., the company owner, is looking for ways to save money.

Required:

As a consultant for A Beautiful Mind Technology Pty Ltd, write a 'memo' to convince Nash of the company's need for a system of internal control. Be specific in explaining how an internal control system could save the company money. Include the definition of internal control and briefly discuss the characteristics of an effective internal control system, beginning with competent, reliable and ethical personnel.

Total Marks: 5 Marks

QUESTION 5

The owner of The Emperors' Club Health Spa authorises the issue of \$600,000 of 5%, 10-year debentures. The half-yearly interest dates are 31 May and 30 November. The debentures are issued on 31 July 2016 at par plus accrued interest.

Required:

1. Journalise the following transactions (round your answers to the nearest whole dollar):
 - (a) Issue of the debentures on 31 July 2016
 - (b) Payment of interest on 30 November 2016
 - (c) Accrual of interest on 31 December 2016
 - (d) Payment of interest on 31 May 2017

8 Marks

2. Report interest payable and debentures payable as they would appear on the The Emperors' Club Balance Sheet as at 31 December 2016.

2 Marks

Total Marks: 10 Marks

QUESTION 6

The Shawshank Redemption Mining Company paid \$448,500 for the right to extract mineral assets from a 500,000 – tonne deposit. In addition to the purchase price, Shawshank also paid a \$500 filing fee, a \$1,000 license fee and \$60,000 for a geological survey of the property. Because Shawshank purchased the rights to the minerals only, it expects the asset to have zero residual value. During the first year, Shawshank removed 50,000 tonnes of the minerals.

Required:

Make journal entries to record the following on the books of The Shawshank Redemption Mining Company:

- a) Purchase of the minerals (use account title: Mineral Asset).

2 Marks

- b) Payment of fees and other costs.

2 Marks

- c) Depletion for the first year.

4 Marks

Total Marks: 8 Marks

QUESTION 7

The Three Musketeers is a partnership owned by Athos, Porthos and Aramis, who share profits and losses in the ratio of 1:3:4. The account balance of the partnership at 30 June 2016 follows:

The Three Musketeers
Adjusted Trial Balance
As at 30 June 2016

Account Title	Debit	Credit
Cash	\$33,000	
Non-Cash Assets	117,000	
Accounts Payable		\$32,000
Athos, Capital		22,000
Porthos, Capital		50,000
Aramis, Capital		53,000
Athos, Drawings	9,000	
Porthos, Drawings	27,000	
Aramis, Drawings	49,000	
Sales Revenue		164,000
Salary Expense	74,000	
Rent Expense	12,000	
Totals	\$321,000	\$321,000

Required:

- a) Prepare the 30 June entries to close the revenue, expense, income summary and drawings accounts.

6 Marks
- b) Insert the opening capital balances in each partner's capital account, post the closing entries to their accounts and determine each partner's capital balance.

6 Marks
- c) Prepare the 30 June entries to liquidate the partnership assuming the non-cash assets are sold for \$120,000. (Any partner with a capital deficiency is unable to contribute assets to cover the deficiency).

8 Marks

Total Marks: 20 Marks

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