

ACC1701X: ACCOUNTING FOR DECISION MAKERS
SEMESTER 1 2022 / 2023

Tutorial Assignments:

~ Analytical Cumulative Case ~

HaloCrypto Inc.

Assignment Overview:

In this cumulative tutorial assignment, you will use financial information of a fictitious company named HaloCrypto Inc. to complete various assignments related to the topics covered in this module.

Assignment Objective:

By following a single entity's financial transactions and performance, you will be trained to perform critical analysis of a company's various aspects of operations and their impact on financial statements. The assignment also gives you an opportunity to familiarize yourself with using spreadsheets to prepare financial statements and effectively perform financial calculations and analysis for use in decision making.

Assignment Task:

The assignment is **cumulative**, i.e. the assignment continuously builds upon the preceding weeks' tutorial tasks. **You will be required to use a spreadsheet to perform your tasks and maintain the spreadsheets over the course of the module.**

Refer below for the questions related to the respective tutorial sections (Tutorial 1 to Tutorial 4).

Tutorial Questions

Tutorial 1 – Financial Statements Overview

HaloCrypto Inc. is on a June 30 fiscal year end.

Refer to the following financial numbers for HaloCrypto at **May 31, 2022**.

	\$		\$
Unearned Revenue	10,000	Cost of Goods Sold	519,000
Interest Expense	9,000	Long-term Debt	207,000
Share Capital	50,000	Income Tax Expense	4,000
Cash	25,000	Retained Earnings (as of July 1, 2021)	46,000
Dividends	0	Receivables	27,000
Property, Plant & Equipment (PPE)	199,000	Sales	700,000
Accumulated Depreciation	9,000	Accounts Payable	74,000
Inventory	153,000	Other Operating Expenses	160,000

(1) **Using a spreadsheet**, create a Statement of Financial Position and an Income Statement for HaloCrypto at May 31, 2022. *(Hint: Refer to the Statement of Financial Position and Income Statement covered in the lecture 01 slides and recreate similar statements for HaloCrypto).*

(2) The manager of HaloCrypto is wondering what its Statement of Financial Position and Income Statement would have looked like if the following numbers changed as follows:

- Sales is \$730,000
- Cost of Goods Sold is \$550,000
- Other Operating Expenses is \$165,000

Create a second set of Statement of Financial Position and Income Statement in your spreadsheet reflecting the changes above.

Important Note: Your Statement of Financial Statement may no longer balance when you make the above changes, so assume the difference increases or decreases “Cash” as necessary.

Tutorial Questions

Tutorial 2 – Mechanics of Accounting

The following transactions occurred for HaloCrypto Inc. during the month of June 2022.

- June 1 Purchased \$53,000 of inventory on credit.
- June 4 Collected \$5,000 cash from customers as payments on their accounts.
- June 5 Purchased equipment for \$3,000 cash.
- June 6 Sold inventory that cost \$30,000 to customers on account for \$40,000.
- June 10 Started leasing a new warehouse and paid rent for June, \$1,500 in cash.
- June 15 Paid insurance for June, \$800 in cash.
- June 17 Paid salaries for June, \$4,500 in cash.
- June 20 Collected \$33,000 cash from customers as payments on their accounts.
- June 26 Sold inventory that cost \$20,000 to customers for \$30,000 cash.
- June 28 Paid \$60,000 cash on accounts payable.

Using your spreadsheet:

- (1) Prepare journal entries to record each listed transaction above (omit journal explanation). Please use appropriate specific expense accounts for the transactions above, as necessary.
 - (2) Prepare a Trial Balance for HaloCrypto at June 30, 2022. (*Hint: Use the May 31, 2022 financial figures given in Tutorial 1 as your beginning balances*)
 - (3) If the debit and credit columns of the trial balance are in balance, does that mean that no errors have been made in journalizing the transactions? Explain why.
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Tutorial Questions

Tutorial 3 – Adjusting Accounts

HaloCrypto Inc. discovered the following information on June 30, 2022.

- (a) Interest on long-term loan for the months of April – June 2022, in the amount of \$3,000, has not been recorded. This amount is payable in July 2022.
- (b) Salaries to part-time workers for the month of June 2022, in the amount of \$650, has not been recorded or paid. Part-time workers are paid on the 5th of the following month.
- (c) Rent on the warehouse in the amount of \$4,500 for the months of July – September was paid for in advance on June 29, and has not been recorded.
- (d) HaloCrypto had received advance payment of \$10,000 from a customer in August 2021, and the unearned revenue account was credited when the payment was received then. Only half of this amount remained unearned at June 30, 2022.
- (e) Depreciation of \$13,000 for the year has not been recorded.
- (f) An earlier payment for Income Tax Expense, in the amount of \$1,500, was incorrectly recorded to Cost of Goods Sold.
- (g) Dividends of \$2,500 was declared and paid but has not been recorded.

Using your spreadsheet:

- (1) Prepare the adjusting journal entries (AJEs) that should be made on June 30, 2022, including all other necessary journal entries to correct any omissions or errors (omit journal explanation).
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Tutorial Questions

Tutorial 4 – Completing the Accounting Cycle & Financial Statement Integrity

HaloCrypto is preparing its financial statements for the fiscal year end of June 30, 2022.

Using your spreadsheet:

- (1) HaloCrypto's new accountant decides to break down the "Other Operating Expenses" account into specific expense accounts. The breakdown of the May 31, 2022 "Other Operating Expenses" account balance is as follows:

May 31, 2022 balance of Other Operating Expenses consists of:	
Insurance Expense	8,800
Salaries Expense	49,500
Utilities Expense	8,600
Consulting Fees Expense	20,000
Marketing Expense	64,000
Other Operating Expense	9,100
Total	160,000

Incorporating the above (no journal entries required for the reclassification of the Other Operating Expenses account) and the events in Tutorial 3, prepare an **adjusted trial balance** at June 30, 2022.

- (2) Prepare the following financial statements for fiscal year 2022:
- (i) Statement of Profit & Loss (Income Statement)
 - (ii) Statement of Changes in Equity
 - (iii) Statement of Financial Position
- (3) Prepare the closing entries at June 30, 2022.
- (4) Prepare a post-closing trial balance at June 30, 2022.
- (5) Compute the following ratios: (round to 3 decimal places)
- (i) Net Profit Margin
 - (ii) Return on Assets (Assume beginning total assets is \$353,000)
 - (iii) Debt Ratio
- (6) To observe the impact that errors and fraudulent transactions can have on financial statements, determine what the ratios in Part (5) would have been for each of the scenario below. Compare the ratios with the original ratios from Part (5) and explain briefly how your evaluation of HaloCrypto's financial performance would be affected under each scenario.

Treat each scenario independently. (*Hint: Think about the hypothetical correcting journal entry in each scenario and examine the effect on the financial statements and ratios*)

- (a) HaloCrypto had previously recorded a fictitious credit sale of \$5,000. No additional COGS was recorded at the time the fictitious credit sale was recorded.
- (b) HaloCrypto discovered it had previously recorded an incorrect debit entry of \$5,000 to inventory when the amount should have been expensed off as operating expenses.
- (c) HaloCrypto discovered it previously misclassified \$20,000 worth of loan as long-term (non-current) when it should have been short term (current). no effect

~ End of HaloCrypto Inc. Assignment ~

a. net income ++5,000, asset(receivable) ++5,000

b. asset(inventory) --5,000, expenses ++5000

c. no change since only composition of liabilities changes