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Family Name					
Given Name/s					
Student Number					
Teaching Period	Semester 1, 2018				

ACT507 – Accounting for Managers	DURATION	
	Reading Time:	10 minutes
	Writing Time:	180 minutes
INSTRUCTIONS TO CANDIDATES		
<p>Please answer any 5 out of 6 questions. Make sure you answer according to the allocated mark for each question</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 CLOSED BOOK examination		
Any calculator is permitted		
No handwritten notes are permitted		
No dictionaries are permitted		
ADDITIONAL AUTHORISED MATERIALS	EXAMINATION MATERIALS TO BE SUPPLIED	
No additional printed material is permitted	1 x 16 Page Book 2 x Scrap Paper Formula Sheet/s	

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DOUBLE-SIDED.**

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LEFT BLANK.**

Answer Questions

Total Marks for this Examination: 50

The questions should be answered in the Answer Booklet provided

Answer any 5 out of 6 questions

Marks for each question are indicated. Suggested Time allocation for Examination: 180 Mins

Question 1 (10 Marks)

- A. Describe how accounting information helps shareholders and lenders to make decisions concerning the operations and performance of the entity. 3 Marks
- B. What is meant by business sustainability? 3 Marks
- C. Illustrate with an example how sole traders and partners are taxed in Australia. How does this compare to Australian company tax? 4 Marks

Question 2 (10 Marks)

- A. State the effect of each of the following business transactions for Humphrey Sports. For example, in (a) increase cash and increase capital.
- i. J. Humphrey commenced business by injecting cash into her business.
 - ii. Paid wages.
 - iii. Purchased goods for sale on credit.
 - iv. Sold goods on credit
 - v. Received an invoice for annual insurance on building and paid the account.
 - vi. J. Humphrey withdrew an iPad from the business.
 - vii. Sold inventory for cash.
 - viii. T. Comery (accounts receivable) paid amount outstanding.
 - ix. Humphrey Sports paid accounts payable in full. 5 Marks
- B. From the following account balances of Rosie Pty Ltd as at 30 September 2017, produce a balance sheet in narrative format:

Particulars	Amount in Dollars
Cash at bank	\$75,000
Accounts receivables	\$37,000

Inventory	\$30,000
Land	\$37,500
Fixtures and fittings	\$9,000
Loan payable	\$7,500
Tax payable	\$7,500
Share capital	\$30,000
Retained earnings	\$144,000

5 Marks

Question 3 (10 Marks)

- A. Coconut Plantations Pty Ltd purchased machinery for its manufacturing process on 1 March 2018. The machinery cost \$600 000. Coconut Plantations estimates that the machinery has a useful life of five years, and will have a \$50 000 residual value. Using straight-line depreciation, estimate the depreciation expense to be recorded in the statement of profit or loss for the year in which the machine was purchased and the subsequent year, assuming Coconut Plantations' reporting period ends on 31 December.

5 Marks

- B. Consider the following transactions.
- i. Credit purchases, \$10 000
 - ii. Cash paid to suppliers, \$12 000
 - iii. Cost of sales, \$12 000
 - iv. Cash payments received on accounts receivable, \$16 000
 - v. Salaries accrued, \$4000
 - vi. Machine purchased, \$2000
 - vii. Depreciation expense, \$500
 - viii. Rent received, \$1000
 - ix. Dividends paid, \$300
 - x. Lease paid, \$1500

State whether they are cash or non-cash transactions and whether they relate to an operating, investing or financing activity.

5 Marks

Question 4 (10 Marks)

- A. As inventory manager in a retail-chain warehouse, how would you react regarding your inventory levels in the following circumstances?
- i. Sudden volatility in sales
 - ii. Continual short deliveries by suppliers
 - iii. Managerial suggestions to reduce the number of product lines
 - iv. Increase in interest rates
 - v. Sudden loss of inventory due to natural disaster

5 Marks

- B. During 2018, Jo Geter, the sole shareholder in Coconut Plantations Pty Ltd, decided to invest in automotive manufacturing equipment to reduce direct labour costs. She decided to fund the investment of \$160 000 from retained profits. Financial data (assume average data for balance sheet items) before and after the investment are shown below.

	Before Investment	After Investment
Total Assets	\$669,210	\$854,310
Total Liabilities	\$279,400	\$303,950
Shareholders' equity	\$389,810	\$550,360
Interest expenses	\$14,000	\$18,000
Profit before income tax	\$328,000	\$336,500
Income tax expense (30%)	\$98,400	\$100,950
Profit	\$229,600	\$235,550

Calculate the following relationships based on the above data

	Before	After
i. ROA ratio		
ii. ROE ratio		
iii. Debt to total assets ratio		

5 Marks

Question 5 (10 Marks)

A. Kimona City has undertaken its budget planning for the coming accounting period.

Budget Item	Budget Data
Sales	40,000 units; selling price \$80
Cost of Inventory	Direct materials; 2 kilograms @ \$5 per kilogram Direct labour; 3 hours @ \$12 per hour Indirect manufacturing costs; \$6 per direct labour hour
Raw materials inventory	Beginning balance; 10,000 kilograms Ending Balance 15,000 kilograms
Raw materials cost	\$5 per kilogram
Selling and administration cost	\$200,000

Prepare a budgeted statement of profit or loss for the coming accounting period. 5 Marks

B. In the Whine Company, it costs \$30 per unit (\$20 variable and \$10 fixed) to make a product that normally sells for \$55. A foreign wholesaler offers to buy 3000 units at \$35 each. The Whine Company will incur special shipping costs of \$2 per unit. Assuming that the Whine Company has excess operating capacity, indicate the profit (or loss) it would realise by accepting the special order. 5 Marks

Question 6 (10 Marks)

A. Mercy Hospital uses a costing system to determine the cost of patients who have surgery. The hospital uses a budgeted indirect cost rate for allocating indirect costs to patient stays. In March, the operating room had a budgeted allocation base of 1000 operating hours. The budgeted operating room indirect costs were \$66 000. Patient Dwight Schuller was in the operating room for four hours during March. Other costs related to Schuller’s four-hour surgery include:

Patient Dwight Schuller	\$250
Cost of nurses	3 500
Cost of supplies	800

Physician cost is not included because physicians bill patients separately from the hospital billing system.

- i. Calculate the budgeted (estimated) indirect cost rate for the operating room.
- ii. Calculate the total costs of Schuller’s four-hour surgery. 5 Marks

B. Coconut Plantations Pty Ltd is contemplating acquiring a new machine to be used for a relatively short period until its new factory is built with computerised equipment installed. Two machines are being investigated.

Machine	A	B
Cost (\$)	75000	120000
Cost savings – Year 1	15000	22500
Cost savings – Year 2	18000	30000
Cost savings – Year 3	23000	37000
Salvage value – end Year 3	34000	52000

Calculate the ARR of each machine. Which machine would you recommend? 5 Marks