**Student Number: YME5003**

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hi5001  
Accounting for Business Decisions  
Supplementary Assessment

Trimester 3, 2022

**TIME ALLOWED: 4.5 hours**

**All answers must be submitted within this time frame. Late submissions are not accepted.**

**Assessment Weight:** 50 total marks

**Instructions:**

* All questions must be answered by using the answer boxes provided in this paper.
* Your answers must be submitted in this document to Blackboard by the published due date and time. **Late submissions are not accepted.**
* Before commencing, save this document with your **Student Number** and **Unit Code** as the file name e.g. **GWA1234 HI5001**Please **do not** save your document with any other name.The file must remain in **MICROSOFT WORD** format.

**Please make sure you follow the submission instructions at the end of this paper.**

**Purpose:**This assessment consists of **five (5)** questions and is designed to assess your level of knowledge of the key topics covered in this unit.

**Question 1 (10 marks)**

Your uncle has been running a small business for the last three years. He is struggling to reconcile his month-end bank account balance. In particular, he asked you to prepare a bank reconciliation statement. For this purpose, he has provided you with the following information:

1. The month-end balance, as appeared on the bank statement, is $10 813. This balance is different from the bank balance in your uncle's record. The balance in your uncle's record is $9 066.
2. The cheques of $2 309 are outstanding. In other words, these cheques are not processed by the bank yet.
3. The deposits of $307 are outstanding. In other words, these deposits are not processed by the bank yet.
4. Your uncle is unaware of the bank charges of $53.
5. A cheque of $228 was erroneously debited from your uncle's bank account by the bank.
6. The bank has credited an amount of $26 to your uncle's bank account. However, your uncle is unaware of this credit.

**Required:**

Prepare a bank reconciliation for your uncle on 30th June 20X2.

**ANSWER: \*\* Answer box will enlarge as you type**

Bank Reconciliation Statement

As at 30th June 20X2

-------------------------------------------------------------------

Balance as per bank statement $10,813

Add: Deposit in transit $307

Less: Cheques outstanding ($2,309)

Adjusted Bank Balance $8,811

-------------------------------------------------------------------

Balance as per Uncle's record $9,066

Add: Erroneous debit by bank $228

Add: Unidentified credit $26

Less: Bank charges ($53)

Adjusted Uncle's Record Balance $9,267

-------------------------------------------------------------------

Adjusted Bank Balance $8,811

Adjusted Uncle's Record Balance $9,267

Reconciliation:

Adjusted Bank Balance $8,811

Add: Cheques outstanding $2,309

Add: Erroneous debit by bank $228

Add: Unidentified credit $26

Less: Bank charges ($53)

Adjusted Uncle's Record Balance $9,267

-------------------------------------------------------------------

As a result, the adjusted amount according to the bank statement is $8,811, whereas the adjusted balance according to Uncle's record is $9,267. The reconciling items amount to $456, which is the difference between the two balances..

**Question 2 (10 marks)**

In response to the higher demand, DEF Limited (DEF) decided to invest some amount in fixed assets. In particular, DEF decided to purchase new machinery on the 1st day of July 20X5. The cost of new machinery is $173 000. The fixed asset department provided the following data.

DEF paid the freight cost of $2 941 and the installation cost of $3 979. This machine is expected to have a useful life of seven years with a residual value of $1 730. It might be relevant to note that the pattern of economic benefits from using this machinery is constant. Based on this pattern of economic benefits, it is decided that the straight-line method of depreciation will be used. Ignore GST.

**Required:**

1. Determine the cost of the machine **[4 Marks]**

**ANSWER 1:**

|  |
| --- |
| A machine's full price tag is arrived at by adding together all of its component parts and labour costs:  Cost of machine = Cost + Freight Cost + Installation Cost  Cost of machine = $173,000 + $2,941 + $3,979  Cost of machine = $179,920  The price of the machine is therefore $179,920. |

1. Assuming that year ends on 30 June, record the journal entry of depreciation expenses on 30 June 20X7 **[3 Marks]**

**ANSWER 2:**

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| --- |
| The yearly depreciation expenditure may be computed as follows if DEF Limited adopts the straight-line method of depreciation:  Depreciation Expense => [Cost of the machine - Residual Value] / Useful Life  => ($179,920 - $1,730) / 7  Depreciation expense = $25,210  The following record should be made on 30 June 20X7 to account for the depreciated value:  Depreciation Expense $25,210  Accumulated Depreciation - Machine $25,210  The yearly depreciation cost is $25,210, which is subtracted from the depreciation expenditure account. All depreciation costs incurred since the item was purchased have been recorded as a credit of $25,210 to the cumulative depreciation account. |

1. Calculate the balance of accumulated depreciation at the end of the fifth year **[3 Marks]**

**ANSWER 3:**

|  |
| --- |
| At the conclusion of the fifth year, the accumulated depreciation may be determined by using the formula:  Annual depreciation expense = (Cost of machine - Residual value) / Useful life  Annual depreciation expense = ($179,920 - $1,730) / 7  Annual depreciation expense = $25,210  Five-year depreciation total at year's end = Annual depreciation expense x Number of years  Five-year depreciation total at year's end = $25,210 x 5  Five-year depreciation total at year's end = $126,050  This means that after five years of use, $126,050 remains in cumulative depreciation. |

**Question 3 (10 marks)**

ABC Limited (ABC) is using the allowance method of recording bad debts. The following balances are available (ignore GST):

Allowance for doubtful debts (opening balance) $ 1 125

Credit sales during the period $ 802 500

Sales return and allowances $ 67 500

Account receivables (closing balance) $ 244 875

Based on the historical data, the company's yearly bad debts expense had been estimated at two per cent of net credit sales revenue. It was decided to compare the current method with an ageing of the accounts receivable method. The following analysis was obtained with respect to the accounts receivable.

|  |  |  |  |
| --- | --- | --- | --- |
|  | ***Age*** | ***Balance*** | ***% of estimated uncollectable*** |
| Not yet due | Age is not applicable | $131 700 | 0.5 |
| Amount due | Between 10 to 30 days | $45 750 | 02 |
| Between 31 to 60 days | $33 000 | 10 |
| Between 61 to 120 days | $19 050 | 25 |
| Over 120 days | $15 375 | 40 |
| **Total** |  | **$244 875** |  |

**Required:**

1. Show the journal entries to record the allowance for doubtful debts at 30 June 20X9 under the net credit sales method [3 marks]

**ANSWER a):**

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| --- |
| The bad debts expenditure is calculated using the period's credit sales in the net credit sales technique. At 30 June 20X9, the following journal entry would be made to reflect the provision for doubtful debts:  Bad debts expense = Credit sales x Estimated bad debts rate  Bad debts expense = $802,500 x 2% = $16,050  Bad debts expenditure is debited and the allowance account is credited to reflect the allowance for doubtful debts:  Allowance for doubtful debts $16,050  Bad debts expense $16,050  The provision for doubtful debts will be recorded as a period-end adjusting entry. The adjusting entry would also have to take into account the amount in the allowance for doubtful debts at the start of the period. |

1. Using the T account, determine the balance in the allowance for doubtful debts account under the net credit sales method [2 marks]

**ANSWER b):**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| With the following T-account, you may calculate the amount in the allowance for doubtful debts account based on the net credit sales method of accounting.  Allowance for Doubtful Debts T-Account:   |  |  |  |  | | --- | --- | --- | --- | | **Date** | **Particulars** | **Debit** | **Credit** | |  | Opening Balance | $1,125.00 |  | | 30-Jun-20X9 | Bad Debts Expense | $16,050.00 |  | | 30-Jun-20X9 | Allowance for Doubtful Debts |  | $17,175.00 | |  |  |  |  | |  | Total | $17,175.00 | $17,175.00 |   According to the net credit sales method, the allowance for doubtful debts account balance is $1,050 ($1,125 initial balance + $16,050 bad debts expenditure - $17,175). |

1. Show the journal entries to record the allowance for doubtful debts at 30 June 20X9 under the ageing of accounts receivable method [3 marks]

**ANSWER c):**

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| --- |
| The provision for dubious debts is determined using the expected uncollectible amounts in each ageing category of accounts receivable, as per the ageing of accounts receivable technique. At 30 June 20X9, the following journal entry would be made to reflect the provision for dubious debts:  Debit: Bad Debts Expense = $4,550 (0.5% x $131,700 + 2% x $45,750 + 10% x $33,000 + 25% x $19,050 + 40% x $15,375)  Credit: Allowance for Doubtful Debts = $4,550  It is important to keep in mind that the Bad Debts Cost is the total of the expected uncollectable amounts in each ageing group.  The Allowance for Doubtful Debts T-account would look like this when the following journal entry is recorded:  Allowance for Doubtful Debts  Opening Balance: $1,125 | Credit: $4,550 | Closing Balance: $5,675 |

1. Using the T account, determine the balance in the allowance for doubtful debts account under the ageing of accounts receivable method [2 marks]

**ANSWER d):**

|  |
| --- |
| Allowance for Doubtful Debts has a starting balance of $1,125.  In order to get the current distribution of ages, we use the formula:  Not yet due: $131,700 x 0.5% = $659. The current balance of this category remains unchanged as it is not due yet.  10-30 days: $45,750 x 2% = $915. The current balance of this category is $915.  31-60 days: $33,000 x 10% = $3,300. The current balance of this category is $3,300.  61-120 days: $19,050 x 25% = $4,763. The current balance of this category is $4,763.  Over 120 days: $15,375 x 40% = $6,150. The current balance of this category is $6,150.  Using the age of accounts receivable technique, the following is how we arrive at the current balance of the Allowance for Doubtful Debts account:  Opening balance + Current balances of each ageing category  = $1,125 + $659 + $915 + $3,300 + $4,763 + $6,150  = $16,912  Hence, $16,912 is the amount that should be accounted for as an Allowance for Doubtful Debts using the ageing of accounts receivable technique. |

**Question 4 (10 marks)**

The inventory department of JHI Limited (JHI) provides the following information regarding the inventory. JHI Limited uses the FIFO uses a perpetual inventory system under the cost flow assumption to manage its inventory.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Table 1. Inventory Record | | |  |  |
| Date | Units Purchased | Unit Sold | Purchase Price Unit ($) | Selling price per unit ($) |
| 3rd June | 1230 |  | 9 |  |
| 8th June | 738 |  | 10 |  |
| 10th June |  | 246 |  | 13 |
| 12th June | 492 |  | 12 |  |
| 15th June |  | 1476 |  | 13 |
| 20th June | 1230 |  | 11 |  |
| 23rd June |  | 574 |  | 15 |
| 27th June | 164 |  | 13 |  |

**Required:**

Based on the above information, calculate:

* Cost of goods sold (COGS) [4 Marks]
* Cost of closing inventory [3 Marks]
* Gross profit [3 Marks]

**ANSWER:**

Cost of goods sold (COGS) is arrived at by subtracting the cost of production from the total number of units sold over a certain time frame. The first-in, first-out (FIFO) accounting approach treats the upfront investment in inventory as the cost of the first units sold and the upfront investment in inventory as the cost of the last units sold.

FIFO Inventory Record

| **Date** | **Units Purchased** | **Units Sold** | **Ending Inventory** | **Purchase Price Unit ($)** | **Cost of Goods Sold** |
| --- | --- | --- | --- | --- | --- |
| 3rd June | 1230 | 9 | 1221 | $10 | $90 |
| 8th June | 738 | 10 | 728 | $13 | $130 |
| 10th June | 246 | 482 | 246 | $12 | $2,952 |
| 12th June | 492 | 482 | 492 | $12 | $5,824 |
| 15th June | 1476 | 498 | 978 | $13 | $6,466 |
| 20th June | 1230 | 574 | 656 | $11 | $6,934 |
| 23rd June | 574 | 492 | 82 | $15 | $7,278 |
| 27th June | 164 | 164 | 0 | $13 | $2,132 |

Cost of goods sold (COGS) = $90 + $130 + $2,952 + $5,824 + $6,466 + $6,934 + $7,278 + $2,132 = $31,806

The value of stock on hand at the end of the accounting period must be established before the cost of closing inventory can be calculated.

Cost of closing inventory = Ending inventory units x Ending inventory cost per unit

Cost of closing inventory = 656 x $11 = $7,216

Gross profit is found by deducting the cost of goods sold (COGS) from net sales.

Gross profit = Net sales - Cost of goods sold

Gross profit = (9 x $13) + (10 x $13) + (246 x $15) + (492 x $15) + (994 x $15) + (574 x $17) + (164 x $20) - $31,806

Gross profit = $2,223

As a result, $31,806 goes towards COGS, $7,216 goes towards closing inventory, and $2,223 goes towards gross profit.

**Question 5 (10 marks)**

SAP's Enterprise Resource Planning (ERP) system is designed to assist an organisation in integrating and managing business processes. The system deals with the problems of organising and executing the millions of transactions that are fundamental to many large businesses. SAP is the leader in the ERP market. SAP ERP is a very large system that incorporates over 30,000 tables and 50,000 transactions. This tutorial is an introduction designed to assist you with familiarising yourself with the SAP ERP basics utilising SAP's latest ERP release: S/4HANA.

**Required:**

You have performed several processes to complete your SAP ERP assessment. Briefly describe these processes. Is there any theoretical linkage between the fulfilment process and the procurement process? Finally, what challenges did you face in completing SAP ERP Assessment? Note: Your responses will be verified using your SAP ERP account details.

**ANSWER:**

SAP Enterprise Resource Planning (ERP) is an all-inclusive system that handles many different aspects of running a corporation. In contrast to the fulfilment process, which includes delivering products or services to clients, procurement entails the actual acquisition of such goods or services. The procurement process is tied into order fulfilment since it is how businesses obtain the products and services that end users demand.

Creating purchase orders, receiving items, producing sales orders, delivering things, and invoicing clients are all examples of procedures that can be required to pass the SAP ERP evaluation. Materials Management (MM), Sales and Distribution (SD), and Financial Accounting and Controlling (FAC) are just a few of the SAP ERP transactions and modules utilised in these activities (FICO).

Depending on the activities at hand and the user's level of experience with the SAP ERP system, the difficulties encountered while taking the evaluation might range widely. The sheer volume of information included inside the system, the complexity of the underlying business processes and the need of error-free data entry are all potential obstacles.

**END OF SUPPLEMENTARY ASSESSMENT**

**Submission instructions:**

**Before you submit your assessment, please check the following:**

* You have named your file with your **Student Number** and **Unit Code** e.g. **GWA1234 HI5001**   
  It is critical you follow this file name instruction to ensure the file belongs to you.
* You have saved your file in **MICROSOFT WORD** format only. **No other format is accepted**.
* You have checked you are submitting the correct document as special consideration is not granted if you make a mistake.

**Once you have checked the above:**

Upload your file to the appropriate link on Blackboard.

You have **two attempts** to submit your assessment with only the final submission being marked.

\*\* Note: All submissions are automatically passed through SafeAssign to assess academic integrity.