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

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|--|---|--------------------|
| ACT501 – Accounting Principles | DURATION | |
| | | |
| | Reading Time: | 10 minutes |
| | Writing Time: | 180 minutes |
| INSTRUCTIONS TO CANDIDATES | | |
| <ol style="list-style-type: none"> 1. This exam paper contains eight questions, all questions must be attempted. 2. For calculation questions points are given for the quality of your calculations formats even if your final calculations are not correct. 3. Make sure your name and student number appears in the cover page 4. You are allowed to use a non-programmable calculator. 5. It is student's responsibility to be aware of the university policy on plagiarism. | | |
| 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 Scrap Paper | |

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

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LEFT BLANK.**

Question 1

(11 marks)

The following transactions of Flash Paper Shop occurred during 2011:

- Feb 3 Purchased equipment for \$40,000 on credit.
- 28 Recorded the week’s sales of \$60,000, on-third for cash and two-thirds on credit.
- Apr 30 Borrowed \$100,000 on a four-year, 9% loan that calls for annual payments of interests each 30 April.
- Aug 3 Paid the six-month \$40,000 bill payable (issued on February 3), 9% at maturity.
- Nov 30 Purchased inventory at a cost of \$7,000, signing a three-month, 6% bill payable for that amount.
- Dec 31 Accrued warranty expense, which is estimated at 3% of sales of \$200,000.
- 31 Accrued interest on all outstanding bills and loans payable. Make a separate interest accrual entry for each amount payable.

Required:

Record the transactions in the general journal. Explanations are not required. Ignore GST.

| DATE | ACCOUNT TITLES AND EXPLANATIONS | POST. REF. | DEBIT | CREDIT |
|------|---------------------------------|---------------|-------|--------|
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THIS EXAMINATION PAPER AND SUPPLIED MATERIALS ARE NOT PERMITTED TO BE REMOVED FROM ANY EXAMINATION VENUE IN ANY CIRCUMSTANCE. THIS EXAMINATION IS PRINTED DOUBLE-SIDED.

Required:

- a) Prepare a schedule of depreciation expense per year for the equipment under the two depreciation methods (straight line and units of production).
- b) Which method tracks the wear and tear on the equipment most closely?

| Year | Straight-Line | Units-of-Production |
|------|---------------|---------------------|
| 20X0 | | |
| 20X1 | | |
| 20X2 | | |
| 20X3 | | |
| | | |

Show your calculations in the space below, marks will be given for your calculations.

Part B (5 marks)

You are employed to investigate whether any accrual entries are needed in the business of Safe Security Services (SSS). On completion of your investigation on 30 June, you have discovered that the following items need attention:

1. Employee salaries owed but not recorded, \$9200
2. Prepaid insurance expired, \$900
3. Interest revenue accrued but not recorded, \$10,000
4. Unearned security services revenue now earned, \$4600
5. Depreciation not recorded \$16000

Required:

Prepare the adjusting entries for the items at 30 June, the end of the accounting period. No explanations required.

Question 3**(11 marks)****Part A (8 marks)**

Ecuador Pty Ltd
Statement of Financial Position
As at 30th June 2012

| | <u>2012</u> | <u>2011</u> |
|-------------------------------------|------------------|------------------|
| Cash | \$10 000 | \$20 000 |
| Receivables (net) | 45 000 | 40 000 |
| Inventories | 70 000 | 60 000 |
| Property, plant and equipment (net) | <u>100 000</u> | <u>150 000</u> |
| | <u>\$225 000</u> | <u>\$270 000</u> |
| | | |
| Accounts Payable | \$30 000 | \$50 000 |
| Mortgage Payable (Due in 10 years) | 80 000 | 80 000 |
| Share Capital, \$10 each | 100 000 | 100 000 |
| Retained profit | <u>35 000</u> | <u>40 000</u> |
| | <u>\$245 000</u> | <u>\$270 000</u> |

Additional Information for 2012

1. Net profit was \$30 000
2. Sales on account were \$510 000. Sales returns and allowances amounted to \$10000
3. Cost of goods sold was \$146 000
4. Net Cash provided by operating activities was \$45 000

Required:

Calculate the following at 30 June 2012

- a) Current ratio
- b) Receivables turnover
- c) Inventory turnover
- d) Cash flow to revenues

Part B (3 marks)

Identify the following transactions into the appropriate (i) subsidiary ledgers, and (ii) special or general journals. If there are any accounts that you believe have no impact on the subsidiary ledger, mark it as 'N/A'.

| Transaction | i) Subsidiary Ledger | ii) Special Journal |
|--|----------------------|---------------------|
| Purchased a computer from Dell on credit | | |
| Inventory sold to Shiney Shoes on credit | | |
| Sold inventory for \$550 cash | | |

Question 4

(10 marks)

Part A (4 marks)

List the four financial reports that can be prepared for a business, and explain what each financial report shows about the business.

Part B (6 marks)

HJ Heinz is a distributor of infant food, and carries an inventory of baby food containers. HJ uses the FIFO method and a perpetual inventory system. Firm records indicated the following for a particular line of HJ:

| Date | Item | Quantity | Unit Cost |
|-------|----------|----------|-----------|
| 1 Nov | Balance | 5 | \$70 |
| 6 | Sale | 3 | |
| 8 | Purchase | 10 | 79 |
| 17 | Sale | 4 | |
| 30 | Sale | 5 | |

Required:

1) Prepare a perpetual inventory record for HJ. Determine the amounts HJ should report for ending inventory and cost of sales by the FIFO method.

| HJ Heinz | | | | | | | | | | |
|----------|--|-----------|-----------|------------|---------------|-----------|------------|-------------------|-----------|------------|
| | | Purchases | | | Cost of Sales | | | Inventory on Hand | | |
| Date | | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost | Quantity | Unit Cost | Total Cost |
| | | | | | | | | | | |
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Ending inventory = \$

Cost of sales = \$

Question 5 **(10 marks)**

Part A (6 marks)

Silicon Washers received the bank statement from the bank for the transaction occurred in month of May.

- Statement shows an ending balance of \$900

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- Listed on the statement are and EFT rent collection of \$400
- A service charge of \$12,
- A dishonoured cheque totalling \$74, and
- A \$9 charge for printed cheques

In reviewing their cash records, Silicon Washers identifies outstanding cheques totalling \$467 and a deposit in transit of \$1788. During May they recorded \$290 cheque by debiting Salary Expense and crediting Cash at Bank for \$29. Silicon Washers Cash at Bank account shows a 30 May balance of \$2177.

Required:

Prepare the bank reconciliation at 30 May.

| | | |
|-----------------------|--|--|
| Heading: | | |
| BANK: | | |
| | | |
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| | | |
| | | |
| Adjusted bank balance | | |
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| BOOKS: | | |
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| | | |
| | | |
| Adjusted book balance | | |

Part B (4 marks)

What is a liability? Explain recognition criteria for a liability.

Question 6

(20 marks)

Table below is a partial work sheet of Zinet Pty Ltd for the month of March:

| Zinet Pty Ltd | | | | |
|---|---------------|--------|-------------|--------|
| Partial Work Sheet for the Month of March 2013 | | | | |
| Account Title | Trial Balance | | Adjustments | |
| | DEBIT | CREDIT | DEBIT | CREDIT |
| Cash at bank | 3,500 | | | |
| Accounts receivable | 3,400 | | 300 | |
| Prepaid rent | 1,200 | | | 800 |
| Supplies | 3,300 | | | 1,600 |
| Equipment | 34,100 | | | |
| Accumulated depreciation | | 1,800 | | 100 |
| Accounts payable | | 5,100 | | |
| Salary payable | | | | 500 |
| Zinet Capital | | 36,000 | | |
| Zinet Drawings | 2,000 | | | |
| Service revenue | | 7,100 | | 300 |
| Depreciation expense | | | 100 | |
| Salary expense | 1,800 | | 500 | |
| Rent expense | | | 800 | |
| Electricity and gas expense | 700 | | | |
| Supplies expense | | | 1,600 | |
| | 50,000 | 50,000 | 3,300 | 3,300 |
| Profit or Loss | | | | |

Question 7

(14 marks)

Explain seven characteristics of a partnership business structure.

Question 8

(10 marks)

Part B (5 marks)

Using the table below:

Adjusted trial balance for Sally's Sewing Services (as at 30 June 2008)

| | Debits | Credits |
|---|---------------|---------------|
| Accounts payable | | 7,000 |
| Accounts receivable | 2,000 | |
| Accumulated depreciation – sewing equipment | | 100 |
| Accumulated depreciation - vehicle | | 120 |
| Capital | | 28,000 |
| Cash at bank | 22,500 | |
| Depreciation expense – sewing equipment | 100 | |
| Depreciation expense - vehicle | 120 | |
| Drawings | 2,000 | |
| Electricity expense | 900 | |
| Rent expense | 1,800 | |
| Salary expense | 2,200 | |
| Salary payable | | 1,200 |
| Service revenue | | 5,400 |
| Sewing equipment | 4,000 | |
| Sewing supplies | 400 | |
| Sewing supplies expense | 800 | |
| Unearned service revenue | | 2,200 |
| Vehicle | 7,200 | |
| | 44,020 | 44,020 |

Part B (5 marks)

List all the TEN steps that occur in the accounting cycle?

----- End of the Exam -----