



## School of Accountancy



**110.109**

**Introductory Financial Accounting**

**Assessment 3 Booklet**

**Distance**

**Summer School – 2021**

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## IMPORTANT INFORMATION

This is an electronic assessment and must be completed in the “Assessment 3 Answer Workbook” to be downloaded from Stream, completed by you, and then uploaded back to Stream before the due dates and times.

**Do not alter the template** in any way that compromises the formulas in the marking columns.

Assessment 3 contributes 15% towards your final grade and **is due before 11pm on Sunday 16 January 2022 (New Zealand Time)**.

Assessment 3 covers material from weeks 1 to 8 inclusive and mainly relates to the following learning outcomes:

1. Demonstrate an understanding of the financial reporting framework for general purpose financial statements for commercial enterprises.
2. Identify, measure, record and communicate economic transactions and events of commercial enterprises’ operations using fundamental accounting concepts, including the double entry accounting system.
3. Apply basic measurement theory, and principles and concepts of accounting, to the valuation of assets.

### Submitting the Assessment files

- Submit the file in the provided submission point for Assessment 3.
- Follow the instructions “Submitting Assignments to Stream Assignment boxes”, which is available under the Assessment section on Stream. Stream records the submission date and time.
- Use the following naming convention for the files that you create: use your Last Name and Student ID number as the name of the file [Do not change the file extension or you (and the marker) will not be able to use the file].

Please remember that all 110.109 **assessments** must be **your own work**. Discussion on STREAM or in study groups is fine but **comparing or suggesting answers as opposed to concepts may lead to marks being deducted to the extent of receiving zero marks if answers are too similar**.

**All the best with your assessment.**

Christelle on behalf of the 110.109 teaching team

**ASSESSMENT 3 DETAILS****Question 1: Accounting Cycle**

Goddard Ltd. began its operations on 1 April 2020. The trial balance at 31 March 2021 is as below:

**Goddard Ltd.**  
**Unadjusted Trial Balance as at 31 March 2021**

Account Title	Debit \$	Credit \$
Accounts Receivable	65,000	
Cash at Bank	94,000	
Cost of Sales	52,000	
Equipment (cost)	60,000	
Insurance Expense	3,300	
Interest Expense	600	
Inventory	36,000	
Prepaid Insurance	300	
Sales Salaries Expense	66,000	
Sales Returns and Allowances	2,000	
Supplies (asset)	3,000	
Electricity Expense	1,850	
Telephone Expense	950	
Vehicle (cost)	23,000	
Selling Expense	8,500	
Accounts Payable		32,500
Interest Payable		600
Share Capital		170,000
Discount Received		1,240
Bank Loan: ANZ (10% interest p.a.)		36,000
Sales		176,160
	416,500	416,500

**Additional data:**

- (a) Supplies on hand at 31 March 2021 total \$2,800.
- (b) Annual insurance premium of \$3,600 was paid on 1 April 2020.
- (c) A telephone bill for \$200 was received from Vodafone and is payable on 15 April 2021. It has not yet been recorded in the Accounts Payable.
- (d) Sales salaries of \$6,000 are owed at 31 March 2021.

- (e) No depreciation has been charged during the year. Depreciation is to be charged at the following rates:

Equipment: The straight-line method at a rate of 10% is used for all the equipment.

*Note:* Some equipment was bought on 1 April 2020; the remainder of the equipment was bought on 1 October 2020 at a cost of \$20,000.

Vehicle: The company vehicle was bought on 1 September 2020 and has a useful life of 5 years. The estimated residual value is \$5,000. Straight-line depreciation method is used for the vehicle.

- (f) The ANZ loan of \$36,000 was taken out on 1 January 2021 for five years. The principal of the loan is to be repaid at the end of the loan term. The interest on the loan is due annually at a rate of 10% p.a., but paid on the first day of the following year. The interest is calculated on a monthly basis but not compounded.
- (g) The company includes Supplies, Electricity, Telephone, Insurance and Depreciation Expenses under administration expenses category. Interest Expense is listed separately under financial expenses category.
- (h) All profits are retained at the end of the year.

**Required:**

**For the purpose of this question, please ignore GST, Income Tax, and PAYE. Show ALL your workings. Narrations for journals are NOT required.**

- i. Journalise the adjusting entries on 31 March 2021. **(17 marks)**
- ii. Complete the Worksheet for the year ended 31 March 2021. **(9 marks)**
- iii. Prepare a Classified Statement of Profit or Loss and Comprehensive Income for Goddard Ltd. for the year ended 31 March 2021, as per page 246 (Figure 4.6) of your text. Your answer should clearly identify Net Sales and Gross Profit. **(10 marks)**
- iv. Prepare a Classified Statement of Financial Position for Goddard Ltd as at the year ended 31 March 2018. **(14 marks)**

**[Total = 50 marks]**

## Question 2: Inventories

Characters Ltd uses a **periodic inventory system** for recording its cost of sales. At 1 January 2022, the company had in beginning inventory 45 units with a unit cost of \$20. During January, the company made the following purchases of inventory:

<b>Date</b>	<b>Explanation</b>	<b>Quantity</b>	<b>Cost per unit</b>
8 January	Purchase	35	\$18
17 January	Purchase	20	\$25
28 January	Purchase	24	\$20

During the month of January, 90 units were sold.

### **Required:**

**For the purpose of this question, please ignore GST. Show ALL your workings.**

- i. Calculate the cost of goods available for sale in January. **(4 marks)**
- ii. Calculate the cost of sales for January using the **FIFO** method. **(3 marks)**
- iii. Calculate the cost of sales for January using the **LIFO** method. **(4 marks)**
- iv. Calculate the ending inventory and cost of sales using the **weighted average cost** method. **(2 marks)**

**[Total = 13 marks]**

**Question 3: Statement of Cash Flows**

Set out below are Standard Ltd's financial statements for the year ended 30 June:

<b>Standard Limited</b>		
<b>Comparative Statement of Financial Position</b>		
<b>as at 30 June</b>		
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Assets</b>		
Cash	\$ 95,000	\$ 47,670
Accounts receivable (net)	86,800	57,000
Inventory	121,900	102,650
Investments (long-term)	84,600	87,000
Property, plant and equipment	250,000	205,000
Accumulated depreciation	<u>(49,500)</u>	<u>(40,000)</u>
Total assets	<u>\$588,800</u>	<u>\$459,320</u>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable	\$ 52,700	48,700
Expense payable	12,100	18,830
Notes payable (long-term)	100,000	70,000
Share capital	250,000	200,000
Retained earnings	<u>174,000</u>	<u>121,790</u>
Total liabilities and shareholders' equity	<u>\$588,800</u>	<u>\$459,320</u>

<b>Standard Limited</b>		
<b>Statement of Profit or Loss</b>		
<b>for the year ended 30 June 2021</b>		
Sales		\$350,000
Gain on sale of equipment		<u>8,750</u>
Less:		358,750
Cost of sales	\$ 99,500	
Operating expenses	64,370	
Income tax expense	5,200	
Interest expense	<u>5,440</u>	<u>(174,510)</u>
Net profit after tax		<u>\$ 184,240</u>

The following additional information was provided:

- (a) All sales and purchases of inventories were on account.
- (b) Accounts payable pertains to inventory creditors.
- (c) Additional equipment was purchased for cash during the year.
- (d) Investments were sold for cash at cost.
- (e) Equipment costing \$52,000 was sold for cash with a gain of \$8,750.
- (f) A cash dividend was declared and paid during the year.
- (g) Operating expenses include depreciation expense of \$49,700.
- (h) Income tax expense and interest expense were settled in cash.
- (i) Additional shares were issued for cash during the year.



**Required:**

**For the purpose of this question, please ignore GST, but show all your workings.**

- i. Prepare a Statement of Cash Flows for Standard Ltd for the year ended 30 June 2021 using the direct method, as per p.697 (Figure 11.25) of your text. **(29 marks)**
  
- ii. Prepare a reconciliation of net profit after tax to net cash provided from operating activities as per p.702 (Figure 11.27) of your text. **(8 marks)**

**[Total = 37 marks]**

**Total Marks for Assessment 3 = 100 Marks**