

Assessment Task – Tutorial Questions

Unit Code: HI6025

Unit Name: Accounting Theory and Current Issues

Assignment: Tutorial Questions

Due: 15 October, 2020 at 11.59pm

Weighting: 50%

Total Assignment Marks: 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:

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| 1. Examine conceptual issues and the sources of authority for the accounting requirements which apply to reporting by Australian companies, including Company Law, International and Australian Accounting Standards, and Stock Exchange requirements; |
| 2. Understand and evaluate different theories of accounting such as positive accounting theory, normative accounting theory, stakeholders' theory, legitimacy theory, institutional theory, and different initiatives of relevant global organisations such as GRI, IR; |
| 3. Apply Australian Accounting Standards and Corporate Legislation to the financial reporting processes; |
| 4. Evaluate advanced level financial accounting problems and select appropriate accounting strategies for the accounting entity; |
| 5. Understand different provisions of accounting standards and the compliance requirements of the professional and legal bodies in Australia; |
| 6. Make judgments about appropriate use of accounting standards and accurately apply appropriate treatments for different advanced level accounting issues; |

Description: Each week students were provided with three tutorial questions of varying degrees of difficulty. These 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 3 - Week 3 (11 marks)

TAKULAH Traders Ltd purchased a machine for \$650 000 and there was an accumulated depreciation balance of \$110 000 at 30 June 2022. Its fair value is assessed at this time, with its first revaluation as \$450 000. The machine's useful life is expected to be 5 more years and the residual value to be \$50 000. On 1 July 2023 the asset's fair value is \$460 000 and the residual value and useful life are expected to be unchanged (that is, there is 4 years of remaining life).

Required:

Provide the journal entries necessary to account for all the above transactions and events up to 1 July 2023, in accordance with AASB 116 if the revaluation is undertaken. (11 marks)

Question 2 - Week 5 (7 marks)

Fitbit Ltd has leased a machine on the following terms:

Date of entering lease	1 July 2019
Duration of lease	5 years
Life of asset	6 years
Unguaranteed residual value	\$40,000
Lease payments inception (at the start)	\$60,000
Annual payments (5)	\$65,000
Implied rate 11.0 %	

Required:

Determine the Fair Value (rounded off) of the leased asset. (7 marks)

Question 2 - Week 6 (7 marks)

Dainty Ltd has an average weekly payroll of \$200 000. The employees are entitled to 2 weeks', non-vesting sick leave per annum. Past experience suggests that 56% of employees will take the full 2 weeks' sick leave and 22% will take 1 week's leave each year. The rest of the employees take no sick leave.

Required:

- a) Calculate the expected annual sick-leave expense for Dainty Ltd (on the basis of average salaries). (2 marks)
- b) Provide the journal entry necessary to recognise the sick-leave entitlement expense as it accrues each week. (2 marks)
- c) In the current week an employee with a weekly salary of \$600 has been off sick for the first time this year. The employee took 2 days off out of her normal 5-day working week. Assuming that PAYG tax is deducted at 30%, what would the entry be to record the employee's weekly salary (round amounts to the nearest dollar)? (3 marks)

Question 3 - Week 9 (11 marks)

Compaq Ltd has a net income after tax of \$2 000 000 for the year ended 30 June 2018. At the beginning of the period Compaq Ltd has 900 000 fully paid-up ordinary shares on issue. On 1 January 2018 Compaq Ltd had issued a further 300 000 fully paid-up ordinary shares at an issue price of \$2.00. On 1 March 2018 Compaq Ltd made a one-for-five bonus issue of ordinary shares out of retained earnings. The last sale price of an ordinary share before the bonus issue was \$2.50. At the beginning of the current period Compaq Ltd also had 500 000, \$1.00, 5% cumulative preference shares on issue. The dividends on the preference shares are not treated as expenses in the statement of comprehensive income. The basic earnings per share for the period ended 30 June 2017 was \$1.50 per share.

Required:

- a) Calculate the basic EPS amount for 2018. (8 marks)
- b) Explain what is diluted EPS. Give one example of a security that can dilute the basic EPS. (3 marks)

Question 3 - Week 10 (7 marks)

On 1 March 2020 Holmes Ltd enters into a binding agreement with a New Zealand company, which requires the New Zealand Company to construct an item of machinery for Holmes Ltd. The cost of the machinery is NZ\$750,000. The machinery is completed on 1 June 2021 and shipped FOB Auckland on that date. The debt is unpaid at 30 June 2020, which is also Holmes Ltd's reporting date.

The exchange rates at the relevant dates are:

1 March 2020	A\$1.00 = NZ\$1.20
1 June 2020	A\$1.00 = NZ\$1.30
30 June 2020	A\$1.00 = NZ\$1.25

Required:

a) Determine the amount in AUD, as at:

- 1 March 2020; and
- 30 June 2020. (2 marks)

b) Prepare the journal entries for the above dates, **up to 1 June 2021**, showing the amount of exchange gain or loss (5 marks).

Question 3 - Week 11 (7 marks)

The following quote appeared in an article entitled 'Business and society in the coming decades', which was available on the website of McKinsey & Company (accessed in October 2015).

"There are compelling reasons companies should seize the initiative to drive social and business benefits. First, in an interconnected world facing unprecedented environmental and social challenges, society will demand it. Increasingly, a basic expectation among customers, governments, and communities will be that the companies they do business with provide a significant net positive return for society at large, not just for investors. This will be part of the implicit contract or license to operate".

Required:

a) Explain the above statement in the context of corporate social responsibility. [Word limit 150-200 words] (3 marks)

b) Further, do you think such a statement would impact the perceived 'legitimacy' of companies? Explain. [Word limit 200 – 250] (4 marks)

Submission Directions:

The assignment has to be submitted via Blackboard. Each student will be permitted one submission to Blackboard only. **Each student needs 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 Self Assign to assess their originality.

Further Information:

For further information and additional learning resources please refer to your Discussion Board for the unit.