

WARNING

This material has been reproduced and communicated to you by or on behalf of *Charles Darwin University* in accordance with section 113P of the *Copyright Act 1968 (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 Name/s					
Student Number					
Teaching Period	Semester 1, 2018				

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). 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.</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 20 Page Book 1 x 4-Multiple Choice Answer Sheet 1 x Scrap Paper	

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

**THIS PAGE HAS BEEN INTENTIONALLY
LEFT BLANK.**

Section A

Total No of Marks for this section: 80

This section should be answered in the Answer Booklet provided.

Answer **ALL** questions. Marks for each question are indicated.

Question 1

Total: 10 Marks

Suggested time allocation: 18 Minutes

On 2 January 2016, Ditto Clothing purchased showroom fixtures for \$12 000 cash, expecting the fixtures to remain in service for five years. Ditto has depreciated the fixtures on a straight-line basis, with zero residual value. On 30 September 2017, Ditto sold the fixtures for \$6 200 cash.

Assume that Ditto's financial year ends 30 June.

Required:

- a. Prepare the journal entries to record the depreciation expense for 2016 and 2017. (6 marks)
- b. Record the sale of the fixtures on 30 September 2017. (4 marks)

Question 2

Total: 10 Marks

Suggested time allocation: 18 Minutes

On 30 April 2017, Synergy Bank loaned \$80 000 to Chris Spanos on a one-year, 9% bill.

Required:

- a. Calculate the interest for the years ended 31 December 2017 and 2018 for the Spanos bill. (4 marks)
- b. Which party has a:
 - i. Bill receivable? (1 mark)
 - ii. Bill payable? (1 mark)
 - iii. Interest revenue? (1 mark)
 - iv. Interest expense? (1 mark)
- c. How much in total would Spanos pay the bank if he pays off the bill early on 30 November 2017? (2 marks)

Question 3

Total 15 marks

Suggested time allocation: 27 Minutes

In 2016, Brooks Garrett had the following transactions:

- April 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.
- June 30** Estimated warranty expense at 3% of sales of \$400 000
- July 28** Warranty claims paid in the amount of \$6 000
- Sept 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%

Required:

- a. Journalise required transactions, **if any**, in the general journal. Explanations aren't required. (12.5 marks)
- b. What is the balance in Estimated warranty payable? (2.5 marks)

Question 4

Total: 16 Marks

Suggested time allocation: 29 Minutes

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

Required:

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. (4 marks)
- b. Profit is \$50 000 and the partnership agreement states that the partners share profits and losses on the basis of their capital balances. (5 marks)

- 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. (7 marks)

Question 5

Total: 17 Marks
Suggested time allocation: 30 Minutes

The following transactions of Australian Pharmacy occurred during 2017 and 2018.

2017

- Feb 3 Purchased equipment for \$20 000, signing a six-month, 9% note payable. (1.5 mark)
- 28 Recorded the week's sales of \$60 000, one-third for cash and two-thirds on credit. (1.5 mark)
- Apr 30 Borrowed \$100 000 on a four-year, 9% loan that calls for annual payments of interest each 30 April (1.5 mark)
- Aug 3 Paid the six-month, 9% note at maturity. (1.5 mark)
- Nov 30 Purchased inventory at a cost of \$7 000, signing a three-month, 6% note payable for that amount. (1.5 mark)
- Dec 31 Accrued warranty expense, which is estimated at 3% of sales of \$200 000. (1.5 mark)
- 31 Accrued interest on all outstanding notes and loans payable. Make a separate interest accrual entry for each amount payable. (3 marks)

2018

- Feb 28 Paid off the 6% inventory note, plus interest, at maturity. (2.5marks)
- Apr 30 Paid the interest for one year on the long-term loan payable. (2.5marks)

Required:

Record the transactions in the general journal for 2017 year and 2018 year. Narrations are not required. Assume financial year ends on December 31.

Suggested time allocation: 22 Minutes

The following details are supplied for one particular camera model for Chelsea Cameras Ltd for the month of November. Ignore GST.

Nov. 1 Inventory on hand consisted of 18 cameras costed at \$160 each.

Purchases:

Nov. 2 10 cameras at \$150 each

20 20 cameras at \$165 each

25 30 cameras at \$158 each

Sales:

Nov. 4 16 cameras at \$290 each

22 22 cameras at \$290 each

29 20 cameras at \$310 each

Required (show all calculations):

A) Assume Chelsea's Cameras records its inventory using a **Perpetual inventory system on a FIFO basis**.

- i) Prepare an inventory record showing the above transactions (4 marks)
- ii) Calculate ending inventory? (1 mark)
- iii) Calculate cost of sales? (1 mark)

B) Assuming instead that the company uses the **Periodic inventory system using the moving average method**, calculate

- i) Ending inventory, and (3 marks)
- ii) Cost of sales (3 marks)

(Note: there is no need to prepare an inventory record for B).

Section B

Multiple Choice Questions

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