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

ACT102 – Introduction to Accounting	DURATION	
	Reading Time:	10 minutes
	Writing Time:	180 minutes
INSTRUCTIONS TO CANDIDATES		
<p>The examination has two sections: Section A (Practical Questions); and Section B (Multiple Choice Questions).</p> <p>Section A must be answered on the Exam booklet provided.</p> <p>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.</p>		
EXAM CONDITIONS		
<p><u>You may begin writing from the commencement of the examination session.</u> The reading time indicated above is provided as a guide only.</p>		
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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Section A

Total No of Marks for this section: 80

This section should be answered in the Answer Booklet provided.

Marks for each question are indicated.

Question 1 (16 marks)

Oxendine Company's inventory records for the month of November reveal the following:

	<u>Units</u>	<u>Unit Cost</u>
Inventory, November 1	200	\$18.00
November 4, purchase	250	\$18.50
November 7, sale	300	\$42.00
November 13, purchase	220	\$18.90
November 18, purchase	150	\$19.00
November 22, sale	380	\$42.50
November 24, purchase	200	\$19.20
November 28, sale	110	\$43.00

Selling and administrative expenses for the month were \$10,800. Depreciation expense was \$4,000. Oxendine's tax rate is 35%.

Requirement:

1. Calculate the cost of goods sold and ending under each of the three following methods assuming a perpetual inventory system (a) FIFO and (b) weighted average
(Marks: 5+5 =10)
2. Calculate the gross profit and net income under each costing assumption
(Marks: 4)
3. Under which costing method will Oxendine pay the least taxes? Explain answer
(Marks: 2)

Question 2 (16 Marks)

Bob Freeley and Jack Hart form a partnership, investing \$25 000 and \$100 000, respectively.

Requirement:

Determine their shares of profit or loss for each of the following independent situations:

- a Loss is \$130 000 and the partners have no written partnership agreement on sharing loss.
- b Profit is \$50 000 and the partnership agreement states that the partners share profits and losses on the basis of their capital balances.
- c Profit is \$140 000. The first \$84 000 is shared on the basis of partner capital balances. The next \$42 000 is based on partner service, with Bob Freely getting 25% and Jack Hart 75%. The remainder is shared equally.

(Marks: 4+5+7 = 16)

Question 3 (10 Marks)

The following information is available to assist you in preparing a bank reconciliation for Calico Corners on May 31:

- a. The balance on the May 31 bank statement is \$8,432.11.
- b. Not included on the bank statement is a \$1,250 deposit made by Calico Corners late on May 31
- c. A comparison between the cancelled checks returned with the bank statement and the company records indicated that

The following checks are outstanding at May 31:

No. 123	\$23.40
No. 127	145.00
No. 128	210.80
No. 130	67.32

- d. The Cash account on the company's books shows a balance of \$9,965.34
- e. The bank acts as a collection agency for interest earned on some municipal bonds held by Calico Corners. The May bank statement indicates interest of \$465.00 earned during the month.
- f. Interest earned on the checking account and added to Calico Corners' account during May was \$54.60. Miscellaneous bank service charges amounted to \$50.00.
- g. A customer's NSF check in the amount of \$166.00 was returned with the May bank statement.
- h. A comparison between the deposits listed on the bank statement and the company's books revealed that a customer's check in the amount of \$123.45 was recorded on the books during

May but was never added to the company's account. The bank erroneously added the check to the account of Calico Closet, which has an account at the same bank.

- i. The comparison of deposits per the bank statement with those per the books revealed that another customer's check in the amount of \$101.10 was correctly added to the company's account. In recording the check on the company's books, however, the accountant erroneously increased the Cash account by \$1,011.00.

Requirements:

Prepare the bank reconciliation for Calico Corners as of May 31.

(Marks: 10)

Question 4 (10 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.

(Marks: 10)

Question 5 (10 Marks)

- Apr 30 Garrett is party to a patent infringement legal action worth \$200 000. Garrett's lawyer believes the chances are remote that Garrett will lose the case.
- Jun 30 Estimated warranty expense at 3% of sales of \$400 000.
- Jul 28 Warranty claims paid in the amount of \$6 000.
- Sep 30 Garrett is party to a legal action for copyright violation worth \$100 000. Garrett's lawyer advises that it is probable Garrett will lose the case.
- Dec 31 Garrett estimates warranty expense on sales for the second half of the year of \$500 000 at 3%.

Requirements

- 1 Journalise required transactions, if any, in the general journal. (Marks: 8)
- 2 What is the balance in Estimated warranty payable? (Marks: 2)

Question 6 (6 Marks)

On 31 May, Roseville Floral Supply had a \$155 000 debit balance in Accounts Receivable and a \$ 6200 credit balance in Allowance for doubtful debts. During June, Roseville made:

- A sales on credit, \$590 000
- B collection on account, \$627 000
- C write-offs of bad debts, 7000

Requirement:

1. Record journal entry for sales and collection on account. Then record bad debt expense (3% of credit sales) and write-offs of customer accounts for June using the *allowance* method. (Marks: 4)
2. Record bad debt expense for June using the direct write-off method. (Marks: 1)
3. What amount of bad debt expense would Roseville report on its June income statement under each of two methods? (Marks: 1)

Question 7 (6 Marks)

Assume that Gonzalez Company purchased an asset on January 1, 2014, for \$60,000. The asset had an estimated life of six years and an estimated residual value of \$6,000. The company used the straight-line method to depreciate the asset. On July 1, 2016, the asset was sold for \$40,000.

Required:

1. Make the journal entry to record depreciation for 2016. Record all transactions necessary for the sale of the asset. (4 Marks)
2. How should the gain or loss on the sale of the asset be presented on the income statement? (2 Marks)

Question 8 (6 Marks)

Dorado's Mexican Restaurants incurred salary expense of \$65 000 for the period. The payroll expense includes payroll tax of 5.75% in New South Wales and 4.95% in Victoria. Of the total payroll, \$19 000 is subject to tax in NSW and the balance is subject to tax in Victoria. Also, the business provides the following benefits for employees: health insurance (cost to the business, \$2 060); life insurance (cost to the business, \$350); and superannuation benefits (cost to the business, 10% of salary expense).

Requirement:

Record Dorado's expenses for employee benefits and for payroll taxes. Explanations aren't required.

(Marks: 6)

Section B

Multiple Choice Questions

Total No of Marks for this Section: 20

There are 20 multiple choice questions. Each question carries 1 x mark.

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 placed in the completed Answer Booklet.

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