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Family Name					
Given Name/s					
Student Number					
Teaching Period	Semester 2 Special/Summer, 2018				

ACT501 – Accounting Principles	DURATION	
	Reading Time:	10 minutes
	Writing Time:	180 minutes
INSTRUCTIONS TO CANDIDATES		
<p>The exam has two sections:</p> <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 is to be answered in the answer booklet provided.</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		
Any hard copy, unannotated English dictionary is permitted		
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 B

Total No of Marks for this section: 60

This section should be answered in the Answer Booklet provided.

Marks for each question are indicated. Suggested time allocation for Section B: 100 mins

Question. 1.

New Slang Pest Control has the following balances in selected accounts on December 31, 2014.

Accounts Receivable	\$ 0
Accumulated Depreciation – Equipment	0
Equipment	6,650
Interest Payable	0
Notes Payable	20,000
Prepaid Insurance	2,220
Salaries and Wages Payable	0
Supplies	2,940
Unearned Service Revenue	30,000

All of the accounts have normal balances. The information below has been gathered at December 31, 2015.

1. Depreciation on the equipment for 2015 is \$1,300.
2. New Slang Pest Control borrowed \$20,000 by signing a 10%, one-year note on July 1, 2015.
3. New Slang Pest Control paid \$2,220 for 12 months of insurance coverage on October 1, 2015.
4. New Slang Pest Control pays its employees total salaries of \$11,000 every Monday for the preceding 5-day week (Monday-Friday). On Monday, December 27, 2015, employees were paid for the week ending December 24, 2015. All employees worked the five days ending December 31, 2015.
5. New Slang Pest Control performed disinfecting services for a client in December 2015. The client will be billed \$3,200.
6. On December 1, 2015, New Slang Pest Control collected \$30,000 for disinfecting processes to be performed from December 1, 2015, through May 31, 2015.
7. A count of supplies on December 31, 2015, indicates that supplies of \$850 are on hand.

Instructions

Prepare in journal form with explanations, the adjusting entries for the seven items listed for New Slang Pest Control. (14 Marks).

Question. 2.

Dougan Company purchased equipment on January 1, 2014 for \$90,000. It is estimated that the equipment will have a \$5,000 salvage value at the end of its 5-year useful life. It is also estimated that the equipment will produce 100,000 units over its 5-year life.

Instructions

Answer the following independent questions.

1. Compute the amount of depreciation expense for the year ended December 31, 2014, using the straight-line method of depreciation. **(2 Marks).**
2. If 16,000 units of product are produced in 2014 and 24,000 units are produced in 2015, what is the book value of the equipment at December 31, 2015? The company uses the units-of-activity depreciation method. **(2 Marks).**
3. If the company uses the double-declining-balance method of depreciation, what is the balance of the Accumulated Depreciation—Equipment account at December 31, 2016. **(2 Marks).**

Question. 3 (Marks: 20)

The cash balance per books for Feagen Company on September 30, 2015 is \$10,740.93. The following checks and receipts were recorded for the month of October, 2015:

Checks				Receipts	
No.	Amount	No.	Amount	Amount	Date
17	\$372.96	22	\$ 578.84	\$843.86	10/ 5
18	\$780.62	23	\$1,687.50	\$941.54	10/21
19	\$157.00	24	\$ 921.30	\$808.58	10/27
20	\$587.50	25	\$ 246.03	\$967.00	10/30
21	\$234.15				

In addition, the bank statement for the month of October is presented below:

Balance		Deposits and Credits		Checks and Debits		Balance	
Last Statement	No.	Total Amount	No.	Total Amount	This Statement		
\$5,404.84	5	\$9,178.36	10	\$3,632.19	\$10,951.01		
Checks and other debits				Deposits		Date	Balance
No.	Amount	No.	Amount	No.	Amount		
14	148.29	17	372.96	22	578.84	5,484.38	10/ 1 \$9,875.31
18	708.62	24	921.30			843.86	10/ 8 \$9,219.03
19	157.00	25	246.03			941.54	10/23 \$9,541.58
21	234.15		25.00 SC			808.58	10/29 \$10,101.01
	240.00 NSF					1,100.00 CM	10/31 \$10,951.01

Symbols: NSF (Not sufficient funds) SC (Service charge) CM (Credit Memo)

Check No. 18 was correctly written for \$708.62 for a payment on account. The NSF check was from S. Long, a customer, in settlement of an accounts receivable. An entry had not been made for the NSF check. The credit memo is for the collection of a note receivable including interest of \$60 which has not been accrued. The bank service charge is \$25.00.

Instructions

- (a) Prepare a bank reconciliation at October 31. **(14 Marks)**.
- (b) Prepare the adjusting journal entries required by the bank reconciliation. **(6 Marks)**.

Question. 4 (Marks: 20)

A comparative balance sheet for Rocker Company appears below:

ROCKER COMPANY
Comparative Balance Sheet

	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
<u>Assets</u>		
Cash	\$ 34,000	\$11,000
Accounts receivable	18,000	13,000
Inventory	25,000	17,000
Prepaid expenses	6,000	9,000
Long-term investments	-0-	17,000
Equipment	60,000	33,000
Accumulated depreciation—equipment	<u>(20,000)</u>	<u>(15,000)</u>
Total assets	<u>\$123,000</u>	<u>\$85,000</u>
<u>Liabilities and Stockholders' Equity</u>		
Accounts payable	\$ 17,000	\$ 7,000
Bonds payable	36,000	45,000
Common stock	40,000	23,000
Retained earnings	<u>30,000</u>	<u>10,000</u>
Total liabilities and stockholders' equity	<u>\$123,000</u>	<u>\$85,000</u>

Additional information:

1. Net income for the year ending December 31, 2015 was \$35,000.
2. Cash dividends of \$15,000 were declared and paid during the year.
3. Long-term investments that had a cost of \$17,000 were sold for \$14,000.
4. Sales for 2015 were \$120,000.

Instructions

Prepare a statement of cash flows for the year ended December 31, 2015, using the indirect method. **(20 Marks)**.