

THE HONG KONG POLYTECHNIC UNIVERSITY
HONG KONG COMMUNITY COLLEGE

Subject Title : Accounting for Non-Business
Students

Subject Code : CCN1041

Session : Semester Two, 2017/18

Numerical Answers

Question B1

		Dr\$	Cr\$
(a)	Office supplies	15,000	
	Accounts payable		15,000
(b)	Unearned fees	12,000	
	Fees earned		12,000
(c)	No entry (Recognition Principle)		
(d)	Rent expense	240,000	
	Prepaid rent		240,000
(e)	Salaries expense	55,000	
	Cash		43,000
	Salaries payable		12,000
(f)	Accounts receivable	3,000	
	Fees earned		3,000
(g)	Interest Payable	8,250	
	Interest expense (150,000x0.06 /12)	750	
	Note Payable	150,000	
	Cash		159,000
(h)	Office supplies expense	30,000	
	Office supplies (24,000+15,000-9,000)		30,000
(i)	Income tax payable (38,000-35,000)	3,000	
	Income tax expense		3,000
(j)	Dividend	20,000	
	Dividend payable	45,000	
	Cash		65,000

Question B2

Part I

(a)	Dr\$	Cr\$
Treasury shares	24,000	
Cash		24,000
Cash (10,000 x \$2.5)	25,000	
Treasury shares (10,000 x \$ 24,000/20,000)		12,000
Share Premium / Share Premium Treasury shares)		13,000
Dividend – Preference shares *(5% x \$10x50k)	25,000	
Dividend – Ordinary shares* (300-20+10) x \$0.1	29,000	
Dividend Payable		54,000

(b) Retained earnings after year end closing:

$$\$85,000 + \$160,000 - \$54,000 = \mathbf{\$191,000}$$

Part II

Calculate the amount of dividend to be paid to each class of shareholders on 5th January, 2018.

- (a) 6% cumulative preference share:
4,000 shares x \$5 x 6% x 3 years = \$3,600
- (b) 5% non-cumulative preference share:
2,000 shares x \$15 x 5% x 1 year = \$1,500
- (c) Ordinary share:
\$ 63,000 – 3,600 – 1,500 = \$ 57,900

Question C1

Part I

(a) Buffet Company Bank reconciliation 31 October 2017			
Cash account balance	\$ 8,450	Bank statement balance	\$ 10,590
Additions:		Additions:	
Interest revenue	55	Deposits in transit	2,500
Deductions:		Deductions:	
NSF check	<u>525</u>	Bank error	2,910
		Outstanding checks	<u>2,200</u>
Correct cash balance	<u>7,980</u>	Correct cash balance	<u>7,980</u>

(b) Cash	55
Interest revenue.....	55
Accounts receivable.....	525
Cash.....	525

Part II

(a)	Current	\$	%	Estimated uncollectable \$
	Past due 1-30 days	700,000	1%	7,000
	Past due 31-60 days	300,000	2.5 %	7,500
	Past due 61-90 days	60,000	5%	3,000
	Past due over 90 days	20,000	10%	2,000
	Total			19,500

Impairment Loss of receivable8,500
 Allowance for impairment..... 8,500
 (\$19,500 – \$11,000)

(b) \$350,000 x 70% x 2% = \$4,900

(c) Accounts Receivable.....5,678
 Allowance for Impairment..... 5,678
Cash5,678
 Accounts Receivable 5,678

Question C2

Part I

	<u>2017</u>	<u>2018</u>
(a) Straight-line		
Year 1: [(\$800,000 - \$100,000) x 1/10 x 6/12]	<u>\$35,000</u>	<u>\$70,000</u>
Year 2: (\$800,000 - \$100,000) x 1/10		
150%-declining-balance		
Year 1: (\$800,000 /10x 150% x 1/2)	<u>\$60,000</u>	<u>\$111,000</u>
Year 2: [(\$800,000 - \$60,000)/10 x 150%]		
Units-of-output		
Year 1: [(\$800,000- \$100,000) x 5,000/100k]	<u>\$35,000</u>	<u>\$70,000</u>
Year 2: [(\$800,000- \$100,000) x 10,000/100k]		
(b) \$400+4,000+200,000-20,000+10,000 =	\$194,400	

Part II

(a)	At the time of sale:	Dr	Cr
	Cash	1,000	
	Sales		1,000
(b)(i)	At the time of sale:	Dr	Cr
	Cash	1,000	
	Sales		1,000
	Cost of Goods Sold	500	
	Inventory		500
(b)(ii)	At the return of the goods:		
	Sales Returns (and Allowances)	100	
	Cash		100
	Inventory	50	
	Cost of Goods Sold		50

Question C3

- (a) Quick ratio = $\$(90m+122m) \div \$(180m+76m) = 0.83$
- (b) Accounts Receivable turnover = $\$(780m \times 0.7) \div \$[(122m+126m)/2]$
 $= \$546m/124m = 4.40$ times
- (c) Interest coverage ratio = $\$160m \div \$20m = 8$ times
- (d) Price-earnings ratio = $\$35 \div (\$116m \div 20m) = 6.03$
- (e) Return on equity
 $= \$116m \div \$(300m+244m+300m+200m)/2$
 $= \$116m \div \$522m = 22.22\%$
- (f) Return on assets = $\$160m / (1,080m+1,180m) \times 1/2 = 14.16\%$
- (g) Dividend yield = $\$[20m / (300m \div \$15)] \div \$35 = 2.86\%$
- (h) Gross profit rate = $\$365m / \$780m = 46.79\%$