

THE HONG KONG POLYTECHNIC UNIVERSITY
HONG KONG COMMUNITY COLLEGE

Subject Title : Accounting for Non-business Students
Subject Code : CCN1041
Session : Semester Two, 2016/17

Numerical Answers

Question B1			
		Dr\$	Cr\$
1.	Rent expense	15,250	
	Prepaid rent		15,250
2.	Office supplies	1,290	
	Accounts payable		1,290
3.	Vehicle	54,000	
	Cash		24,000
	Note payable		30,000
4.	Depreciation expense	18,300	
	Accumulated depreciation		18,300
	366,000/10 -(18,300)		
5.	Unearned medical fees	12,000	
	Medical fees earned		12,000
6.	Salaries expense	2,300	
	Salaries payable		2,300
7.	Fees receivable	9,800	
	Medical fees earned		9,800
8.	Cash	142,450	
	Interest revenue		2,450
	(140,000 * 0.03 *7/12)		
	Note receivable		140,000
9.	Office supplies expense	33,190	
	Office supplies		33,190
	36,600+1,290-4,700		
10.	No entry.		
	The amount is not subject to estimate.		

Question B2

(a)	1 Oct.	Cash	500,000	
		Ordinary share (\$5 x 70,000)		350,000
		Share premium: ordinary share		150,000
	17 Oct.	Treasury share (\$10 x 15,000)	150,000	
		Cash		150,000
	5 Nov.	Cash (\$22x10,000)	220,000	
		Share premium: Treasury share		120,000
		Treasury share (\$10 x 10,000)		100,000
	31 Dec.	Dividend: Preference share 4% x 30,000x \$2	2,400*	
		Dividend: Ordinary share \$0.5x (70,000-15,000+10,000)	32,500*	
		*If answer is combined 2 marks		
		Dividend payable		34,900
	15 Jan.	Dividend payable	34,900	
		Cash		34,900

- (b) $\$90,000/30,000 = \3 each
 (c) 70,000 shares issued
 65,000 shares outstanding
 (d) $258,000-34,900 = \underline{\underline{\$223,100}}$

Question C1

Part I

(a)	Date		Debit (\$)	Credit (\$)
	3 December	Inventory	100,000	
		Account payable		100,000
	8 December	Cash	5,000	
		Inventory		5,000
	16 December	Account payable	100,000	
		Cash (\$100,000 x 99 %)		99,000
		Purchase discounts taken		1,000

- (b) Net Sales = $\$3,000,000 - \$6,000 - \$1,000 = \$2,993,000$
 Cost of goods sold = $\$2,000,000 - (\$2,500 + \$1,000) = \$1,996,500$
 Gross profit rate = $(\$2,993,000 - \$1,996,500)/\$2,993,000 \times 100\% = 33.29\%$

Part II

(a) Depreciation expense in 2014 = $\$1,200,000 \times \frac{2}{5} \times \frac{7}{12} = \$280,000$

Depreciation expense in 2015 = $(\$1,200,000 - \$280,000) \times \frac{2}{5} = \$368,000$

(b)

Date		Debit (\$)	Credit (\$)
Aug 31	Cash	100,000	
	Accumulated depreciation $(\$1,200,000 - \$150,000) \times \frac{1}{5} \times \frac{27}{12}$	472,500	
	Loss on disposal of PPE assets	627,500	
	Equipment		1,200,000

Question C2

Part I

Rising Star Company
Bank Reconciliation
31 December 2016

Balance as per bank statement			\$2,165
Add: Deposit in transit			2,580
			<hr/> 4,745
Less: Outstanding checks	1,590		
Bank Error (\$181-\$118)	<hr/> 63		
			<hr/> 1,653
Adjusted cash balance			<hr/> <hr/> \$3,092
Balance as per depositor			\$3,962
Add: Book Error (\$1,400-\$1,000)			400
			<hr/> \$4,362
Less: NSF check	800		
Electricity charge	350		
Bank service charge	<hr/> 120		
			<hr/> 1,270
Adjusted cash balance			<hr/> <hr/> \$3,092

Part II

(a)

Date		Debit (\$)	Credit (\$)
Dec 31	Impairment loss of receivable	1,300	
	Allowance for impairment (\$3,800 - \$2,500)		1,300

(b) **D300 Company**
(Partial) Statement of Financial Position
31 December 2016

Accounts receivable (\$200,000 - \$500)	\$199,500
Less: Allowance for impairment (\$3,800 - \$500)	<u>3,300</u>
	196,200

Question C3

(a)(i) Account receivable turnover = $\frac{\$3,800,000 \times 70\%}{(\$200,000 + \$300,000)/2} = 10.64 \text{ times}$

(a)(ii) Inventory turnover = $\frac{\$2,500,000}{(\$400,000 + \$400,000)/2} = 6.25 \text{ times}$

(a)(iii) Returns on assets = $\frac{\$400,000}{(\$1,850,000 + \$2,150,000)/2} \times 100\% = 20\%$

(a)(iv) Interest coverage ratio = $\frac{\$400,000}{\$50,000} = 8 \text{ times}$

(a)(v) Returns on equity = $\frac{\$259,750}{\frac{\$1,200,000 + \$1,397,500}{2}} \times 100\% = 20\%$

(a)(vi) Dividend for the year = \$1,100,000 + \$259,750 - \$1,297,500 = \$62,250
Dividend yield = $\frac{\$62,250/25,000}{\$75} \times 100\% = 3.32\%$

(b)(iv) Interest coverage ratio