



DIVISION OF TECHNICAL EDUCATION AND MANAGEMENT STUDIES

EXAMINATION SESSION : May 2017, Final Examination (Alternate)
TUTOR : Mrs F. Beerom-Henry
PROGRAMME TITLE : Associate Degree – Business Administration
PROGRAMME CODE : 3BS-ABA-AD
COURSE TITLE : Advanced Financial Accounting
COURSE CODE : ACC204
CLASS : Year 2
DATE :
TIME :
DURATION : 2 hrs
ROOM(S) :
INVILGILATORS :

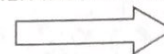
#A62



INSTRUCTIONS

- This examination booklet contains **8** printed pages.
- Read **all** questions carefully and completely.
- Write **ID# only** on the answer booklet. **Do not remove** staples or pages from answer booklet.
- Complete **answer cover sheet** fully before submitting answer booklet to invigilator.
- There are **FOUR (4)** questions PLUS a **bonus** question in this paper. Candidates are required to answer:
 - SECTION A – one **COMPULSORY** question. (20 marks)
 - SECTION B – any **two (2)** questions. (20 marks each)Bonus question is worth **5 marks**.
- **DO NOT WRITE ANY ANSWERS ON THE QUESTION PAPER.**
- No scrap paper is provided. Show all computations in answer booklet.
- Present value table extracts are included.
- Use of silent electronic calculators is permitted.
- Borrowing or lending is prohibited.
- **All cell phones must be turned off and placed in bags at front of room.**
- **Remove all calculator covers and place in bags at front of room.**
- **All pencil cases must be placed in bags at front of room.**

GO TO THE NEXT PAGE WHEN INSTRUCTED



SECTION A

COMPULSORY

20 MARKS

INSTRUCTIONS: All candidates are required to answer the question in this section. **Show all workings.**

Question 1**A.**

Discount Theatre is located in the Sunny Acres Mall. A cashier's booth is located near the entrance to the theatre. Three cashiers are employed. One works from 1–5 P.M., another from 5–9 P.M. The shifts are rotated among the three cashiers. The cashiers receive cash from customers and operate a machine that ejects serially numbered tickets. The rolls of tickets are inserted and locked into the machine by the theatre manager at the beginning of each cashier's shift.

After purchasing a ticket, the customer takes the ticket to an usher stationed at the entrance of the theatre lobby some 60 feet from the cashier's booth. The usher tears the ticket in half, admits the customer, and returns the ticket stub to the customer. The other half of the ticket is dropped into a locked box by the usher.

At the end of each cashier's shift, the theatre manager removes the ticket rolls from the machine and makes a cash count. The cash count sheet is initialled by the cashier. At the end of the day, the manager deposits the receipts in total in a bank night deposit vault located in the mall. The manager also sends copies of the deposit slip and the initialled cash count sheets to the theatre company treasurer for verification and to the company's accounting department. Receipts from the first shift are stored in a safe located in the manager's office.

Required:

Explain **one** instance of how any **five (5)** internal control principles have been applied by Discount Theatre. **(10 marks)**

B.

Bummer Company's **Bank Statement** from First Caribbean Bank at April 30, 2017, shows the following information.

Balance, April 1	\$11,284	Cheques cleared during April	\$46,475
Deposits during April	47,521	Balance, April 30	16,856

Bank Credit Memoranda:

Collection of note receivable	
plus \$105 interest	\$4,505
Interest earned	41

Bank Debit Memorandum

Safety Deposit Box Rent	\$20
-------------------------	------

A summary of Bummer Company's **Cash Book** for April shows:

Balance, April 1	\$10,959	Disbursements for April	\$47,794
Receipts for April	50,050	Balance, April 30	13,215

Analysis revealed that the only reconciling items on the March 31 bank reconciliation were deposit in transit for \$2,600 and outstanding cheques amounting to \$2,925. The deposit in transit was the first deposit recorded by the bank in April.

In addition, it was determined that there were two errors involving company cheques drawn in April:

1. A cheque for \$340 to supplier Joe Blo for purchases on account that cleared the bank in April was journalized and posted for \$430.
2. A salary cheque to employee – E. Mason for \$275 was recorded by the bank as \$277

Required:

- (i) Calculate the amount for deposits in transit at April 30. (3 marks)
- (ii) Calculate the amount for outstanding cheques at April 30. (4 marks)
- (iii) Prepare the bank statement portion of the bank reconciliation at April 30. (3 marks)

[Total 20 marks]

SECTION B

40 MARKS

INSTRUCTIONS:

Answer any **two (2)** questions from this section. Answer all questions in your answer booklet. **Show all workings.**

Question 2

A.

The equity accounts of Noble Company have the following balances on December 31, 2016.

Share Capital - Ordinary, \$10 par, 200,000 shares issued and outstanding	\$2,000,000
Share Premium – Ordinary	1,200,000
Retained Earnings	5,600,000

Shares of Nobel Company shares are currently selling at \$37.

Required:

Prepare all necessary journal entries for each of the following cases:

- (i) A share dividend of 40% was declared and issued. (3 marks)
- (ii) A share dividend of 5% was declared and issued. (4 marks)

B.

The outstanding capital of Grew Company consists of 2,000 6% \$100 par value preference shares and 5,000 \$50 par value ordinary shares.

The Directors declared cash dividends of \$70,000 for 2016 however preference share dividends were not paid for 2014-2015.

Required:

Determine how much each class of shares received as cash dividends for 2016 under each of the following assumptions about the preference shares:

- (i) non-cumulative and non-participating (2 marks)
- (ii) cumulative and non-participating (3 marks)
- (iii) non-cumulative and participating in distributions in excess of an 8% dividend rate on ordinary shares (4 marks)
- (iv) cumulative and fully participating (4 marks)

[Total 20 marks]

Question 3

A.

Fill in the blanks with the appropriate numerical values to make the respective statements correct and complete.

Topic: Characteristics of IASB

Membership: The board presently consists of (i) _____ members from (ii) _____ different countries, serving (iii) _____-year renewable terms. (iv) _____ members are part-time.

Voting: A minimum of (v) _____ votes from among the total number of members of the Board are needed to get an IFRS issued.

Pronouncements: From 1993 – 2000, IASB had issued (vi) _____ IASs and (vii) _____ SICs. From 2001 – January 2017, IASB has issued (viii) _____ IFRSs and (ix) _____ IFRICs. IFRS (x) _____ is the standard that governs revenue from contracts with customers.

(5 marks)

B.

Explain the steps of **due process** conducted by the IASB in the development of a typical new IFRS.

(7 marks)

C.

The 3rd level of the IASB Conceptual Framework provides the **assumptions, principles and constraint**. Identify the exact assumption, principle or constraint that most appropriately justifies each of the procedures and practices listed below. **Do not use any qualitative characteristic for your answers.**

- (i) Cost principle and fair value are both acceptable for reporting financial assets and financial liabilities.
- (ii) Accounts receivable are recorded for sales on account rather than waiting until cash is received.
- (iii) All significant post-statement of financial position events are reported.
- (iv) Non-current assets are capitalized and depreciated over the periods they provide benefits.
- (v) Each enterprise is kept as a unit distinct from its owner or owners.
- (vi) Reporting must be done at defined time intervals.
- (vii) It is the common denominator of economic activity and provides an appropriate basis for accounting measurement and analysis.
- (viii) In the absence of information to the contrary, it is assumed that an enterprise will be in existence indefinitely.

(8 marks)

[Total 20 marks]

Question 4

A.

A trucking company is considering buying another truck because of a purchasing opportunity. The overstock price is \$154,000 cash, payable on delivery. It is envisaged that the truck would produce net cash flows per year of \$40,000 for 5 years (assumed received at the end of each year), at which time the truck can be sold for an estimated salvage value of \$35,000. Should the company purchase the truck if the discount rate for evaluating capital expenditures is 15%?

Round to nearest whole number.

(5 marks)

B.

Hex Company issued 2,000 \$1,000 par value 9% 4-year bonds on January 1, 2017 with interest payable at December 31. The market rate of similar debt instruments is 6%

Required: Round to nearest whole number

- i. What cash proceeds did Hex company receive from issuance of the bonds?

(3 marks)

- ii. Prepare the amortization schedule for the 4 years.

(7 marks)

- iii. Prepare the necessary journal entries on the following dates:

(a) January 1, 2017

(2 marks)

(b) December 31, 2020

(3 marks)

[Total 20 marks]



BONUS QUESTION

List the **five (5)** selected standards (IASs / IFRSs) and their titles that were highlighted in Module 1 of ACC204.

[5 marks]

TABLE 5-2 PRESENT VALUE OF 1 (PRESENT VALUE OF A SINGLE SUM)

(n) Periods	2%	2½%	3%	4%	5%	6%
1	.98039	.97561	.97087	.96154	.95238	.94340
2	.96117	.95181	.94260	.92456	.90703	.89000
3	.94232	.92860	.91514	.88900	.86384	.83962
4	.92385	.90595	.88849	.85480	.82270	.79209
5	.90573	.88385	.86261	.82193	.78353	.74726
6	.88797	.86230	.83748	.79031	.74622	.70496
7	.87056	.84127	.81309	.75992	.71068	.66506
8	.85349	.82075	.78941	.73069	.67684	.62741
9	.83676	.80073	.76642	.70259	.64461	.59190
10	.82035	.78120	.74409	.67556	.61391	.55839
11	.80426	.76214	.72242	.64958	.58468	.52679
12	.78849	.74356	.70138	.62460	.55684	.49697
13	.77303	.72542	.68095	.60057	.53032	.46884
14	.75788	.70773	.66112	.57748	.50507	.44230
15	.74301	.69047	.64186	.55526	.48102	.41727
16	.72845	.67362	.62317	.53391	.45811	.39365
17	.71416	.65720	.60502	.51337	.43630	.37136
18	.70016	.64117	.58739	.49363	.41552	.35034
19	.68643	.62553	.57029	.47464	.39573	.33051
20	.67297	.61027	.55368	.45639	.37689	.31180

TABLE 5-2 PRESENT VALUE OF 1 (PRESENT VALUE OF A SINGLE SUM)

8%	9%	10%	11%	12%	15%	(n) Periods
.92593	.91743	.90909	.90090	.89286	.86957	1
.85734	.84168	.82645	.81162	.79719	.75614	2
.79383	.77218	.75132	.73119	.71178	.65752	3
.73503	.70843	.68301	.65873	.63552	.57175	4
.68058	.64993	.62092	.59345	.56743	.49718	5
.63017	.59627	.56447	.53464	.50663	.43233	6
.58349	.54703	.51316	.48166	.45235	.37594	7
.54027	.50187	.46651	.43393	.40388	.32690	8
.50025	.46043	.42410	.39092	.36061	.28426	9
.46319	.42241	.38554	.35218	.32197	.24719	10
.42888	.38753	.35049	.31728	.28748	.21494	11
.39711	.35554	.31863	.28584	.25668	.18691	12
.36770	.32618	.28966	.25751	.22917	.16253	13
.34046	.29925	.26333	.23199	.20462	.14133	14
.31524	.27454	.23939	.20900	.18270	.12289	15
.29189	.25187	.21763	.18829	.16312	.10687	16
.27027	.23107	.19785	.16963	.14564	.09293	17
.25025	.21199	.17986	.15282	.13004	.08081	18
.23171	.19449	.16351	.13768	.11611	.07027	19
.21455	.17843	.14864	.12403	.10367	.06110	20

TABLE 5-4 PRESENT VALUE OF AN ORDINARY ANNUITY OF 1

(n) Periods	2%	2 1/2%	3%	4%	5%	6%
1	.98039	.97561	.97087	.96154	.95238	.94340
2	1.941 56	1.92742	1.91347	1.88609	1.85941	1.83339
3	2.88388	2.85602	2.82861	2.77509	2.72325	2.67301
4	3.80773	3.761 97	3.71 710	3.62990	3.54595	3.46511
5	4.71346	4.64583	4.57971	4.45182	4.32948	4.21236
6	5.60143	5.50813	5.41 719	5.24214	5.07569	4.91732
7	6.47199	6.34939	6.23028	6.00205	5.78637	5.58238
8	7.32548	7. 17014	7.01969	6.73274	6.46321	6.20979
9	8. 16224	7.97087	7.78611	7.43533	7.10782	6.80169
10	8.98259	8.75206	8.53020	8.11090	7.72173	7.36009
11	9.78685	9.51421	9.25262	8.76048	8.30641	7.88687
12	10.57534	10.25776	9.95400	9.38507	8.86325	8.38384
13	11.34837	10.98319	10.63496	9.98565	9.39357	8.85268
14	12.10625	11.69091	11.29607	10.56312	9.89864	9.29498
15	12.84926	12.381 38	11.93794	11.11839	10.37966	9.71225
16	13.57771	13.05500	12.56110	11.65230	10.83777	10.10590
17	14.291 87	13.71 220	13. 16612	12.16567	11.27407	10.47726
18	14.99203	14.35336	13.75351	12.65930	11.68959	10.82760
19	15.67846	14.97889	14.32380	13. 13394	12.08532	11.15812
20	16.35143	15.58916	14.87747	13.59033	12.46221	11.46992

TABLE 5-4 PRESENT VALUE OF AN ORDINARY ANNUITY OF 1

8%	9%	10%	11%	12%	15%	(n) Periods
.92593	.91 743	.90909	.90090	.89286	.86957	1
1.78326	1.75911	1.73554	1.71252	1.69005	1.62571	2
2.57710	2.53130	2.48685	2.44371	2.40183	2.28323	3
3.31213	3.23972	3.16986	3.10245	3.03735	2.85498	4
3.99271	3.88965	3.79079	3.69590	3.60478	3.35216	5
4.62288	4.48592	4.35526	4.23054	4.11141	3.78448	6
5.20637	5.03295	4.86842	4.71220	4.56376	4.16042	7
5.74664	5.53482	5.33493	5.14612	4.96764	4.48732	8
6.24689	5.99525	5.75902	5.53705	5.32825	4.771 58	9
6.71008	6.41766	6.14457	5.88923	5.65022	5.01877	10
7.13896	6.80519	6.49506	6.20652	5.93770	5.23371	11
7.53608	7.16073	6.81369	6.49236	6.19437	5.42062	12
7.90378	7.48690	7.10336	6.74987	6.42355	5.58315	13
8.24424	7.78615	7.36669	6.98187	6.62817	5.72448	14
8.55948	8.06069	7.60608	7.19087	6.81086	5.84737	15
8.85137	8.31256	7.82371	7.37916	6.97399	5.95424	16
9.12164	8.54363	8.02155	7.54879	7.11963	6.04716	17
9.37189	8.75563	8.20141	7.70162	7.24967	6.12797	18
9.60360	8.95012	8.36492	7.83929	7.36578	6.19823	19
9.81815	9.12855	8.51356	7.96333	7.46944	6.25933	20

TABLE 5-5 PRESENT VALUE OF AN ANNUITY DUE OF 1

(n) Periods	2%	2½%	3%	4%	5%	6%
1	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
2	1.98039	1.97561	1.97087	1.96154	1.95238	1.94340
3	2.94156	2.92742	2.91347	2.88609	2.85941	2.83339
4	3.88388	3.85602	3.82861	3.77509	3.72325	3.67301
5	4.80773	4.76197	4.71710	4.62990	4.54595	4.46511
6	5.71346	5.64583	5.57971	5.45182	5.32948	5.21236
7	6.60143	6.50813	6.41719	6.24214	6.07569	5.91732
8	7.47199	7.34939	7.23028	7.00205	6.78637	6.58238
9	8.32548	8.17014	8.01969	7.73274	7.46321	7.20979
10	9.16224	8.97087	8.78611	8.43533	8.10782	7.80169
11	9.98259	9.75206	9.53020	9.11090	8.72173	8.36009
12	10.78685	10.51421	10.25262	9.76048	9.30641	8.88687
13	11.57534	11.25776	10.95400	10.38507	9.86325	9.38384
14	12.34837	11.98319	11.63496	10.98565	10.39357	9.85268
15	13.10625	12.69091	12.29607	11.56312	10.89864	10.29498
16	13.84926	13.38138	12.93794	12.11839	11.37966	10.71225
17	14.57771	14.05500	13.56110	12.65230	11.83777	11.10590
18	15.29187	14.71220	14.16612	13.16567	12.27407	11.47726
19	15.99203	15.35336	14.75351	13.65930	12.68959	11.82760
20	16.67846	15.97889	15.32380	14.13394	13.08532	12.15812

TABLE 5-5 PRESENT VALUE OF AN ANNUITY DUE OF 1

8%	9%	10%	11%	12%	15%	(n) Periods
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1
1.92593	1.91743	1.90909	1.90090	1.89286	1.86957	2
2.78326	2.75911	2.73554	2.71252	2.69005	2.62571	3
3.57710	3.53130	3.48685	3.44371	3.40183	3.28323	4
4.31213	4.23972	4.16986	4.10245	4.03735	3.85498	5
4.99271	4.88965	4.79079	4.69590	4.60478	4.35216	6
5.62288	5.48592	5.35526	5.23054	5.11141	4.78448	7
6.20637	6.03295	5.86842	5.71220	5.56376	5.16042	8
6.74664	6.53482	6.33493	6.14612	5.96764	5.48732	9
7.24689	6.99525	6.75902	6.53705	6.32825	5.77158	10
7.71008	7.41766	7.14457	6.88923	6.65022	6.01877	11
8.13896	7.80519	7.49506	7.20652	6.93770	6.23371	12
8.53608	8.16073	7.81369	7.49236	7.19437	6.42062	13
8.90378	8.48690	8.10336	7.74987	7.42355	6.58315	14
9.24424	8.78615	8.36669	7.98187	7.62817	6.72448	15
9.55948	9.06069	8.60608	8.19087	7.81086	6.84737	16
9.85137	9.31256	8.82371	8.37916	7.97399	6.95424	17
10.12164	9.54363	9.02155	8.54879	8.11963	7.04716	18
10.37189	9.75563	9.20141	8.70162	8.24967	7.12797	19
10.60360	9.95012	9.36492	8.83929	8.36578	7.19823	20

END OF EXAMINATION