

Assessment Task – Tutorial Questions Assignment

Unit Code: HI5020

Unit Name: Corporate Accounting

Assignment: Tutorial Questions

Due: week 13, Wednesday 11.59 pm

Weighting: 50 percent, 50 Marks

Purpose: This assignment is designed to assess your level of knowledge of the key topics covered in this unit

Unit Learning Outcomes Assessed: 1-6

Description: Each week students were provided with three tutorial questions of varying degrees of difficulty. The tutorial questions are available in the Tutorial Folder, for each week, on Blackboard. The Interactive Tutorials are designed to assist students with the process, skills and knowledge to answer the provided tutorial questions. Your task is to answer a selection of tutorial questions and submit these answers in a single document.

The questions to be answered are;

Question 1 Week 7

(7 marks)

Jaguar Ltd purchased a machine on 1 July 2016 at the cost of \$640,000. The machine is expected to have a useful life of 5 years (straight-line basis) and no residual value. For taxation purposes, the ATO allows the company to depreciate the asset over 4 years.

The profit before tax for the company for the year ending 30 June 2017 is \$600,000. To calculate this profit the company has deducted \$60,000 entertainment expense, and \$80,000 salary expense that has not yet been paid. Also the company has included \$70,000 interest as income that the company has not yet received. The tax rate is 30%.

Required:

- (a) Calculate the company's taxable profit and hence its tax payable for 2017. (2 marks)
- (b) Determine the deferred tax liability and/or deferred tax asset that will result. (2 marks)
- (c) Prepare the necessary journal entries on 30 June 2017. (3 marks)

Question 2 Week 8

(7 marks)

The P Ltd acquires all issued capital of the S Ltd for a consideration of \$1,000,000 cash and 800,000 shares each valued at \$1.50. The summary statement of the financial position of the subsidiary company immediately following the acquisition is:

Fair value of assets acquired	\$2,640,000
Fair value of liabilities acquired	\$720,000
Total shareholders' equity of the subsidiary company	\$800,000
Retained earnings of the subsidiary company	\$1,120,000

Required:

- (a) Pass the necessary journal entry to record the acquisition (2 marks)
- (b) Determine the amount of goodwill (or bargain purchase) arising out of the acquisition (2 marks)
- (c) Pass the necessary consolidation entry to eliminate the subsidiary by the parent company (2 marks)
- (d) Determine the amount of goodwill (or bargain purchase) arising out of the acquisition if the purchase consideration paid was \$1,000,000 cash and 400,000 shares each valued at \$1.50 (1 marks)

Question 3 Week 4

(7 marks)

Aqua Ltd issues a prospectus inviting the public to subscribe for 30 million ordinary shares of \$2.00 each. The terms of the issue are that \$1.00 is to be paid on application and the remaining \$1.00 within one month of allotment.

Applications are received for 36 million shares during July 2019. The directors allot 30 million shares on 15 August 2019. The shares were allotted on a first-come, first-serve basis. The directors refunded the application money for 6 million shares on 15 August 2019. The amounts payable on the allotment are due by 20 September 2019.

By 20 September 2019, the holders of 5 million shares have failed to pay the amounts due on allotment. The directors forfeit the shares on 30 September 2019. The shares are resold on 15 October 2019 as fully paid. An amount of \$1.90 per share is received. The remaining balance of forfeited shares were refunded on 20 October 2019.

Required

Provide the journal entries necessary to account for the above transactions and events.

Question 4 Week 10

(7 marks)

- (a) Where the parent company does not hold 100 percent equity of the subsidiary company, what portion of the intra-group transactions between the parent entity and the subsidiary entity will need to be eliminated on consolidation? (2 marks)
- (b) What is a non-controlling interest, and how should it be disclosed? (2 marks)
- (c) How are non-controlling interests affected by intra-group transactions? (2 marks)
- (d) What are the three steps we use to calculate total non-controlling interest? (1 mark)

Question 5 Week 9

(11 marks)

- (a) Jessica Ltd sold inventory during the current period to its wholly owned subsidiary, Amelie Ltd, for \$15 000. These items previously cost Jessica Ltd \$12 000. Amelie Ltd subsequently sold half the items to Ningbo Ltd for \$8000. The tax rate is 30%. The group accountant for Jessica Ltd, Li Chen, maintains that the appropriate consolidation adjustment entries are as follows:

Sales	Dr	15 000	
Cost of Sales	Cr		13 000
Inventory	Cr		2 000
Deferred Tax Asset	Dr	300	
Income Tax Expense	Cr		300

Required

- (i) Discuss whether the entries suggested by Li Chen are correct, explaining on a line-by-line basis the correct adjustment entry. (2.5 marks)
- (ii) Determine the consolidation worksheet entries in the following year, assuming the inventory has been –sold, and explain the adjustments on a line-by-line basis. (1.5 marks)
- (b) On 1 July 2016 Liala Ltd sold an item of plant to Jordan Ltd for \$450000 when its' carrying value in Liala Ltd book was \$600000 (costs \$900000, accumulated depreciation \$300000). This plant has a remaining useful life of five (5) years from the date of sale. The group measures its property plants and equipment using a costs model. Tax rate is 30 percent.

Required:

Pass the necessary entries on 30 June 2017 and 30 June 2018 to eliminate the intra-group transfer of equipment. (7 marks)

Question 6 Week 12

(11 marks)

On 1 July 2014 Padma Ltd acquires 25 per cent of the issued capital of Jamuna Ltd for a cash consideration of \$360 000. At the date of acquisition, the shareholders' equity of Jamuna Ltd is:

Share capital	\$450 000
Retained earnings	\$300 000
Total shareholders' equity	750 000

Additional information

- On the date of acquisition, buildings have a carrying amount in the accounts of Jamuna Ltd of \$240 000 and a market value of \$300 000. The buildings have an estimated useful life of 10 years after 1 July 2014.
- For the year ending 30 June 2015 Jamuna Ltd records an after-tax profit of \$90 000, from which it pays a dividend of \$30 000.
- For the year ending 30 June 2016 Jamuna Ltd records an after-tax profit of \$300 000, from which it pays a dividend of \$150 000.
- Assume a tax rate of 30% is assumed

Required

Apply equity method of accounting to:

- Calculate the amount of goodwill at the date of acquisition (3 marks)
- Prepare the journal entries for the year ending 30 June 2015 (3 marks)
- Prepare the journal entries for the year ending 30 June 2016 (5 marks)

Submission Directions:

The assignment will be submitted via Blackboard. Each student will be permitted only **ONE** submission to Blackboard. **You need to ensure that the document submitted is the correct one.**

Academic Integrity

Holmes Institute is committed to ensuring and upholding Academic Integrity, as Academic Integrity is integral to maintaining academic quality and the reputation of Holmes' graduates. Accordingly, all assessment tasks need to comply with academic integrity guidelines. Table 1 identifies the six categories of Academic Integrity breaches. If you have any questions about Academic Integrity issues related to your assessment tasks, please consult your lecturer or tutor for relevant referencing guidelines and support resources. Many of these resources can also be found through the Study Skills link on Blackboard.

Academic Integrity breaches are a serious offence punishable by penalties that may range from deduction of marks, failure of the assessment task or unit involved, suspension of course enrolment, or cancellation of course enrolment.

Table 1: Six categories of Academic Integrity breaches

Plagiarism	Reproducing the work of someone else without attribution. When a student submits their own work on multiple occasions this is known as self-plagiarism .
Collusion	Working with one or more other individuals to complete an assignment, in a way that is not authorised.
Copying	Reproducing and submitting the work of another student, with or without their knowledge. If a student fails to take reasonable precautions to prevent their own original work from being copied, this may also be considered an offence.
Impersonation	Falsely presenting oneself, or engaging someone else to present as oneself, in an in-person examination.
Contract cheating	Contracting a third party to complete an assessment task, generally in exchange for money or other manner of payment.
Data fabrication and falsification	Manipulating or inventing data with the intent of supporting false conclusions, including manipulating images.

Source: INQAAHE, 2020

If any words or ideas used the assignment submission do not represent your original words or ideas, you must cite all relevant sources and make clear the extent to which such sources were used.

In addition, written assignments that are similar or identical to those of another student is also a violation of the Holmes Institute's Academic Conduct and Integrity policy. The consequence for a violation of this policy



can incur a range of penalties varying from a 50% penalty through suspension of enrolment. The penalty would be dependent on the extent of academic misconduct and your history of academic misconduct issues. All assessments will be automatically submitted to SelfAssign to assess their originality.

Further Information:

For further information and additional learning resources please refer to your Discussion Board