

THE HONG KONG POLYTECHNIC UNIVERSITY  
HONG KONG COMMUNITY COLLEGE

**Subject Title** : Accounting for Non-Business Students

**Subject Code** : CCN1041

**Session** : Semester Two, 2015/16

**Numerical Answers**

**Question B1**

		Dr(\$)	Cr(\$)
(1)	Depreciation expense (210,000/7 x 1/12)	2,500	
	Accumulated depreciation		2,500
(2)	Insurance expense (144,000/12)	12,000	
	Prepaid insurance		12,000
(3)	Office supplies	15,000	
	Cash		15,000
	Office supplies expense	12,100	
	Office supplies (3,600+15,000-6,500)		12,100
(4)	No entry		
(5)	Inventory	7,800	
	Accounts payable		7,800
(6)	Sales Returns and Allowances	4,500	
	Accounts Receivable		4,500
	Inventory	2,700	
	Cost of goods sold (\$4,500 x 60%)		2,700
(7)	Preference shares dividends (\$600,000 x 6% - \$20,000)	16,000	
	Preference shares dividends payable		16,000
	Ordinary shares dividends (\$1,000,000/5 x \$0.5)	100,000	
	Ordinary shares dividends payable		100,000
(8)	Unearned course fees	30,000	
	Course fees revenue		30,000
	Cash	50,000	
	Unearned course fees		50,000

**Question B2**

**Country Road Corporation  
Statement of Financial Position  
31 December 2015**

	\$
<u>Liabilities</u>	
Accounts payable	136,500
Dividends payable	115,500
	252,000
<u>Shareholders' Equity</u>	
Ordinary shares capital	7,350,000
Retained earnings (756,000 + 2,310,000 - 1,291,500 - 115,500)	1,659,000
	9,009,000
Less Treasury shares	808,500
Total shareholders' equity	8,200,500

**Question C1**

- (a)(i) Quick ratio =  $(\$310 + \$235) \div (\$135 + \$50) = \mathbf{2.95}$
- (a)(ii) Accounts Receivable turnover =  $\$1,310 \times 0.8 \div (\$235 + \$195) / 2 = \mathbf{4.87}$  times
- (a)(iii) Inventory turnover =  $\$820 \div (\$170 + \$185) / 2 = \mathbf{4.62}$  times
- (a)(iv) Debt ratio =  $(\$135 + \$50 + \$305) \div \$1,000 = \mathbf{49\%}$
- (a)(v) Return on equity =  $\$121 \div (\$350 + \$160 + \$350 + \$185) / 2 = \mathbf{23.16\%}$
- (a)(vi) Earnings per share =  $\$121 \div (\$350 / \$7) = \mathbf{\$2.42}$
- (a)(vii) Price-earnings ratio =  $\$26.62 \div \$2.42 = \mathbf{11}$

**Question C2**

- (a)(i) 
$$\frac{\$100,000 - \text{Residual value}}{5} = \$18,000$$
- Residual value = \$10,000
- (a)(ii) Depreciation rate =  $\frac{1}{10} \times 150\% = 15\%$
- $\$500,000 \times (1 - 15\% \times \frac{1}{2}) \times 15\% = \$69,375$
- (a)(iii) 
$$\$450,000 \times \frac{2}{\text{Estimated Useful Life}} \times \frac{1}{2} = \$90,000$$
- Estimated useful life = 5 years
- (a)(iv) 
$$\frac{\$250,000 - \$30,000}{4} \times \frac{1}{2} = \$27,500$$

(b)(i)		Debit \$	Credit \$
	Depreciation expense (\$18,000/2)	9,000	
	Accumulated depreciation – furniture		9,000

(b)(ii)		Debit \$	Credit \$
	Accumulated depreciation – furniture (\$18,000 x 3)	54,000	
	Cash	20,000	
	Notes receivable	10,000	
	Loss on sales of PPE assets	16,000	
	Furniture		100,000

### Question C3

#### Part I

Cash Book Balance	\$20,660	Bank Statement Balance	\$27,600
Additions:		Additions:	
Note receivable collected	15,000	Deposit in transit	19,800
Book Error (3,600 – 2,430)	1,170		
Deductions:		Deductions:	
Bank service charge	250	Outstanding checks (2,400+8,570)	<u>10,970</u>
NSF check	150		
Adjusted Balance	<u>\$36,430</u>	Adjusted Balance	<u>\$36,430</u>

#### Part II

(a)  $\$750,000 \times 2\% + \$250,000 \times 4\% + \$80,000 \times 6\% + \$20,000 \times 10\% = \$31,800$

(b)		Debit \$	Credit \$
	Impairment loss of receivable (\$31,800 - \$18,000)	13,800	
	Allowance for impairment		13,800

(c)		Debit \$	Credit \$
	Accounts receivable	2,500	
	Allowance for impairment		2,500
	Cash	2,500	
	Accounts receivable		2,500