



THE UNIVERSITY OF
WESTERN AUSTRALIA
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UWA Business School

MOCK FINAL EXAM (QUESTIONS)
ACCT 1101 – FINANCIAL ACCOUNTING
1st Semester 2024

SURNAME: _____

STUDENT NO: _____

GIVEN NAMES: _____

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This Exam Paper contains 19 pages including the title page.

Section A: 30 Multiple Choice Questions

Section B: 8 Short Answer Questions

- This is an Examination with permitted materials.

PLEASE NOTE

Students may only use authorised materials in the Final Examination.

Students cannot make contact with any other students or persons during the Examination.

SECTION A: MULTIPLE CHOICE QUESTIONS**(30 marks)**

Circle the answer you deem to be the best response to each multiple-choice question posed.

- A1. The body in Australia which issues legally enforceable accounting standards that apply to companies is:
- (a) Australian Accounting Standards Board (AASB)
 - (b) Institute of Chartered Accountants in Australia (ICA)
 - (c) Financial Accounting Standards Board (FASB)
 - (d) Australian Securities Exchange (ASX)
 - (e) Australian Securities Investments Commission (ASIC)
- A2. Which of the following is not an Intangible asset?
- (a) Trademarks
 - (b) Franchise
 - (c) Patents
 - (d) Research
 - (e) Copyrights
- A3. In-The-Trenches Pty Ltd uses the Units-Of-Production method to depreciate assets. They bought Equipment for a cost of \$200 000 on 1 July, 2014 with a 5 year life. The asset has an estimated residual value of \$50 000 and a useful life of 25 000 hours. If the Equipment is used for 7 000 hours in year 1, what is the depreciation expense.
- (a) \$40 000
 - (b) \$30 000
 - (c) \$42 000
 - (d) \$50 000
 - (e) \$56 000

- A4. Chong Ltd makes all of its purchases on credit; 50% are paid in the month of purchase; 30% during the month following the purchase and 20% in the second month following the purchase. Given the following data, determine the cash paid to creditors during month 4.

Month	2	3	4
Credit purchase	\$70 000	\$50 000	\$80 000

- (a) \$69 000
 - (b) \$80 000
 - (c) \$55 000
 - (d) \$50 000
 - (e) None of the above
- A5. Assuming a positive bank balance, when reconciling the ledger with the bank statement a returned (dishonoured cheque) should be:
- (a) Added to the bank statement balance in the reconciliation
 - (b) Subtracted from the general ledger bank balance
 - (c) Subtracted from the bank statement balance
 - (d) Added to the general ledger bank balance
 - (e) Added to the Cash Receipts Journal
- A6. Which of these is not a Profitability related ratio ?
- (a) Return On Total Assets
 - (b) Return On Equity
 - (c) Profit Margin
 - (d) Times Interest Earned
 - (e) Earnings Per Share
- A7. According to the *Framework* which of the following is/are essential characteristic(s) of an asset?
- (a) It must have been acquired at a cost to the entity
 - (b) There must be future economic benefits
 - (c) The entity must have control over the future economic benefits
 - (d) All of the above
 - (e) B and C only

A8. The basic accounting entry for a revaluation decrement or fall in the value of Land is:

- (a) Debit - Expense on revaluation of Land; Credit - Land
- (b) Debit - Land; Credit - Expense on the revaluation of Land
- (c) Debit - Revaluation surplus reserve; Credit - Land
- (d) Debit - Land; Credit - Revaluation surplus reserve
- (e) None of the above

A9. If credit purchases are \$100 000 determine the cash paid for the purchase of inventory for 2013.

Beginning accounts payable	\$30 000
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Ending accounts payable	\$42 000
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- (a) \$88 000
- (b) \$112 000
- (c) \$130 000
- (d) \$142 000
- (e) \$172 000

A10. The primary basis for the classification of assets and liabilities in the balance sheet is:

- (a) Profitability
- (b) Tangibility
- (c) Liquidity
- (d) Degree of Risk
- (e) Non-Tangibility

- A11. Dupont Ltd uses a periodic inventory system with the specific identification method of cost assignment.

	Date	Units	Unit Cost
Beginning Inventory	July 1	1 000	\$10
Purchase	July 10	2 000	\$11
Purchase	July 20	1 000	\$13

On 25 July, a total of 500 units from beginning inventory and 1 500 units from the 10 July purchase were sold. What was the value of ending inventory at 31 July, 2012 ?

- (a) \$10 500
 - (b) \$23 500
 - (c) \$26 000
 - (d) \$34 500
 - (e) None of the above
- A12. When prices are falling (deflation), the system with the highest value for Inventory is most likely to be which of the following:
- (a) Specific Identification
 - (b) Weighted Average
 - (c) FIFO
 - (d) Moving Average
 - (e) LIFO
- A13. Which of these would be defined as contingent liabilities?
- 1. A loan from a financial institution
 - 2. An unresolved lawsuit brought against the entity for breach of health and safety regulations
 - 3. An agreement to act as guarantor for another firm's borrowings
 - 4. A bank overdraft
- (a) 1, 2, 4
 - (b) 2, 3
 - (c) 1, 2
 - (d) 1, 3
 - (e) 1, 2, 3

A14. Stewart Ltd purchased a new Machine for \$60 000, (net of GST). Originally it had an estimated useful life of 4 years and a residual value of \$12 000. The straight-line method is used. At the start of the third year, Stewart Ltd revised the estimated residual value of the Machine to nil. What depreciation expense should be recorded for the Machine for the third year ?

- (a) \$3 000
- (b) \$18 000
- (c) \$12 000
- (d) \$15 000
- (e) \$36 000

A15. LPG Ltd purchased a sprinkler system at the start of Year 1 (1 January, 2011).

Cost (net of GST)	\$6 500
Residual	\$1 500
Estimated Useful Life	4 years

Under the diminishing-balance method, using a rate of 50%, what will be the depreciation expense for the 2nd year (which ends on 31 December, 2012) ?

- (a) \$3 250
- (b) \$1 625
- (c) \$1 500
- (d) \$1 250
- (e) \$ 813

A16. These are the balance sheets of Mitchell Ltd:

	30 June <u>2011</u>	30 June <u>2012</u>
Plant	\$10 000	\$15 000
Accumulated Depreciation – Plant	\$ 4 000	\$ 5 000

The profit and loss statement for the year ended 30 June 2012 shows:

Depreciation Expense – plant	\$1 500
Proceeds from the sale of plant	\$1 600
Carrying value of plant sold	\$2 500

During the year Mitchell Ltd sold plant which had cost \$3 000.

The accumulated depreciation on the plant sold by Mitchell during the year is:

- (a) \$500
- (b) \$1 500
- (c) \$2 500
- (d) \$4 000
- (e) None of the above

A17. Gladesville Ltd recorded sales of \$150 000 during the year (net of GST). Of these, \$60 000 were on credit. Bad debts have averaged half a percent ($\frac{1}{2}\%$) of credit sales. The entry to estimate bad debt expense for the year using the allowance method is:

- (a)

Bad Debts Expense	\$300	
Allowance for Doubtful Debts		\$300
- (b)

Bad Debts Expense	\$750	
Allowance for Doubtful Debts		\$750
- (c)

Bad Debts Expense	\$300	
Accounts Receivable		\$300
- (d)

Bad Debts Expense	\$750	
Accounts Receivable		\$750
- (e)

Allowance for Doubtful Debts	\$300	
Accounts Receivable		\$300

A18. How many of these ratios are used to evaluate long-term financial stability?

1. Debt ratio
 2. Equity ratio
 3. Current ratio
 4. Quick Asset / Acid Test ratio
- (a) 0
- (b) 1
- (c) 2
- (d) 3
- (e) 4

A19. Issues in a firm's management of its accounts receivable are:

- (a) Deciding which customers to offer credit to
- (b) Minimising the incidence of Bad Debts
- (c) Following up slow paying customers
- (d) All of the above
- (e) A and C only

A20. Jolly Roger's Seafood Restaurant had bank issued credit card sales of \$3 300 including GST. The entry to be made to record the sales is:

- (a) Cash \$3 300
- GST Collections \$300
- Sales Revenue \$3 000
- (b) Accounts Receivable \$3 300
- Sales Revenue \$3 300
- (c) Accounts Receivable \$3 300
- GST Collections \$300
- Sales Revenue \$3 000
- (d) Cash \$3 000
- Sales Revenue \$3 000
- (e) Sales Revenue \$3 300
- Accounts Receivable \$3 300

A21. The balance sheet of Brown Ltd at 31 December 2010 shows the following:

Plant	\$50 000
Accumulated Depreciation-Plant	<u>(30 000)</u>
	\$20 000
	=====

On 1 January 2011, based on a valuer's estimate of fair value, it was decided to revalue the plant to \$35 000. The plant was then assessed to have a further useful life of 3 years and an expected residual amount of \$5 000. The journal entry in the books of Brown Ltd to record depreciation on plant on a straight-line basis for the half-year ending 30 June 2011 (balance date) is ?

- (a) Depreciation Expense-Plant 10 000
 Accumulated Depreciation-Plant 10 000
- (b) Depreciation Expense-Plant 5 000
 Accumulated Depreciation-Plant 5 000
- (c) Accumulated Depreciation-Plant 5 000
 Depreciation Expense-Plant 5 000
- (d) Depreciation Expense-Plant 7 500
 Accumulated Depreciation-Plant 7 500
- (e) None of the above

A22. Arizona sells children's toys. At the beginning of April 100 units were on hand for which the firm had paid \$10 each. Purchases and sales for the month were:

Date	Unit purchases	Unit cost	Unit sales
April 3	120	\$11	
April 10	150	\$12	
April 25			180

If Arizona uses a Periodic inventory system with a LIFO cost flow assumption, April's cost of goods sold is:

- (a) \$2 130
- (b) \$2 160
- (c) \$2 020
- (d) \$1 880
- (e) None of the above

- A23. Cody Banks Ltd bought 30 laptops on the 8 January 2012 at a cost of \$1 200 each. The laptops are sold for \$1 800 each to the public. At the end of the financial year on 30 June 2012, there are still 6 laptops that have not been sold. Due to changing technology, by the end of the year, these laptops can now be sold on the market for only \$750 each. What is the value of the Inventory in the Balance Sheet as at 30 June 2012 ?
- (a) \$4 500
 - (b) \$7 200
 - (c) \$10 800
 - (d) \$2 700
 - (e) \$6 300
- A24. Which type of firm would you expect to have the fastest inventory turnover?
- (a) Used car dealer
 - (b) Jewellery store
 - (c) Clothing store
 - (d) Bakery
 - (e) Retailer of computers
- A25. The income statement of Da Bom Ltd shows accrual-basis interest income for the year ended 30 June 2012 as \$400. The comparative balance sheets show that interest receivable at 30 June 2011 and 30 June 2012 were \$45 and \$80 respectively. Determine the amount of cash received by way of interest during the year, which is to be included in the Cash Flow Statement.
- (a) \$45
 - (b) \$365
 - (c) \$400
 - (d) \$435
 - (e) \$525

- A26. On 16 April, 2014 Edinburgh Ltd sells a Machine to London Ltd who agrees to pay for it within 90 days. On the Balance Sheet for Edinburgh Ltd at 16 April, 2014 the amount owing by London Ltd would be reported as which one of the following:
- (a) Accounts payable
 - (b) Accounts receivable
 - (c) Loan
 - (d) Inventory
 - (e) Capital
- A27. The enhancing qualitative characteristics in the *Conceptual Framework* are:
- (a) Uniformity, reliability, materiality, consistency
 - (b) Understandability, timeliness, uniformity, readability
 - (c) Verifiability, timeliness, comparability, understandability
 - (d) Uniformity, comparability, reliability, consistency
 - (e) None of the above
- A28. Which statement about Goodwill is true?
- (a) Goodwill can be purchased or sold as a separate item
 - (b) Goodwill arises from many factors, such as customer confidence, superior management and a favourable location
 - (c) Under AASB 3 goodwill is automatically amortised
 - (d) Goodwill is classified as a current asset
 - (e) Goodwill is a tangible asset
- A29. Under the *Conceptual Framework* ‘increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity other than those relating to contributions from equity participants’, is the definition of:
- (a) Income
 - (b) Asset
 - (c) Liability
 - (d) Expense
 - (e) Equity

A30. Cheshire Ltd has acquired manufacturing equipment and incurred the following expenses in doing so -

Gross invoice price, net of GST (subject to terms of 2/10,n/30)	\$9 000
Transportation costs to get equipment to factory	\$1 000
Special permit to allow wide load on freeway	\$ 300
Speeding ticket incurred by company driver after delivering equipment to the factory	\$ 150

The equipment should be recorded in Cheshire Ltd's records at:

- (a) \$10 450
- (b) \$10 300
- (c) \$10 150
- (d) \$10 000
- (e) \$ 9 300

SECTION B: SHORT ANSWER QUESTIONS

QUESTION B1

(15 marks)

O'Connor Ltd started business activities on 31 March 2010 in the recycling industry. The company balances its accounting records at month-end and its financial period reporting date is 31 December. Ignore GST.

The following events occurred during 2010 and 2011:

2010

- April 1 Paid \$140 000 cash for a second-hand disposal truck. Paid \$1 500 cash to recondition the truck's engine.
- June 30 Paid \$12 000 for equipment. The company estimated the equipment's useful life at 10 years and its residual value at \$1 500.
- Aug 31 Paid \$600 cash for the truck's transmission repairs and oil change.
- Dec 31 Recorded depreciation on the truck at 40% p.a. using the diminishing balance method. The equipment is depreciated using the straight line method.

2011

- Mar 13 Paid \$600 cash to replace a damaged bumper bar on the truck.
- Jul 1 Installed a new motor in the truck for a cost of \$11 000. The company considered that the carrying amount of the old motor was only \$600 at this date, and the old motor was written off. With the new motor installed, the truck's depreciation rate using the diminishing balance method was revised to 30% from July 1.
- Dec 31 Recorded depreciation on the truck and the equipment for the period.

Required:

- A. Prepare General Journal entries to record the above events.
(Narrations are not required)

OR

- B. Prepare the following ledger accounts for the period 31 March 2010 to 31 December 2011:
 - 1. Truck
 - 2. Equipment
 - 3. Accumulated depreciation – Truck
 - 4. Accumulated depreciation – Equipment

QUESTION B2**(6+2 = 8 marks)**

The following details were obtained from the accounting records of Condensed Computer Ltd for the financial year. [Ignore GST]

The firm uses the net credit sales method for estimating doubtful debts and has observed that on average approximately 3% of all credit sales will be not be collected.

On 1 July, 2019 the Balance in the Allowance for Doubtful Debts ledger account was \$28 530.

On 10 October, 2020 a Bankruptcy notice in the financial press revealed that the business of Jack Champion (currently an Account Receivable) had gone into Liquidation and would not be able to pay any of their outstanding debts. It was decided that the \$28 530 owed to our business by Jack Champion would be written off as a Bad Debt.

On 22 January, 2020 the remaining assets of Jack Champion were sold and realised more than was originally expected and he decided to pay \$6 250 of the debt that he originally owed us.

On 30 June, 2020 it was decided that an adjusting entry would be required in the books to account for the estimated Allowance for Doubtful Debts. Total Sales for the year ending 30 June, 2020 were \$2 500 000, of which 30% had been made on a Cash Sales basis.

Required:

-
- A. Prepare the General Journal entries to record the above information for Condensed Computer Ltd. (Narrations are required)
 - B. Prepare and balance the Allowance for Doubtful Debts account at 30 June, 2020.

QUESTION B3**(5+5+5+3 = 18 marks)**

Spencer Consolidated Industries sells one type of digital Camera and uses a **Perpetual Inventory** system. The 1st November inventory consisted of 15 units at \$105 each. During November, the selling price was \$200 and total operating expenses were \$850. After making a visual inspection of the Stock in store, Spencer Consolidated Industries is of the opinion that 5 of the units Purchased on 3rd November and also 5 of the units Purchased on 16th November are still on hand. Transactions for the month were as follows:

Date (November)

3	Purchased	8 units at \$107 per unit
10	Sold	9 units
16	Purchased	10 units at \$115 per unit
21	Sold	6 units
25	Sold	8 units

Required:

Determine the Cost Of Goods Available For Sale, Cost Of Goods Sold and Closing Inventory under the following methods:

1. Moving Average
2. LIFO
3. FIFO
4. Specific Identification

QUESTION B4**(5 marks)**

T. Bone received a bank statement on 1 October 2012 from Big Bank Ltd. The bank statement was compared with the cash journals for September, and all entries appearing in the bank statement which had not been entered into the cash journals were entered therein. The cash journals were posted and the resulting balance of the Cash at Bank account in the ledger of T. Bone at 30 September was \$5180.06 Cr. The closing balance shown on the bank statement at 30 September 2012 was \$5673.65 Dr.

The above comparison also revealed that the following items which appeared in the cash journals did not appear in the bank statement:

The deposit made on 30 September of \$975.83.

Cheques written during September which had not been presented for payment were:

Cheque no. 3771	\$174.93
3779	\$202.54
3785	\$ 93.77

It was also noted that a cheque written for \$98 appeared incorrectly in the bank statement as \$87.

Required:

Prepare T. Bone's bank reconciliation statement at 30 September 2012.

QUESTION B5**(10 + 5 = 15 marks)**

The following information was taken from the comparative financial statements of Rosso's Hardware Store prepared on an accrual basis:

ROSSO'S HARDWARE STORE
Comparative Financial Statements

	2013	2012
Sales revenue	\$870 000	\$810 000
Cost of sales	\$340 000	\$319 500
Expenses (including Depreciation Expense of \$63 000 p.a.)	\$333 000	\$315 000
Profit	\$180 000	\$175 500
Year-end accounts receivable	\$166 500	\$150 000
Year-end inventory	\$117 000	\$137 000
Year-end accounts payable	\$ 76 500	\$ 70 000
Year-end wages payable	\$ 22 500	\$ 35 000

Required

Part (a) - Prepare a schedule to show the net cash flow provided by Operating Activities during 2013 in accordance with AASB 107 – Cash Flow Statements. Assume there is no Income Tax, GST or write-off of Bad Debts.

Part (b) – Classify the following items into either Operating, Investing or Financing Activities and indicate whether they represent a Cash Inflow or Cash Outflow. (If any item **does not** appear in the Cash Flow Statement, this should be specified in your answer.)

1. Cash Received from Debtors \$753,000.
2. Shares Issued to Shareholders \$500,000.
3. Purchase of new Equipment \$150,000.
4. Amortisation of Patents \$36,000.
5. Repayment of Mortgage Loan \$200,000.
6. Sale of Land & Buildings \$900,000.
7. Payment of Wages \$85,000.
8. Interest received on Term Deposits \$7,000.
9. Cash paid to Creditors \$333,000.
10. Depreciation of Motor Vehicles \$29,000.

QUESTION B6**(4+3+3+3 = 13 marks)****Required:**

- A. Using examples, outline the definition of a ‘liability’ as provided in the Conceptual Framework.
- B. In accordance with the Conceptual Framework for financial reporting, explain briefly the ‘reporting entity’ concept used in Accounting .
- C. Explain what is meant by ‘the lower of cost and net realisable value’ with reference to the recording and subsequent revaluation of Inventories.
- D. Briefly explain the “accrual basis assumption” and why financial statements are prepared under this basis.

QUESTION B7**(5+2 = 7 marks)**

The following information relates to a Debenture issue of Fraser Ltd dated 1 July 2010:

Date issued:	1 July 2010
Nominal value of Debenture	\$1 000 each
Stated interest rate	6%
Interest payment dates	On 31 December and 30 June each year
Term to maturity	8 years
Cash received for the issue	\$500 000
[A total of 500 Debentures are to be issued.]	

The company’s financial year-end is 30 June.

Required:

- A. Prepare General Journal entries to record:
1. The issue of the Debentures
 2. The 31 December 2010 Interest payment
- B. Calculate the Interest Expense for the year ended 30 June 2011, and prepare the Journal entry to close off the Interest Expense account for the financial period.

(Narrations must be shown for all Journal entries).

QUESTION B8**(2+6+2+4 = 14 marks)**

The following information is available for Abbotsford Ltd. They are a Retailer of clothes.

	2012	2011
Sales Revenue	\$1,600 000	\$1 470 000
Interest Expense	69 000	71 000
Income Tax Expense	124 400	137 900
Profit after Income Tax	146 000	144 000
Preference Share Dividends	9 000	9 000
Total Assets	1 300 000	1 230 000
Total Liabilities	730 000	810 000
Preference Share Capital	150 000	150 000
Ordinary Share Capital	263 000	249 000
Retained Profits	157 000	21 000

**All of the Finance Costs of Abbotsford Ltd are composed of Interest Expense for both years. You can assume there is no Interest Income for both years.*

Required:

- A. Calculate the following ratios for 2012:
 1. Return on Total Assets.
 2. Return on Ordinary Shareholders' Equity.
- B. Calculate the following ratios for 2011 and 2012:
 1. Profit Margin.
 2. Debt Ratio.
 3. Times Interest Earned.
- C. If the Return On Total Assets of the firm has decreased over the period, what are the most likely reasons that have caused the deterioration.
- D. Explain briefly which (if any) of the above Ratios would be useful in measuring the short-term liquidity, long-term financial stability, profitability or the cash flow efficiency of Abbotsford Ltd.

For the Formula explanation for each of the above Ratio(s), refer to Chapter 19 of the textbook "Financial Accounting" by Hoggett et al. (2024), (12th Edition).

(*In the Final Exam, the correct Formulae for the respective Ratio(s) will be provided.)