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Family Name						
Given Name/s						
Student Number						
Teaching Period	Semester 1, 2019					

ACT205 –Accounting for Managers	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		
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	

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DOUBLE-SIDED.

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Section A

Multiple Choice Questions

Total No of Marks for this Section: 55 marks

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.

There are 55 multiple choice questions. Each question carries one (1) mark. Suggested time allocation for Section A: 99 mins

Question 1.

Accountants refer to an economic event as a

- a. purchase.
- b. sale.
- c. transaction.
- d. change in ownership.

Question 2.

The starting point of the accounting process is

- a. communicating information to users.
- b. identifying economic events.
- c. recording economic events.
- d. None of these answers are correct.

Question 3.

Communication of economic events is the part of the accounting process that involves

- a. identifying economic events.
- b. quantifying transactions into dollars and cents.
- c. preparing accounting reports.
- d. recording and classifying information.

Question 4.

Which of the following events **cannot** be quantified into dollars and cents and recorded as an accounting transaction?

- a. The appointment of a new CPA firm to perform an audit.
- b. The purchase of a new computer.
- c. The sale of store equipment.
- d. Payment of income taxes.

Question 5.

Interpretation of reported information involves each of the following **except**

- a. limitations of reported data.
- b. meaning of reported data.
- c. uses of reported data.
- d. All of these choices are correct.

Question 6.

The accounting process involves all of the following **except**

- a. identifying economic transactions that are relevant to the business.
- b. communicating financial information to users by preparing financial reports.
- c. recording nonquantifiable economic events.
- d. analyzing and interpreting financial reports.

Question 7.

The accounting process is correctly sequenced as

- a. identification, communication, recording.
- b. recording, communication, identification.
- c. identification, recording, communication.
- d. communication, recording, identification.

Question 8.

The left side of an account is

- a. blank.
- b. a description of the account.
- c. the debit side.
- d. the balance of the account.

Question 9.

Which one of the following is **not** a part of an account?

- a. Credit side
- b. Trial balance
- c. Debit side
- d. Title

Question 10.

An account is a part of the financial information system and is described by all **except** which one of the following?

- a. An account has a debit and credit side.
- b. An account is a source document.
- c. An account may be part of a manual or a computerized accounting system.
- d. An account has a title.

Question 11.

A T-account is

- a. a way of depicting the basic form of an account.
- b. what the computer uses to organize bytes of information.
- c. a special account used instead of a trial balance.
- d. used for accounts that have both a debit and credit balance.

Question 12.

Credits

- a. decrease both assets and liabilities.
- b. decrease assets and increase liabilities.
- c. increase both assets and liabilities.
- d. increase assets and decrease liabilities.

Question 13.

The normal balance of any account is the

- a. left side.
- b. right side.
- c. side which increases that account.
- d. side which decreases that account.

Question 14.

The double-entry system requires that each transaction must be recorded

- a. in at least two different accounts.
- b. in two sets of books.
- c. in a journal and in a ledger.
- d. first as a revenue and then as an expense.

Question 15.

A credit is **not** the normal balance for which account listed below?

- a. Capital account
- b. Revenue account
- c. Liability account
- d. Owner's Drawings account

Question 16.

Which one of the following could represent the expanded basic accounting equation?

- a. $\text{Assets} = \text{Liabilities} + \text{Owner's Capital} + \text{Owner's Drawings} - \text{Revenue} - \text{Expenses}.$
- b. $\text{Assets} + \text{Owner's Drawings} + \text{Expenses} = \text{Liabilities} + \text{Owner's Capital} + \text{Revenues}.$
- c. $\text{Assets} - \text{Liabilities} - \text{Owner's Drawings} = \text{Owner's Capital} + \text{Revenues} - \text{Expenses}.$
- d. $\text{Assets} = \text{Revenues} + \text{Expenses} - \text{Liabilities}.$

Question 17.

Which of the following correctly identifies normal balances of accounts?

- a. Assets Debit
 Liabilities Credit
 Owner's Capital Credit
 Revenues Debit
 Expenses Credit

- b. Assets Debit
 Liabilities Credit
 Owner's Capital Credit
 Revenues Credit
 Expenses Credit

- c. Assets Credit
 Liabilities Debit
 Owner's Capital Debit
 Revenues Credit
 Expenses Debit

- d. Assets Debit
 Liabilities Credit
 Owner's Capital Credit
 Revenues Credit
 Expenses Debit

Question 18.

Monthly and quarterly time periods are called

- a. calendar periods.
- b. fiscal periods.
- c. interim periods.
- d. quarterly periods.

Question 19.

The time period assumption states that

- a. a transaction can only affect one period of time.
- b. estimates should not be made if a transaction affects more than one time period.
- c. adjustments to the company's accounts can only be made in the time period when the business terminates its operations.
- d. the economic life of a business can be divided into artificial time periods.

Question 20.

Adjustments would **not** be necessary if financial statements were prepared to reflect net income from

- a. monthly operations.
- b. fiscal year operations.
- c. interim operations.
- d. lifetime operations.

Question 21.

In general, the shorter the time period, the difficulty of making the proper adjustments to accounts

- a. is increased.
- b. is decreased.
- c. is unaffected.
- d. depends on if there is a profit or loss.

Question 22.

Which of the following is in accordance with generally accepted accounting principles?

- a. Accrual-basis accounting
- b. Cash-basis accounting
- c. Both accrual-basis and cash-basis accounting
- d. Neither accrual-basis nor cash-basis accounting

Question 23.

The revenue recognition principle dictates that revenue should be recognized in the accounting records

- a. when cash is received.
- b. when the performance obligation is satisfied.
- c. at the end of the month.
- d. in the period that income taxes are paid.

Question 24.

In a service-type business, revenue is considered recognized

- a. at the end of the month.
- b. at the end of the year.
- c. when the service is performed.
- d. when cash is received.

Question 25.

The expense recognition principle matches

- a. customers with businesses.
- b. expenses with revenues.
- c. assets with liabilities.
- d. creditors with businesses.

Question 26.

Orange County Shop follows the revenue recognition principle. Orange County services a bicycle on July 31. The customer picks up the bike on August 1 and mails the payment to Orange County on August 5. Orange County receives the check in the mail on August 6. When should Orange County show that the revenue was recognized?

- a. July 31
- b. August 1
- c. August 5
- d. August 6

Question 27.

A company spends \$20 million dollars for an office building. Over what period should the cost be written off?

- a. When the \$20 million is expended in cash.
- b. All in the first year.
- c. Over the useful life of the building.
- d. After \$20 million in revenue is recognized.

Question 28.

The expense recognition principle states that expenses should be matched with revenues. Another way of stating the principle is to say that

- a. assets should be matched with liabilities.
- b. efforts should be matched with accomplishments.
- c. owner withdrawals should be matched with owner contributions.
- d. cash payments should be matched with cash receipts.

Question 29.

A metal shop's employees work overtime to finish an order that is sold on March 28. The office sends a statement to the customer in early April and payment is received by mid-April. The overtime wages should be expensed in

- a. March.
- b. April.
- c. the period when the workers receive their checks.
- d. either in March or April depending on when the pay period ends.

Question 30.

Expenses sometimes make their contribution to revenue in a different period than when they are paid. When salaries and wages are incurred in one period and paid in the next period, this often leads to which account appearing on the balance sheet at the end of the time period?

- a. Due from Employees.
- b. Due to Employer.
- c. Salaries and Wages Payable.
- d. Salaries and Wages Expense.

Question 31.

The adjustments entered in the adjustments columns of a worksheet are

- a. not journalized.
- b. posted to the ledger but not journalized.
- c. not journalized until after the financial statements are prepared.
- d. journalized before the worksheet is completed.

Question 32.

The information for preparing a trial balance on a worksheet is obtained from

- a. financial statements.
- b. general ledger accounts.
- c. general journal entries.
- d. business documents.

Question 33.

After the adjusting entries are journalized and posted to the accounts in the general ledger, the balance of each account should agree with the balance shown on the

- a. adjusted trial balance.
- b. post-closing trial balance.
- c. the general journal.
- d. adjustments columns of the worksheet.

Question 34.

If the total debit column exceeds the total credit column of the income statement columns on a worksheet, then the company has

- a. earned net income for the period.
- b. an error because debits do not equal credits.
- c. suffered a net loss for the period.
- d. to make an adjusting entry.

Question 35.

Which of the following companies would be least likely to use a worksheet to facilitate the adjustment process?

- a. Large company with numerous accounts
- b. Small company with numerous accounts
- c. All companies, since worksheets are required under generally accepted accounting principles
- d. Small company with few accounts

Question 36.

When using a worksheet, adjusting entries are journalized

- a. after the worksheet is completed and before financial statements are prepared.
- b. before the adjustments are entered on to the worksheet.
- c. after the worksheet is completed and after financial statements have been prepared.
- d. before the adjusted trial balance is extended to the proper financial statement columns.

Question 37.

Assuming that there is a net loss for the period, debits equal credits in all but which section of the worksheet?

- a. Income statement columns
- b. Adjustments columns
- c. Trial balance columns
- d. Adjusted trial balance columns

Question 38.

If the total debits exceed total credits in the balance sheet columns of the worksheet, owner's equity

- a. will increase because net income has occurred.
- b. will decrease because a net loss has occurred.
- c. is in error because a mistake has occurred.
- d. will not be affected.

Question 39.

The income statement and balance sheet columns of Beer and Nuts Company's worksheet reflect the following totals:

<u>Income Statement</u>		<u>Balance Sheet</u>		
<u>Dr.</u>	<u>Cr.</u>	<u>Dr.</u>	<u>Cr.</u>	
Totals	\$75,000	\$51,000	\$60,000	\$84,000

The net income (or loss) for the period is

- a. \$51,000 income.
- b. \$24,000 income.
- c. \$24,000 loss.
- d. not determinable.

Question 40.

Closing entries are necessary for

- a. permanent accounts only.
- b. temporary accounts only.
- c. both permanent and temporary accounts.
- d. permanent or real accounts only.

Question 41.

Net income is gross profit less

- a. financing expenses.
- b. operating expenses.
- c. other expenses and losses.
- d. other expenses.

Question 42.

An enterprise which sells goods to customers is known as a

- a. proprietorship.
- b. corporation.
- c. retailer.
- d. service firm.

Question 43.

A merchandising company that sells directly to consumers is a

- a. retailer.
- b. wholesaler.
- c. broker.
- d. service company.

Question 44.

Two categories of expenses for merchandising companies are

- a. cost of goods sold and financing expenses.
- b. operating expenses and financing expenses.
- c. cost of goods sold and operating expenses.
- d. sales and cost of goods sold.

Question 45.

Cost of goods sold is determined only at the end of the accounting period in

- a. a perpetual inventory system.
- b. a periodic inventory system.
- c. both a perpetual and a periodic inventory system.
- d. neither a perpetual nor a periodic inventory system.

Question 46.

Which of the following expressions is **incorrect**?

- a. $\text{Gross profit} - \text{operating expenses} = \text{net income}$
- b. $\text{Sales revenue} - \text{cost of goods sold} - \text{operating expenses} = \text{net income}$
- c. $\text{Net income} + \text{operating expenses} = \text{gross profit}$
- d. $\text{Operating expenses} - \text{cost of goods sold} = \text{gross profit}$

Question 47.

A perpetual inventory system would likely be used by a(n)

- a. automobile dealership.
- b. hardware store.
- c. drugstore.
- d. convenience store.

Question 48.

In a perpetual inventory system, cost of goods sold is recorded

- a. on a daily basis.
- b. on a monthly basis.
- c. on an annual basis.
- d. with each sale.

Question 49.

Which one of the following is **not** an objective of a system of internal controls?

- a. Safeguard company assets
- b. Overstate liabilities in order to be conservative
- c. Enhance the accuracy and reliability of accounting records
- d. Reduce the risks of errors

Question 50.

Internal controls are concerned with

- a. only manual systems of accounting.
- b. the extent of government regulations.
- c. safeguarding assets.
- d. preparing income tax returns.

Question 51.

Two individuals at a retail store work the same cash register. You evaluate this situation as

- a. a violation of establishment of responsibility.
- b. a violation of segregation of duties.
- c. supporting the establishment of responsibility.
- d. supporting internal independent verification.

Question 52.

In preparing its August 31, 2016 bank reconciliation, Oakley Corp. has available the following information:

Balance per bank statement, 8/31/16	\$65,490
Deposit in transit, 8/31/16	10,170
Return of customer's check not sufficient funds, 8/30/16	1,800
Outstanding checks, 8/31/16	5,820
Bank service charges for August	350

At August 31, 2016, Oakley's adjusted cash balance is

- a. \$59,670.
- b. \$59,320.
- c. \$69,840.
- d. \$61,140.

Question 53.

On a bank reconciliation, deposits in transit are

- a. added to the bank balance.
- b. deducted from the bank balance.
- c. added to the book balance.
- d. deducted from the book balance.

Question 54.

Deposits in transit

- a. have been recorded on the company's books but not yet by the bank.
- b. have been recorded by the bank but not yet by the company.
- c. have not been recorded by the bank or the company.
- d. are checks from customers which have not yet been received by the company.

Question 55.

If a check correctly written and paid by the bank for \$724 is incorrectly recorded on the company's books for \$742, the appropriate treatment on the bank reconciliation would be to

- a. add \$18 to the bank's balance.
- b. add \$18 to the book's balance.
- c. deduct \$724 from the bank's balance.
- d. deduct \$724 from the book's balance.

Section B

Total No of Marks for this section: 45

This section should be answered in the Answer Booklet provided.

Marks for each question are indicated. Suggested time allocation for Section B: 81 mins

Question 1

30 Marks

The following selected transactions relate to J Ltd.

Date	Event
1 March	Sold \$500,000 inventory to P Ltd, terms 2/10, n/30
11 March	Received payment in full, from P Ltd for balance due
12 March	Accepted from James Ltd \$15,000, 6-month, 12% note for balance due on sales on account made to them
13 March	J Ltd made credit card sales for \$100,000
15 March	Made American Express credit card sales totalling \$7,000. A 5% service fee is charged by American Express
30 March	Received payment in full, from American Express
11 April	Sold accounts receivable of \$9,000 to Hall Factor. Hall Factor assesses a service charge of 2% of the amount of receivable sold.
13 April	Received collections of \$8,200 on J Ltd credit card sales and added finance charges of 1.5% to the remaining balances
10 May	Wrote off impaired receivables of \$16,000. J Ltd uses the allowance method.
30 June	Credit sales for the first six months total \$1 million. Objective evidence suggests that 1% of these credit sales will be impaired. As at 30 June, balance in the allowance account is \$3,500
16 July	One of the accounts receivables written off in May was from J. Simpson, who pays the amount due, \$4,000, in full

Required:

- a) Prepare journal entries for the transactions (29 marks)
- b) Show the accounts receivable balance as at 31 July (1 mark)

Question 2**15 Marks**

Redland Ltd's bank statement for May 2020 shows the following data.

Balance 1 May	\$12,650	Balance 31 May	\$14,280
Direct debit:		Direct credit:	
Dishonoured cheque	\$175	Collection of note receivable	\$505

The cash balance per books as at 31 May is \$13,319.

The review of data reveals the following.

- The dishonoured cheque was from Camp Ltd, a customer.
- The note collected by the bank was \$500, 3-month, 12% note. The bank charged a \$10 collection fee. No interest has been accrued.
- Unrepresented cheques as at 31 May total \$2,410.
- Outstanding deposits as at 31 May total \$1,752.
- A Redland Ltd cheque for \$352 dated 10 May cleared the bank on 25 May. This cheque which was a payment on account, was journalised for \$325.

Required:

- a) Prepare a bank reconciliation as at 31 May (7 marks)
- b) Journalise the entries required by the reconciliation (8 marks)

END