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Family Name					
Given Name/s					
Student Number					
Teaching Period	Semester 2, 2017				

ACT204 – Financial Accounting	DURATION	
	Reading Time:	10 minutes
	Writing Time:	180 minutes
INSTRUCTIONS TO CANDIDATES		
Complete both section A and B		
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	
Relevant Legislation (Unannotated)	1 x 20 Page Book 1 x 4-Multiple Choice Answer Sheet 1 x Scrap Paper	

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

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Section A

Multiple Choice Questions

Total No of Marks for this Section: 40

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.

Marks for each question are indicated. Suggested time allocation for Section A: 110 mins

Section B

Practical Questions

Total Number of Marks for this Section: 60

This section should be answered in the Answer Booklet provided.

Please Note that all Questions should be answered.

Marks for each question are indicated. Suggested time allocation for Section B: 70 mins

Question 1

Kelly Ltd is currently working on four research and development projects. Summarised data relating to each project's expenditure and recoverable amount is provided below.

<i>Project</i>		<i>Actual (\$000)</i>		<i>Budgeted (\$000)</i>		
		<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
A	R & D expenditure	75	75	100	100	0
	Expected revenue inflows	50	50	50	0	0
B	R & D expenditure	200	200	350	0	0
	Expected revenue inflows	0	0	500	1 250	500
C	R & D expenditure	1 500	500	250	0	0
	Expected revenue inflows	0	0	1 750	1 750	750
D	R & D expenditure	0	1 500	0	0	0
	Expected revenue inflows	0	0	500	250	250

All revenue and expenditure predictions are deemed to be 'probable'. A discount rate of 6 per cent is used.

In relation to the specific projects, the following information is also available:

Project A

This project involves the compilation of all known information about the abrasive natures of different types of seaweed. The revenue inflows of \$50 000 per year are being provided by a major shipping company.

Project B

This project relates to the ultimate development of a surfboard that will allow surfers to do more radical manoeuvres. Fifty per cent of the expenditure in 2018 was considered to represent research, while the balance of the related expenditures represents development.

Project C

This project involves the development of a wetsuit with a rechargeable heat-pack. Initially, surfers rejected the concept because they believed it would create pain because of small electric shocks, and sales prospects looked poor. However, in 2019, surfers changed their minds and large-scale demand for the product was created. Only \$250 000 of the expenditure in 2018 was deemed to represent research and the balance of all other expenditure was deemed to be development.

Project D

This project involves the development of a new wristwatch that predicts the height of waves. \$250 000 has been spent on research and the balance on development. It is expected that only \$1 000 000 will be recoverable.

REQUIRED

Determine how much research and development expenditure should be deferred as at the end of 2019.
(Marks: 15)

Question 2

Brighton Ltd issues a prospectus inviting the public to subscribe for 10 million ordinary shares of \$2.00 each. The terms of the issue are that \$1.00 is to be paid on application and the remaining \$1.00 within one month of allotment.

Applications are received for 12 million shares during July 2019. The directors allot 10 million shares on 5 August 2019. All applicants receive shares on a pro rata basis. The amounts payable on allotment are due by 5 September 2019.

By 5 September 2019 the holders of 2 million shares have failed to pay the amounts due on allotment. The directors forfeit the shares on 10 September 2019. The shares are resold on 15 September 2019 as fully paid. An amount of \$1.80 per share is received.

REQUIRED

Provide the journal entries necessary to account for the above transactions and events

(Marks: 25)

Question 3

On 1 July 2016 Big Wednesday Ltd acquired land at a cost of \$1 000 000. Big Wednesday Ltd makes the following estimates of the value of the land:

	<i>Net selling price</i>	<i>Value in use</i>	<i>Fair value</i>
30 June 2017	\$900 000	\$1 050 000	\$950 000
30 June 2018	\$900 000	\$960 000	\$950 000
30 June 2019	\$920 000	\$900 000	\$970 000

REQUIRED

- (a) Determine the recoverable amount of the land for each reporting date.
- (b) Assume that Big Wednesday Ltd uses the cost method. For each year, calculate the carrying amount of the land. Prepare the journal entries necessary to effect any adjustments required by accounting standards.
- (c) Assume that Big Wednesday Ltd revalues its land at the end of each year. For each year, calculate the carrying amount of the land. Prepare the journal entries necessary to effect any adjustments required by accounting standards.

(Marks: 20)

End of Exam

Appendix A

Present value of \$1 in n periods = $1/(1 + k)^n$, where k is the discount rate.

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%
1	.9901	.9804	.9709	.9615	.9524	.9434	.9346	.9259	.9174	.9091	.8929
2	.9803	.9612	.9426	.9246	.9070	.8900	.8734	.8573	.8417	.8264	.7972
3	.9706	.9423	.9151	.8890	.8638	.8396	.8163	.7938	.7722	.7513	.7118
4	.9610	.9238	.8885	.8548	.8227	.7921	.7629	.7350	.7084	.6830	.6355
5	.9515	.9057	.8626	.8219	.7835	.7473	.7130	.6806	.6499	.6209	.5674
6	.9420	.8880	.8375	.7903	.7462	.7050	.6663	.6302	.5963	.5645	.5066
7	.9327	.8706	.8131	.7599	.7107	.6651	.6227	.5835	.5470	.5132	.4523
8	.9235	.8535	.7894	.7307	.6768	.6274	.5820	.5403	.5019	.4665	.4039
9	.9143	.8368	.7664	.7026	.6446	.5919	.5439	.5002	.4604	.4241	.3606
10	.9053	.8203	.7441	.6756	.6139	.5584	.5083	.4632	.4224	.3855	.3220
11	.8963	.8043	.7224	.6496	.5847	.5268	.4751	.4289	.3875	.3505	.2875
12	.8874	.7885	.7014	.6246	.5568	.4970	.4440	.3971	.3555	.3186	.2567
13	.8787	.7730	.6810	.6006	.5303	.4688	.4150	.3677	.3262	.2897	.2292
14	.8700	.7579	.6611	.5775	.5051	.4423	.3878	.3405	.2992	.2633	.2046
15	.8613	.7430	.6419	.5553	.4810	.4173	.3624	.3152	.2745	.2394	.1827
16	.8528	.7284	.6232	.5339	.4581	.3936	.3387	.2919	.2519	.2176	.1631
17	.8444	.7142	.6050	.5134	.4363	.3714	.3166	.2703	.2311	.1978	.1456
18	.8360	.7002	.5874	.4936	.4155	.3503	.2959	.2502	.2120	.1799	.1300
19	.8277	.6864	.5703	.4746	.3957	.3305	.2765	.2317	.1945	.1635	.1161
20	.8195	.6730	.5537	.4564	.3769	.3118	.2584	.2145	.1784	.1486	.1037

Appendix B

Present value of an annuity of \$1 per period for n periods = $\sum_{t=1}^n \frac{1}{(1+k)^t}$

No. of payments	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929
2	1.9704	1.9416	1.9135	1.8861	1.8594	1.8334	1.8080	1.7833	1.7591	1.7355	1.6901
3	2.9410	2.8839	2.8286	2.7751	2.7232	2.6730	2.6243	2.5771	2.5313	2.4869	2.4018
4	3.9020	3.8077	3.7171	3.6299	3.5460	3.4651	3.3872	3.3121	3.2397	3.1699	3.0373
5	4.8534	4.7135	4.5797	4.4518	4.3295	4.2124	4.1002	3.9927	3.8897	3.7908	3.6048
6	5.7955	5.6014	5.4172	5.2421	5.0757	4.9173	4.7665	4.6229	4.4859	4.3553	4.1114
7	6.7282	6.4720	6.2303	6.0021	5.7864	5.5824	5.3893	5.2064	5.0330	4.8684	4.5638
8	7.6517	7.3255	7.0197	6.7327	6.4632	6.2098	5.9713	5.7466	5.5348	5.3349	4.9676
9	8.5660	8.1622	7.7861	7.4353	7.1078	6.8017	6.5152	6.2469	5.9952	5.7590	5.3282
10	9.4713	8.9826	8.5302	8.1109	7.7217	7.3601	7.0236	6.7101	6.4177	6.1446	5.6502
11	0.3676	9.7868	9.2526	8.7605	8.3064	7.8869	7.4987	7.1390	6.8052	6.4951	5.9377
12	11.2551	10.5753	9.9540	9.3851	8.8633	8.3838	7.9427	7.5361	7.1607	6.8137	6.1944
13	12.1337	11.3484	10.6350	9.9856	9.3936	8.8527	8.3577	7.9038	7.4869	7.1034	6.4235
14	13.0037	12.10621	1.29611	0.5631	9.8986	9.2950	8.7455	8.2442	7.7862	7.3667	6.6282
15	13.8651	12.8493	11.9379	11.1184	10.3797	9.7122	9.1079	8.5595	8.0607	7.6101	6.8109
16	14.7179	13.5777	12.5611	11.6523	10.8378	10.1059	9.4466	8.8514	8.3126	7.8237	6.9740
17	15.5623	14.2919	13.1661	12.1657	11.2741	10.4773	9.7632	9.1216	8.5436	8.0216	7.1196
18	16.3983	14.9920	13.7535	12.6593	11.6896	10.8276	10.0591	9.3719	8.7556	8.2014	7.2497