

# WESTERN SYDNEY UNIVERSITY



## FINAL EXAM – SCC SESSION 3, 2020

School of Business

Complete your details in this section when instructed by the Exam Supervisor at the start of the exam.  
You should also complete your details on any answer booklets provided.

<b>STUDENT SURNAME:</b>	
<b>STUDENT FIRST NAME:</b>	
<b>STUDENT ID:</b>	

### 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.

<b>UNIT NAME:</b>	Techniques in Financial Accounting		
<b>UNIT NUMBER:</b>	200973		
<b>NUMBER OF QUESTIONS:</b>	4		
<b>VALUE OF QUESTIONS:</b>	4 Exam questions, giving a total of 100 marks.		
<b>ANSWERING QUESTIONS:</b>	Answer all questions on the exam paper itself.		
<b>UNIT COORDINATOR/CONVENOR:</b>	Stanley James/Andrew Medlen		
<b>TIME ALLOWED:</b>	2 hour/s	<b>TOTAL PAGES:</b>	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 not allowed. Two A4 blank pages and a pen/pencil for working purpose.

**DO NOT TAKE THIS PAPER FROM THE EXAM ROOM**

**This page intentionally left blank**

## 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)

**This page is for your rough workings:**

Question 1 A.		WORKSHEET: Archi Designs Pty Ltd				for the year ended : 30 June 2020				
Account Title	Debit	Credit	Adjustments		Adjusted TB		Income Statement		Balance Sheet	
			Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash at Bank	12 600									
Accounts Receivable	11 800									
Prepaid Insurance	1 800									
Land	180 200									
Building	196 000									
Acc. Depn – Building		86 900								
Equipment	32 300									
Acc. Depr. – 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									
	603 380	603 380								

<b>B.</b>



## 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 credit sales of \$694 100.

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)
- (b) Determine:
- the balance in the Allowance for Doubtful Debts account after the 30 June adjustment (3 Marks)
  - 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:
- the general journal entry to bring the allowance account to the desired balance. (3 Marks)
  - the expected realisable value of the accounts receivable as at 30 June. (3 Marks)








### 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**

	<u>2019</u>	<u>2020</u>
<b>ASSETS</b>		
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>
<b>LIABILITIES AND EQUITY</b>		
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:*

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

Sales	\$887 000
Cost of sales	566 000
- Purchases of inventory for the year were \$545 000.
- All purchases and sales of inventories were on credit.
- Profit for the year ended 30 June 2020 was \$62 500, after deducting expenses of \$258 500 from the gross profit figure.
- 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.
- During the year ended 30 June 2020, cash dividends were paid.
- Building extensions were paid for during the year, and a block of land, costing \$75 000, was sold for \$62 500 cash.
- 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)















