WESTERN SYDNEY UNIVERSITY



FINAL EXAM - SCC SESSION 3, 2020

School of Business

Complete your details in this section who You should also complete your details or	- · · · · · · · · · · · · · · · · · · ·	at the start of the exa	am.	
STUDENT SURNAME:				
STUDENT FIRST NAME:				
STUDENT ID:				
EXAM INSTRUCTIONS Read all the information below and follow any instructions carefully before proceeding. This exam is printed on both sides of the paper – ensure you answer all the questions. You may begin writing when instructed by the Exam Supervisor at the start of the exam. Clearly indicate which question you are answering on any Examination Answer Booklets used.				
UNIT NAME:	Techniques in Financial Accounting			
UNIT NUMBER:	200973			
NUMBER OF QUESTIONS:	4			
VALUE OF QUESTIONS:	4 Exam questions, giving a total of 100 marks.			
ANSWERING QUESTIONS:	Answer all questions on the exam paper itself.			
UNIT COORDINATOR/CONVENOR:	Stanley James/Andrew Medlen			
TIME ALLOWED:	2 hour/s	TOTAL PAGES:	20	

RESOURCES ALLOWED

Only the resources listed below are allowed in this exam.

Any calculator which has the primary function of a calculator is allowed. Calculators on mobile phones or similar electronic devices are <u>not</u> allowed. Two A4 blank pages and a pen/pencil for working purpose.

DO NOT TAKE THIS PAPER FROM THE EXAM ROOM

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Question 1 (30 Marks)

Archi Designs Pty Ltd provides consulting services to the building industry. The unadjusted trial balance on 30 June 2020 below was prepared by the accountant.

Account	Debit	Credit
Cash at Bank	12 600	
Accounts Receivable	11 800	
Prepaid Insurance	1 800	
Land	180 200	
Building	196 000	
Acc. Depreciation – Building		86 900
Equipment	32 300	
Acc. Depreciation – Equipment		8 800
Accounts Payable		16 400
Mortgage Payable		64 000
Share capital		136 950
Retained earnings		13 500
Fees Earned		262 430
Rent Revenue		14 400
Salaries Expense	124 600	
Telephone Expense	4 520	
Interest Expense	3 080	
Insurance Expense	36 480	
Total	\$603 380	\$603 380

The following information has not yet been recorded.

- 1. Rates owing at 30 June, \$4820.
- 2. Depreciation on the equipment is \$3680. Depreciation on the building is \$9600.
- 3. An advance fee payment of \$600 for services to be performed in July 2020 was credited to Fees Earned.
- 4. The mortgage contract provides for a monthly payment of \$1000 plus accrued interest. The June payment was not made. Interest of \$260 is accrued on the mortgage.
- 5. Prepaid insurance of \$1340 has expired.
- 6. Salaries earned but not paid amount to \$2360.

Required:

- (a) Prepare a 10-column worksheet for the year ended 30 June 2020. (19 Marks)
- (b) Prepare a statement of changes in equity. (5 Marks)
- (c) Journalise the closing entries. (6 Marks)

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This page is for your rough workings:

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WONTO	: Archi Desi	gns Pty L	ta	toi	the year	ended: 30) June 2020)	
		Adjustments		Adjus	ted TB	Income S	Statement	Balanc	e Sheet
Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
12 600									
11 800									
1 800									
180 200									
196 000									
	86 900								
32 300									
	8 800								
	16 400								
	64 000								
	136 950								
	13 500								
	262 430								
	14 400								
124 600									
4 520									
3 080									
36 480									
603 380	603 380								
	12 600 11 800 1 800 180 200 196 000 32 300 124 600 4 520 3 080 36 480	12 600 11 800 1800 180 200 196 000 86 900 32 300 8 800 16 400 64 000 136 950 13 500 262 430 14 400 124 600 4 520 3 080 36 480	Debit Credit Debit 12 600 11 800 1800 180 200 196 000 86 900 32 300 8 800 16 400 64 000 136 950 13 500 262 430 14 400 124 600 4 520 3 080 36 480	Debit Credit Debit Credit 12 600 11 800 1800 180 200 180 200 196 000 196 000 196 900	Debit Credit Debit Credit Debit 12 600 11 800 1800 1800 180 200 196 000	Debit Credit Debit Credit Debit Credit 12 600 11 800	Debit Credit Debit Credit Debit 12 600 11 800 1800	Debit Credit Debit Credit Debit Credit 12 600 11 800 180 200	Debit Credit De

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B.			

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C. General Journal

Date	Particulars	Debit	Credit

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Question 2 (25 marks)

All transactions below relate to PJ Construction Ltd's uncollectable accounts for the financial year ended 30 June 2020. Note: The amounts shown are GST inclusive.

July 18	Wrote off the \$629.20 account of F. Fox as uncollectable.
Oct. 19	Re-established the account of K. Meak and recorded the collection of \$1815 in full payment of his account, which had been written off previously.
Jan. 31	Received 40% of the \$968 balance owed by B. Black and wrote off the remainder as uncollectable.
Feb. 16	Wrote off as bad the accounts of Denis Co. Ltd, \$2783, and H. Howard, \$3872.
March 20	Received 25% of the \$1742.40 owed by GJ Carpenters and wrote off the remainder as a bad debt.
April 16	Received \$1173.70 from G. Dolby in full payment of his account, which had been written off earlier as uncollectable.
June 30	Estimated bad debts expense for the year to be 1.5% of net

The Accounts Receivable account had a balance at 30 June 2020 of \$208 120, and the beginning (1 July 2019) balance in the Allowance for Doubtful Debts account was \$9 300.

Required:

(a) Prepare journal entries for each of the transactions. (13 Marks)

credit sales of \$694 100.

- (b) Determine:
 - i. the balance in the Allowance for Doubtful Debts account after the 30 June adjustment (3 Marks)
 - ii. the expected realisable value of the accounts receivable as at 30 June. (3 Marks)
- (c) Assume that instead of basing the allowance for doubtful debts on net credit sales, the estimate of uncollectable accounts is based on an ageing of accounts receivable and that \$11 630 of the accounts receivable as at 30 June was estimated to be uncollectable. Determine:
 - i. the general journal entry to bring the allowance account to the desired balance. (3 Marks)
 - ii. the expected realisable value of the accounts receivable as at 30 June. (3 Marks)

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Date	Particulars	Debit	Credit

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Question 3 (20 marks)

The following comparative statements of financial position and income statement are for the construction business of Cross Pty Ltd:

CROSS PTY LTD Comparative Statements of Financial Position as at 30 June

	30 Julie	
	<u>2019</u>	<u>2020</u>
ASSETS		
Cash at bank	124 000	86 000
Accounts receivable	152 000	169 000
Inventory	248 000	227 000
Land	125 000	50 000
Buildings	275 000	530 000
Accum-depreciation-Buildings	(170 000)	(200 000)
Plant and machinery	80 000	80 000
Accumulated depreciation – plant		
and machinery	(10 000)	(20 000)
	\$ <u>824 000</u>	\$ <u>922 000</u>
LIABILITIES AND EQUITY	T	T
Accounts payable	\$ 121 000	\$ 134 000
Interest payable	1 500	500
Other Expenses payable	17 500	6 000
Mortgage Loan Payable	90 000	132 500
Share capital	250 000	250 000
Retained earnings	<u>344 000</u>	<u>399 000</u>
	<u>\$824 000</u>	\$ <u>922 000</u>

Additional information:

1. Gross profit for the year ended 30 June 2020 was \$321 000, and consisted of:

Sales \$887 000 Cost of sales 566 000

- 2. Purchases of inventory for the year were \$545 000.
- 3. All purchases and sales of inventories were on credit.
- 4. Profit for the year ended 30 June 2020 was \$62 500, after deducting expenses of \$258 500 from the gross profit figure.
- 5. Expenses of \$258 500 include depreciation on buildings, and on plant and equipment, a loss on sale of land, and \$10 000 in interest expense.
- 6. During the year ended 30 June 2020, cash dividends were paid.
- 7. Building extensions were paid for during the year, and a block of land, costing \$75 000, was sold for \$62 500 cash.
- 8. No plant was purchased or sold during the year.

Required:

Prepare the statement of cash flows for Cross Pty Ltd for the year ended 30 June 2020 using the direct method. (Use T account to do the calculations)

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Question 4 (25 marks)

Α.

On 2 January 2016, Wendy Ltd purchased a machine for \$55 000 plus GST with a useful life of 5 years and a residual value of \$8 000 (excluding GST). In order to keep the machine running properly, the company has performed regular maintenance and repairs each year since its acquisition. On 30 June 2019, ordinary repairs amounted to \$880 plus GST. The company has a 31 December financial year end.

On 3 January 2020, Wendy Ltd decided to completely overhaul the machine's major operating parts at a cost of \$9 000 (plus GST), after which the machine is expected to have a useful life of 3 remaining years and a revised residual value of \$4 000 (excluding GST). Wendy Ltd uses the straight-line depreciation method. The carrying amount of the parts replaced was considered to be \$490 (excluding GST).

(13 Marks)

Required:

Prepare general journal entries to record:

- 1. the purchase of the machine on 2 January 2016 (3 marks)
- 2. the day-to-day repairs on the machine in 2019 (2 marks)
- 3. the overhaul of the machine on 3 January 2020 (6 marks)
- 4. the depreciation on the machine for the year ended 31 December 2020 (2 marks)

Date	Particulars	Debit	Credit

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Date	Particulars	Debit	Credit

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Question 4 – continued

B.	What are the two different types of theories in accounting? Illustrate your answer with one example for each theory. (6 marks)			

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Question 4 - continued

C.	What are the three hypotheses derived from agency theory about accounting policy choice? Explain how these hypotheses affect managers. (6 marks)				

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END OF EXAM PAPER

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