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Family Name					
Given Name/s					
Student Number					
Teaching Period	Semester 2, 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 16 Page Book 1 x 4-Multiple Choice Answer Sheet 1 x Scrap Paper	

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DOUBLE-SIDED.**

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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: 14 Marks

Suggested time allocation: 25 Minutes

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.

QUESTION 2

Total: 8 Marks

Suggested time allocation: 15 Minutes

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: 2)
3. What amount of bad debt expense would Roseville report on its June income statement under each of two methods? (Marks: 2)

QUESTION 3

Total: 8 Marks

Suggested time allocation: 15 Minutes

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.

QUESTION 4

Total: 12 Marks

Suggested time allocation: 20 Minutes

Information about the cash position for Cavanagh's Charter Tours Pty Ltd for the month of June is presented below.

1. The general ledger Cash at Bank account had a balance of \$12 600 on 31 May.
2. The cash receipts journal showed total cash receipts of \$45 796 for June.
3. The cash payments journal showed total cash payments of \$49 152 for June.
4. The June bank statement reported a bank balance of \$8 066 on 30 June.
5. Outstanding cheques at the end of June were: no. 864, \$120; no. 866, \$146; and no. 870, \$224.
6. Cash receipts of \$2 400 for 30 June were placed in the bank's night safe on 30 June and were not included in the June bank statement.
7. Comparison of the presented cheques with the entries in the cash payments journal disclosed that cheque no. 842 for \$708, for rent expense, had been wrongly recorded as \$690.
8. Included on the bank statement were:
 - (a) a total credit for \$1 468, indicating an electronic transfer of \$1 360 plus interest earned, which the bank had credited to the account
 - (b) a dishonoured cheque written by Vinko Ltd, a client, for \$654
 - (c) account and transaction fees, \$64.

Required:

- A) Prepare a bank reconciliation statement as at 30 June. (8 marks)
- B) What is the amount of cash that should be reported on the 30 June balance sheet? (4 marks)

QUESTION 5

Total: 16 Marks

Suggested time allocation: 25 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 6

Total: 12 Marks

Suggested time allocation: 25 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).

Question 7

Total: 10 Marks

Suggested time allocation: 15 Minutes

On 30 April 2017, Ditto Clothing borrowed \$80 000 from Westpac on a one-year, 9% bill.

Required:

- a. Calculate the interest for the years ended 31 December 2017 and 2018 for Ditto Clothing. (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 Ditto Clothing pay the bank if the bill is paid early on 30 November 2017? (2 marks)