NATIONAL UNIVERSITY OF SINGAPORE

ACC1002 FINANCIAL ACCOUNTING/
ACC1701 ACCOUNTING FOR DECISION MAKERS
Semester 1, AY2018/2019

Time Allowed: 2 Hours

INSTRUCTIONS TO STUDENTS

1. Write your Student Number only on this question paper. Do not write your name.

2. This examination paper contains **FOUR** questions and comprises **TWENTY-FOUR** printed pages.

3. Answer **ALL** questions in the spaces provided after each question in the question booklet. No separate answer booklet will be issued. Where necessary, show your workings for all computations clearly.

4. This is a **CLOSED BOOK** examination.

5. Students may use University-approved calculators and not any other electronic devices.

6. You may write in pencil.

Student Number:

For Examiners' Use Only:

Question	Marks
Q1	
Q2	
Q3	
Q4	
TOTAL	

QUESTION 1 (34 marks)

Frais Pte Ltd offers fitness classes and as it is a small setup, the company makes adjusting entries and closing entries only once every year-end. Unless otherwise stated, journal entries are made as and when transactions occur. 31 December is the company's year-end.

The company's unadjusted trial balance as at 31 December 2018 is as follows:

$	Dr	Cr
Cash	68,000	
Accounts receivable	10,900	
Allowance for impairment of accounts receivable		110
Supplies	22,300	
Prepaid insurance	14,190	
Building	1,500,000	
Accumulated depreciation - Building		180,000
Equipment	20,000	
Accumulated depreciation - Equipment		4,000
Accounts payable		63,200
Unearned revenue		280,000
Share capital		923,830
Retained earnings		253,350
Revenue		108,000
Salary expense	138,600	
Advertising expense	22,470	
Administrative expense	16,030	
	1,812,490	*1,812,490*

Additional information:

1. Frais Pte Ltd's insurance premium is paid every year in advance on 1 April, for the 12-month period starting from 1 April. When such a prepayment is made, the prepaid insurance account would be debited. On 1 April 2018, $11,400 was paid upon renewal of the insurance policy.

QUESTION 1 (continued)

2. The company pays its employees on the third day of the following month. The monthly salaries have been constant in 2018.

3. The company's building was bought prior to 2018 and is depreciated on a straight-line basis, assuming an expected useful life of 30 years, with residual value of $300,000.

4. The only piece of equipment owned by Frais Pte Ltd was acquired in 2017. The double-declining-balance method is used to depreciate the equipment, assuming a useful life of 5 years and residual value of $1,500.

5. The company's supplies as at 31 December 2018 amount to $4,600.

6. Unearned revenue at the beginning of the year has all been earned. $250,000 was received in advance from customers during the year and 90% of this amount has been earned.

7. Frais Pte Ltd accounts for impairment of accounts receivables by estimating the lifetime expected credit losses on its accounts receivables as at year-end using a provision matrix and making any necessary adjustment to the allowance for impairment of accounts receivable account. Based on an aging analysis, $290 out of the total accounts receivables as at 31 December 2018 is determined likely to be uncollectible.

8. The company declared dividend of $88,000 to its shareholders, to be distributed in early-2019.

9. The company incurred $1,000 administrative expenses and $2,000 advertising expenses on account on 31 December 2018. These have not been recorded.

10. Assume no taxes.

Required:

(a) Prepare all necessary journal entries as at 31 December 2018. Ignore dates, descriptions and closing entries. Create new accounts where necessary, unless otherwise stated. **(19 marks)**

(b) Prepare the Statement of Comprehensive Income, presented in a single-statement format, for the year ended 31 December 2018. **(6 marks)**

(c) Prepare the Statement of Financial Position as at 31 December 2018. **(9 marks)**

Write your answer to Question 1 on the following 7 pages.

QUESTION 1 (continued)

For answer to Question 1:

QUESTION 1 (continued)

For answer to Question 1:

QUESTION 1 (continued)

For answer to Question 1:

QUESTION 1 (continued)

For answer to Question 1:

QUESTION 1 (continued)

For answer to Question 1:

QUESTION 1 (continued)

<u>For answer to Question 1</u>:

QUESTION 1 (continued)

For answer to Question 1:

QUESTION 2 (19 marks)

CRO Pte Ltd sells electric vehicles and one of the products is the electric golf cart. The movement of the inventory of its golf carts during the company's financial year ended 31 December 2018 is as follows:

		Units	Purchase cost per unit	Specific Units Sold
1 Jan	Beginning inventory	20	\$3,000	
4 May	Purchase	50	\$3,490	
30 May	Sale	(40)		40 units from 4 May purchase
6 Sep	Purchase	30	\$3,900	
7 Oct	Sale	(55)		20 units from 1 Jan balance 5 units from 4 May purchase 30 units from 6 Sep purchase

The company uses the perpetual inventory system to account for its inventories. The net realizable value of the golf carts on 31 December 2018 is \$3,800 per unit.

Required:

(i) Assuming the company uses the First-In-First-Out (FIFO) inventory cost flow assumption, compute the cost of ending inventory on 31 December 2018 and cost of goods sold for the year ended 31 December 2018 for the golf carts. Include the effect of any adjustment necessary for year-end reporting. **(7 marks)**

(ii) Assuming the company uses the Weighted Average Cost (WAC) inventory cost flow assumption, compute the cost of ending inventory on 31 December 2018 and cost of goods sold for the year ended 31 December 2018 for the golf carts. Include the effect of any adjustment necessary for year-end reporting. **(7 marks)**

(iii) Assuming the company uses the Specific Identification inventory cost flow assumption, compute the cost of ending inventory on 31 December 2018 and cost of goods sold for the year ended 31 December 2018 for the golf carts. Include the effect of any adjustment necessary for year-end reporting. **(5 marks)**

Write your answer to Question 2 in the space below and on the following 5 pages:

QUESTION 2 (continued)

For answer to Question 2:

QUESTION 2 (continued)

For answer to Question 2:

QUESTION 2 (continued)

For answer to Question 2:

QUESTION 2 (continued)

For answer to Question 2:

QUESTION 2 (continued)

For answer to Question 2:

QUESTION 3 (15 marks)

It is year-end of 2018 and the newly-hired accountant of Bel Ltd ponders about the impact of certain accounting issues on the financial statements for the year ended 31 December 2018. In particular, the accounting issues are:

(i) An equipment has been partially damaged and needs to be written down. This has not been accounted for.

(ii) Bel Ltd carried out a revaluation of its land for the first time. The land's carrying amount and fair value as at 31 December 2018 are $10 million and $11 million respectively. This has not been accounted for.

(iii) The company has been undertaking a research and development project since 2 years ago. The project transited from the "research" stage to the "development" stage on 1 January 2018. The previous accountant had unknowingly charged all the project-related expenditure incurred during 2018 to the income statement.

(iv) The company provides a one-year warranty for its products. Claims in 2018 against warranties had been properly accounted for, but the estimate for warranties arising from sales in 2018 has not been accounted for.

(v) In December 2018, the directors declared and distributed a 1-for-3 bonus issue by capitalizing retained earnings. This has not been accounted for.

(vi) On 31 December 2018, Bel Ltd reissued a portion of its treasury shares at $1.80 per share. The carrying amount of the treasury shares was $1.50 per share. The reissuance of the treasury shares has not been accounted for.

Required:

In the table on the following page, indicate the immediate impact of making the necessary journal entries for scenarios (i) to (vi), on net profit margin and total comprehensive income for the year ended 31 December 2018, and total assets, equity and current ratio as at 31 December 2018. Treat each item as independent of the other items. Write your answers as follows:

"I" to represent "increase"
"D" to represent "decrease"
"NI" to represent "no impact"

Write your answer to Question 3 in the table on the following page.

QUESTION 3 (continued)

Write your answer to Question 3 in the table below:

	Net profit margin	Total comprehensive income	Total assets	Equity	Current ratio
(i) Write-down of equipment					
(ii) Revaluation of land					
(iii) Rectification of development costs charged					
(iv) Estimate of warranties					
(v) Bonus issue declared and distributed					
(vi) Treasury shares reissued					

(0.5 mark for each answer)

QUESTION 4 (32 marks)

The statements of financial position of Engla as at 31 December, 2018 and 2017 are as follows:

Engla Pte Ltd
Statements of Financial Position
As at 31 December, 2018 and 2017

		2018		**2017**
Assets				
Cash		$44,960		$37,440
Accounts receivable		55,780		45,660
Inventory		10,900		27,520
Dividend receivable		2,080		1,600
Short-term note receivable		29,900		2,880
Short-term investments		36,300		22,100
Equipment	157,800		147,160	
Accumulated depreciation	(82,770)	75,030	(77,760)	69,400
Total Assets		254,950		206,600
Liabilities				
Accounts payable		90,220		54,060
Salaries payable		11,130		5,200
Rent payable		2,400		1,600
Dividend payable		7,700		7,300
Income tax payable		1,840		2,480
		113,290		70,640
Shareholders' Equity				
Share capital		110,480		110,480
Retained earnings		36,280		27,880
Treasury shares		(5,100)		(2,400)
		141,660		135,960
Total Liabilities and Shareholders' Equity		254,950		206,600

QUESTION 4 (continued)

The following are the company's income statement accounts, with normal balances, for the year ended 31 December 2018:

Revenue	$212,000
Cost of goods sold	85,140
Depreciation expense	11,680
Salary expense	51,000
Rent expense	33,300
Other operating expenses	11,480
Loss on disposal of PPE	390
Dividend income	2,200
Interest income	4,300
Income tax expense	2,880

The following transactions occurred during 2018:

1. Engla Pte Ltd purchased an equipment for cash amounting to $70,700. The residual value of the equipment is $1,700.
2. Another equipment was sold to a second-hand vendor in exchange for a $20,000 note receivable and the remaining consideration in cash. There was no other purchase or disposal of PPE during the year.
3. The company lent cash to an employee via a note. There was no receipt on any note receivable during the year.
4. Engla bought some shares for investment for cash. As the share market was down, the company did not sell any of its investments during the year.
5. The company repurchased 10,000 of its own shares at 27 cents per share, to be held as Treasury shares. There was no reissue of treasury shares during the year.

All the above transactions have been properly recorded. Assume that all sales and purchases of inventory are on credit, and other operating expenses are entirely paid for in cash. The company chooses not to classify Interest and dividend receipts or payments as operating cash flows.

Required:

Prepare the Statement of Cash Flow statement for the year ended 31 December 2018, using the direct method of presenting cash flows from operating activities.

Write your answers to Question 4 on the following 4 pages:

QUESTION 4 (continued)

For answer to Question 4:

QUESTION 4 (continued)

For answer to Question 4:

QUESTION 4 (continued)

For answer to Question 4:

QUESTION 4 (continued)

For answer to Question 4:

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