Unit Outline 2012
Faculty of Business, Government and Law

Unit Title Accounting for Managers G
Unit Number 6221
This Unit Outline must be read in conjunction with:

a) *UC Student Guide to Policies*, which sets out University-wide policies and procedures, including information on matters such as plagiarism, grade descriptors, moderation, feedback and deferred exams, and is available at *(scroll to bottom of page)*
http://www.canberra.edu.au/student-services

b) *UC Guide to Student Services*, and is available at *(scroll to bottom of page)*
http://www.canberra.edu.au/student-services

c) Any additional information specified in section 6h.

### 1: General Information

<p>| | |</p>
<table>
<thead>
<tr>
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</tr>
</thead>
</table>
| **1a** | Unit title  
Accounting for Managers G |
| **1b** | Unit number  
6221 |
| **1c** | Teaching Period and year offered  
Semester 1, 2012 |
| **1d** | Credit point value  
3 |
| **1e** | Unit level  
G |
| **1f** | Name of Unit Convener and contact details (including telephone and email)  
Professor Alan Dunk 6C15 6201 5639 Alan.Dunk@canberra.edu.au |
| **1g** | Administrative contact details (including name, location, telephone and email)  
Professor Alan Dunk 6C15 6201 5639 Alan.Dunk@canberra.edu.au |

### 2: Academic Content

<p>| | |</p>
<table>
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</table>
| **2a** | Unit description  
The financial accounting section includes basic and generally accepted accounting concepts and principles that will provide students with a good understanding of internal and external financial reporting and enable them to analyse and interpret financial statements for decision-making and communicating financial information with other managers. The management accounting section emphasises cost concepts and cost-volume-profit analysis, principles of working capital management, short-term decision making, long-term and capital investment decision making, budgetary control and planning techniques, responsibility centre accounting, product costing, strategic management accounting, and internal performance evaluation.  
After successfully completing this unit, students should be able to distinguish between financial and management accounting, appreciate the uses and limitations of accounting information, analyse the accounting statements of a business to assist in making decisions as to the relative profitability and financial condition of an organisation, and apply managerial accounting techniques for planning and control in an organisational context. In addition, students will have enhanced their... |
ability to think critically and creatively, to present, discuss and defend views, and to communicate accounting information effectively to other users and preparers, both orally and in writing.

**Learning Outcomes**
On completion of this unit students should be able to:

1. distinguish between financial and management accounting;
2. appreciate the uses and limitations of accounting information;
3. analyse the accounting statements of a business to assist in making decisions as to the relative profitability and financial condition of an organisation;
4. apply managerial accounting techniques for planning and control in an organisational context;
5. think critically and creatively; present, discuss and defend views; and communicate accounting information effectively to other users and preparers, both orally and in writing.

**2b Generic skills**

<table>
<thead>
<tr>
<th>Graduate skills and attributes</th>
<th>Implementation of generic skills and graduate attributes in the unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Communication skills</strong></td>
<td>Writing assignment, group communication and discussion and class participation</td>
</tr>
<tr>
<td>The ability to express ideas and communicate effectively within and across professional and cultural boundaries</td>
<td><strong>Assessment Items:</strong> Tutorial questions and assignments 1 and 2.</td>
</tr>
</tbody>
</table>
| **2. Problem solving skills** | - Evaluate the financial statements over three year for Ramsay Health and Sonic Health.  
- Create and provide investor advice and solutions relating to the two companies and tutorial questions. |
| The ability to resolve problems in one’s own area of expertise and the confidence to tackle unfamiliar problems with innovative thinking | **Assessment Items:** Tutorial questions and assignment 1 |
| **3. Analytical skills**      | - Gather information from various source  
- Analyse financial data for companies such as market share, growth, profits, trends  
- Evaluate the situation  
- Provide alternative short and long term solutions. |
| The ability to gather information, and to analyse and evaluate information and situations in a systematic and insightful way | **Assessment Items:** Assignments 1 and 2 |
| **4. Working independently and with others** | - Tutorial questions provide opportunity for group input.  
- Undertake independent analyses in assignments 1 and 2. |
| The ability to be self-directed, and the interpersonal skills and attitudes to work collaboratively | **Assessment Items:** Tutorial questions and assignments 1 and 2 |
| **5. Social responsibility**  | - Lectures discuss corporate performance and social responsibility  
- Responsibilities of the organization and the manager toward stakeholders- people and community  
- Responsibility toward the environment |
| The capacity and intention to improve society, to continue to learn, to contribute to the community and to be environmentally responsible | **Assessment Items:** Some tutorial questions and assignments 1 and 2 |
| **6. Professional skills and leadership capacity** | - Developing professional skills in writing and presentation  
- Skills to write reports professionally  
- Maintain academic integrity  
- Develop leadership capacity in group assignment, presentation, participation and discussion |
| The ability to use professional knowledge and skills, act with integrity, and develop and exercise leadership | **Assessment Items:** Assignments 1 and 2 |
3c **Prerequisites and/or co-requisites**
Nil

### 3: Delivery of Unit and Timetable

#### 3a Delivery mode
On campus with weekly lectures and tutorials.

#### 3b Timetable of activities, such as lectures/ tutorials/ practicals/ field classes, showing key dates and topics (Information might be provided in the form of a table)

<table>
<thead>
<tr>
<th>Week</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 9.2.12</td>
<td>Introduction to unit. Introduction to accounting and the financial environment. Chapter 1. No tutorials this week.</td>
</tr>
<tr>
<td>8 29.3.12</td>
<td>CLASS FREE PERIOD</td>
</tr>
<tr>
<td>9 5.4.12</td>
<td>Internal users, internal information, and planning and control. Chapters 14. Tutorial question set 5.</td>
</tr>
<tr>
<td>13 3.5.12</td>
<td>Budgeting, performance measurement and the balance scorecard. Chapters 19 &amp; 20. Tutorial question set 8, and additional question set questions.</td>
</tr>
<tr>
<td>14 10.5.12</td>
<td>Review. Tutorial: additional question set questions.</td>
</tr>
</tbody>
</table>

*Note: Additional tutorial questions will be set from past exam papers as well as the textbook as required.*
Tutorial question set 1

1. What information do you believe would be useful to employees, investors, regulators, suppliers of goods and services as well as customers respectively?

2. Corporate fraud is estimated at $16 billion per annum in Australia. Is it possible to legislate against fraud?

3. You are the manager of a small local band. You are offered $1000 for a three hour performance. What financial issues need to be considered in evaluating the offer?

Tutorial question set 2

1. A number of methods have been developed to enhance the development of shareholder value. Are they effective? Are these methods sufficiently robust to cope with variability in world financial markets?

2. How critical are organizational structures to firm performance?

3. How effective is the adoption of IFRSs to international trade and the reduction of a company’s cost of capital?

Tutorial question set 3

1. On 1 June 2007 John paid $6 000 into a business bank account as capital for his new business, which he called John’s Junk. The transactions during June were as follows.

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 June</td>
<td>Bought truck for $1 000 cash.</td>
</tr>
<tr>
<td>6 June</td>
<td>Bought goods on credit from Fred for $700.</td>
</tr>
<tr>
<td>8 June</td>
<td>Paid rent of $120 for the quarter.</td>
</tr>
<tr>
<td>14 June</td>
<td>Bought goods on credit from Bill for $300.</td>
</tr>
<tr>
<td>16 June</td>
<td>Made cash sales of $200.</td>
</tr>
<tr>
<td>18 June</td>
<td>Made credit sales of $300 to Metal Recyclers.</td>
</tr>
<tr>
<td>21 June</td>
<td>Paid the garage account of $80 for petrol and oil.</td>
</tr>
<tr>
<td>23 June</td>
<td>Sold goods on credit to Sims for $600.</td>
</tr>
<tr>
<td>24 June</td>
<td>Paid Fred $682.50 to take advantage of a 2.5 percent discount.</td>
</tr>
<tr>
<td>30 June</td>
<td>Paid monthly salary to shop assistant of $500.</td>
</tr>
</tbody>
</table>

A periodic inventory system is used by John. All goods were sold at a price based on cost plus a mark-up of one-third.

REQUIRED

a. Indicate how each transaction should be treated in the accounts of John’s Junk.


2. A fire partially destroyed the offices of the Matchmakers Company on 30 May 2007. Some accounting records were retrieved.

<table>
<thead>
<tr>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>200</td>
</tr>
<tr>
<td>Plant</td>
<td>30 000</td>
</tr>
<tr>
<td>Incendiary chemicals</td>
<td>17 500</td>
</tr>
<tr>
<td>Salary expenses</td>
<td>2 300</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>?</td>
</tr>
</tbody>
</table>

$
Incendiary plastic containers  
Total current assets  
Equipment  7 000  
Loan payable 29 May 2008  17 000  
Motor vehicles  
Accounts receivable  17 800  
Land  50 000  
Buildings  12 500  
Owners’ equity  
Total non-current assets  118 000  
Total assets  156 000  
Total current liabilities  47 300  
Loan payable 30 June 2009  
Bank overdraft  7 300  
Total non-current liabilities  50 000  
Total liabilities  

From the above information, prepare a balance sheet as at 30 May 2007 in good form.

**Tutorial question set 4**

1. A friend has asked you to prepare a balance sheet and an income statement from the following information. He does not know the owners’ equity figure as he has not been able to calculate the profit for the period.

   Salaries expense  $ 1 236  
   Cash sales  132 000  
   Insurance expense  932  
   Cost of supplies used to make cash sales  32 400  
   Equipment  3 200  
   Electricity and telephone expense  9 560  
   Accounts payable  14 020  
   Bank overdraft  2 300  
   Wages expense  38 900  
   Land and buildings  125 000  
   Vehicles  23 230  
   Mortgage on land  23 000  

Prepare the financial statements requested.

**Tutorial question set 5**

1. Should corporate governance practices be enshrined in legislation or is it best to allow companies to self-regulate and choose their own appropriate corporate governance structures?

2. Discuss the advantages and disadvantages of having a majority of independent directors on a board. Do you believe a requirement for independent directors to hold separate meetings should be seriously considered?

**Tutorial question set 6**

Review the recent literature on budgetary control systems and evaluate the manner in which budgets are used in organizations as control devices and as a tool for performance evaluation. Identify the circumstances when budgets may be used to control and evaluate effectively organizational activities, in contrast to those circumstances when this may be counter-productive.
and dysfunctional. Comment on potential ways forward to remedy downsides associated with budget use.

**Tutorial question set 7**

1. The Nogood Company manufactures cars. The following data cover the months of April, May and June. Expected production for the year is 5 000 cars and actual manufacturing overheads were consistent with budget expectations.

   ![Car production table]

<table>
<thead>
<tr>
<th>Car production</th>
<th>April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening inventory</td>
<td>0</td>
<td>100</td>
<td>250</td>
</tr>
<tr>
<td>Production</td>
<td>600</td>
<td>800</td>
<td>650</td>
</tr>
<tr>
<td>Sales</td>
<td>500</td>
<td>650</td>
<td>350</td>
</tr>
</tbody>
</table>

   ![Variable costs table]

<table>
<thead>
<tr>
<th>Variable costs</th>
<th>April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing costs per car</td>
<td>$10 000</td>
<td>$10 000</td>
<td>$10 000</td>
</tr>
<tr>
<td>Marketing and administration</td>
<td>1 000</td>
<td>1 000</td>
<td>1 000</td>
</tr>
</tbody>
</table>

   ![Fixed costs table]

<table>
<thead>
<tr>
<th>Fixed costs</th>
<th>April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>$500 000</td>
<td>$500 000</td>
<td>$500 000</td>
</tr>
<tr>
<td>Administration</td>
<td>85 000</td>
<td>90 000</td>
<td>85 000</td>
</tr>
</tbody>
</table>

   The retail price for each car is $27 000.

   **REQUIRED**

   a. Prepare an income statement for the three months using variable costing and absorption costing.

   b. Explain how, and why, the profit figures vary.

2. Swanson Ltd manufactures cellular telephones. During 2006, total costs associated with manufacturing 32 000 of the new ES-9801 model (introduced this year) were as follows.

   | Direct material     | $275 200 |
   | Direct labour       | 454 400  |
   | Variable manufacturing overhead | 115 200 |
   | Fixed manufacturing overhead | 108 800 |

   **REQUIRED**

   Calculate the cost per phone under variable costing and absorption costing.

**Tutorial question set 8**

1. Trinkets Ltd manufactures jewellery for three different markets. The business has grown extensively. The company is structured into three divisions aligned with each market.

<table>
<thead>
<tr>
<th>Children’s jewellery</th>
<th>Adult jewellery Crystals</th>
<th>Crystals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$4 720 000</td>
<td>$2 480 000</td>
</tr>
<tr>
<td>Variable costs</td>
<td>33%</td>
<td>38%</td>
</tr>
<tr>
<td>Fixed costs</td>
<td>$1 960 000</td>
<td>$1 800 000</td>
</tr>
</tbody>
</table>
Divisional investment $5 000 000 $4 000 000 $12 000 000

Common costs for the year totalled $500 000 and were allocated based on sales.

REQUIRED

Prepare a divisional performance report based on the information supplied.

ADDITIONAL QUESTION SET 1

Question 1

Electrical Ltd’s income statement for the month of October 2011 shows profit of $603000 based on service revenue $850000; salaries expense $240000; supplies expense $4400; and electricity expense $2600. In reviewing the statement, you discover the following.

1. Rent of $4000 paid in advance for the months of October and November, but the rent expense for October had not been recognised.
2. Accrued but unpaid salaries at 31 October of $4500 was not included.
3. Services totalling $84000 were performed but not invoiced.
4. Depreciation on equipment of $2500 was omitted.
5. Insurance expired during October of $800 was omitted.
6. Supplies expense includes $2000 of supplies that are still on hand at 31 October. The company treats supplies on hand as a current asset.

REQUIRED

Prepare a corrected income statement for October 2011.

Question 2

ABC Ltd produces televisions and sells them for $250 each. The company can produce a maximum of 5000 units per year. Variable manufacturing costs are $120 per unit and non-manufacturing variable costs are $65 per unit and fixed costs are $250000 per year, regardless of production levels.

REQUIRED

a. What is the profit for the company if it sells 5000 units?
b. The company believes it can sell more units if it leases additional equipment. The lease costs are $200000 a year and the company has to give one year’s notice to cancel the lease. Because of the new equipment, total variable costs are reduced to $175 per unit. If the maximum number of units the company can produce and sell with the new equipment is 8100, should the company lease the new equipment?
c. What if there is a recession in the audio-visual industry and the company can now sell only 4000 units at $240 each? Should the company keep producing or not? Give reasons for your answer. Assume that the company did not lease the additional equipment.
d. Qualitative factors are often influential in the decision making process. Describe the nature of qualitative factors and give examples that might influence a decision such as the one faced at (c).
**Question 3**

SOLO Pty Ltd makes and sells a single product. The current selling price is $15 per unit. Variable costs are $9 per unit, and fixed costs are $27 000 per month.

REQUIRED (Unless otherwise stated, consider each requirement separately.)

a. Calculate the breakeven point, expressed in total sales dollars and sales volume per month.

b. Calculate the monthly operating profit (or loss) at a sales volume of 5 400 units per month.

c. Calculate monthly operating profit (or loss) if a $2 per unit reduction in the selling price results in a volume increase to 8 400 units per month.

d. What questions would have to be answered about the cost-volume-profit analysis simplifying assumptions before adopting the price-cut strategy of Part (c)?

e. Calculate monthly operating profit (or loss) that would result from a $2 per unit price increase and a $6 000 per month increase in advertising expenses, both relative to the original data. Assume a sales volume of 5 400 units per month.

f. Management is considering a change in the sales force compensation plan. Currently, the firm’s two salespersons are each paid a salary of $2 500 per month. Calculate the monthly operating profit (or loss) that would result from changing the compensation plan to a salary of $400 per month, plus a commission of $0.80 per unit, assuming a sales volume of first, 5 400 units per month and second, 6 000 units per month.

g. Assume that the sales volume of 6 000 units per month achieved in Part (f) could also be achieved by increasing advertising by $1 000 per month instead of changing the sales force compensation plan, which strategy would you recommend? Explain your answer.

**Question 4**

Heavy Industries purchased a new machine on 1 July 2010 at an invoiced cost of $38000. It cost the company $3000 in freight from the supplier, $20 000 in transport insurance, $1000 in insurance for the first year of operation, and $2000 to have the machine installed. The machine has an estimated life of ten years and an estimated salvage value of $5000.

REQUIRED

a. Calculate the depreciation expense for the years ending 31 December 2010 and 2011 using the straight line and the reducing balance methods of depreciation. The reducing balance rate is 25 per cent.

b. Calculate the accumulated depreciation and carrying amount of the machine at 31 December 2011 under the two methods.

**Question 5**

Blogs invested $150000 into a toy business that had its first day of operation on June 1. Transactions during June were as follows.

June 1 Deposited the $150000 into a business account. Paid three months’ rent in advance of $3000. Prepaid rent is treated as a current asset. Hired Jack Smith as a salesperson.

June 2 Purchased shop fittings for $27000 on 30-day credit. Purchased stock from Whoop Doo wholesalers for $58000, paying $30000 cash with the balance to be paid in 14 days.

June 3 Employed Jill Smith on a casual basis for three days to help with stocking the shop. Payment was $100 per day, paid at the end of three days.

June 4 Paid for installation of phone, fax and internet services from Telstra. Telstra required payment of the connection fee of $750.

June 5 Purchase office equipment on credit from Charge It for $5600.
June 7       Hired caterers for an opening party, paying $3100 cash, and advertised it in the local
             newspaper for the next three weeks, on seven days credit, for $500.
June 7-12    Took $3456 in cash sales.
June 14-19   Took $6320 in cash sales.
June 16      Paid Whoopee Doo.
June 21-26   Took $25321 in cash sales.
June 21      Paid Jack $275 in overtime.
June 23      Purchased additional stock of $23000 from Whooppee Doo on 14 days’ credit.
June 30      Realised stock was not insured and took out a year’s insurance contract at an annual
cost of $14400. The first month was paid in advance.
June 30      Paid Jack’s wages of $950.
June 30      Counted stock, and found that stock costing $16300 had been sold.

REQUIRED

Prepare an income statement and a balance sheet for the toy business as at June 30.

**Question 6**

Marlin Ltd sells fishing rods. At the beginning of October, Marlin had in beginning inventory 400
fishing rods at a unit cost of $80. During October, Marlin made the following purchases of fishing
rods.

<table>
<thead>
<tr>
<th>Date</th>
<th>Quantity</th>
<th>Unit Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 3</td>
<td>120 @ $85</td>
<td></td>
</tr>
<tr>
<td>October 9</td>
<td>80 @ $90</td>
<td></td>
</tr>
<tr>
<td>October 19</td>
<td>90 @ $95</td>
<td></td>
</tr>
<tr>
<td>October 25</td>
<td>100 @ $85</td>
<td></td>
</tr>
</tbody>
</table>

During October, 600 fishing rods were sold. The company uses a periodic inventory system.

REQUIRED

a. Determine the cost of goods available for sale.
b. Determine the ending inventory and the cost of goods sold under each of the cost flow
methods of FIFO, LIFO, and weighted average cost.
c. Which cost flow method results in first, the highest inventory amount for the balance sheet,
and second, the highest profit?

**Question 7**

Water Ltd manufactures pumps. The following data relate to the first month of operations.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit selling price</td>
<td>$400</td>
</tr>
<tr>
<td>Unit variable manufacturing cost</td>
<td>$150</td>
</tr>
<tr>
<td>Unit variable selling and administrative expense</td>
<td>$40</td>
</tr>
<tr>
<td>Fixed manufacturing overhead</td>
<td>$20000</td>
</tr>
<tr>
<td>Fixed selling and administrative expenses</td>
<td>$16000</td>
</tr>
<tr>
<td>Number of pumps produced</td>
<td>1000</td>
</tr>
<tr>
<td>Number of pumps sold</td>
<td>500</td>
</tr>
</tbody>
</table>

REQUIRED

(a) Calculate the manufacturing cost of a pump using:
1. absorption costing
2. variable costing

(b) Prepare an income statement for Water Ltd for the first month of operation using:
1. absorption costing
2. variable costing

(c) Explain why profits are different under the two costing methods.

ADDITIONAL QUESTION SET 2

Question 1

The following data relating to a single product applies to XYZ Ltd for the year ended 30 June 2009.

Sales for the year: 20 000 units (80% capacity) $1 600 000
Direct materials 500 000
Direct labour 200 000
Variable manufacturing overheads 100 000

Breakeven point is 65% of capacity. Plans for the year ending 30 June 2010 include the following. Sales price and demand to remain the same.

Costs are expected to increase as follows.
Direct materials 2%
Direct labour 15%
Variable manufacturing overheads 10%
Fixed manufacturing overheads No increase up to 100% capacity

An order was received on 1 September 2009 from Baker Company which operates in another geographic market for 12 500 units to be supplied during the year at a price that is 20% lower than what XYZ sells the product for. The order must be accepted or rejected in its entirety. XYZ does not expect demand for its product will be affected by the special order. Three options are being considered.

1. Reject the order.
2. Accept the order, work to 100% capacity, and turn away excess demand.
3. Increase factory capacity so that the special order can be accepted and XYZ’s demand can be met. This would involve purchasing new machinery at a cost of $500 000, increasing overheads by $125 000 (depreciation of $75 000 and $50 000 interest on borrowed funds), and renting additional factory space at a cost of $25 000 per annum.

REQUIRED

Advise management on the most profitable option, and calculate the expected profit.

Question 2

Reconditioned Engines carries a particular brand of engine. During the year ended 30 June 2010, the following purchases occurred.

August 2009 20 engines at $600
October 2009 25 engines at $620
December 2009    30 engines at $650
March 2010    40 engines at $640

As at 1 July 2009 Reconditioned Engines had 12 engines in stock, costed at $550 per unit. At 30 June 2010, a stock count revealed 18 engines in stock.

REQUIRED

1. Calculate the cost of engines on hand at 30 June 2010, using the following cost flow methods.
   a. LIFO
   b. FIFO
   c. Weighted average

2. Which method has the greatest positive impact on profit for the year ended 30 June 2010?

**Question 3**

Heavy Metals Ltd purchased a new machine on 1 February 2009 at a cost of $264,000. Insurance relating to its delivery cost $1,000. Freight charges amounted to $5,000. Cost of product material consumed in calibrating the machine for use is $2,000. Insurance for the machine’s first year of operation cost $2,500. The company estimates that the machine has a residual value of $18,000 after a ten year life.

REQUIRED

Calculate the depreciation expense using the following methods for the year ended 31 December 2009.

a. The straight line method.

b. The reducing balance method using a 20% depreciation rate.

b. Which depreciation method results in a greater negative impact on profit for the year? Why?

**Question 4**

Solo Manufacturing had a bad year in 2009. For the first time in its history it operated at a loss. The income statement showed the following results from selling 60,000 units of product. Net sales were $2,250,000, total expenses were $2,835,000, and the loss was $585,000. Data relating to these results are as follows.

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Variable</th>
<th>Fixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of goods sold</td>
<td>$2,025,000</td>
<td>$1,395,000</td>
<td>$630,000</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>630,000</td>
<td>110,000</td>
<td>520,000</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>180,000</td>
<td>70,000</td>
<td>110,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,835,000</strong></td>
<td><strong>$1,575,000</strong></td>
<td><strong>$1,260,000</strong></td>
</tr>
</tbody>
</table>

Management is considering the following alternatives for 2010. Treat each alternative independently.

1. Increase unit selling price to $52.50 with no changes in costs, expenses, or sales volume.
2. Change the compensation of salespersons from fixed annual salaries totalling $300,000 to total salaries of $75,000 plus a 5% commission on sales, with no other changes.
3. Purchase new high-technology factory machinery that will change the proportion between variable and fixed costs to 50:50, with no other changes.

REQUIRED

1. Calculate the breakeven point in units for the year 2009.
2. Calculate the breakeven point in units under each of the alternative courses of action. What course of action do you recommend for 2010 and why?

**Question 5**

Hotspot Ltd’s income statement for the month of July 2010 shows profit of $1400 based on service revenue $5500; wages expense $2300; supplies expense $1200; and electricity expense $600. In reviewing the statement, you discover the following.

1. Insurance expired during July of $300 was omitted.
2. Supplies expense includes $400 of supplies that are still on hand at 31 July. The company treats supplies on hand as a current asset.
3. Depreciation on equipment of $150 was omitted.
4. Accrued but unpaid wages at 31 July of $300 was not included.
5. Services totalling $750 were performed but not invoiced.

REQUIRED

Prepare a corrected income statement for July 2010.

**Question 6**

Sheldon Manufacturing estimates the following activity relating to their sole product for 2009.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected production</td>
<td>10 000 units</td>
</tr>
<tr>
<td>Expected direct labour hours</td>
<td>10 000 hours</td>
</tr>
<tr>
<td>Expected manufacturing overhead</td>
<td>$100 000</td>
</tr>
<tr>
<td>Expected direct material cost</td>
<td>$40 000</td>
</tr>
<tr>
<td>Expected direct labour cost</td>
<td>$20 000</td>
</tr>
</tbody>
</table>

Manufacturing overhead is allocated on the basis of direct labour hours. At the end of 2009, it was determined that 9 000 direct labour hours had been worked, and actual manufacturing overhead was $120 000. The amount of manufacturing overhead charged to production was $90 000.

REQUIRED

1. What is the predetermined manufacturing overhead rate for 2009?
2. What is the expected product cost per unit?
3. What is the adjustment to COGS for the overhead variation?
4. Are there other bases allocating overhead to production other than using direct labour hours? If so, what factors might be taken into consideration in assessing their utility?

**Question 7**

The balance sheet of XYZ Ltd at the end of its first year of trading is as follows.

**XYZ Ltd**

Balance Sheet as at 31 December 2009

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>$ 750</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>5 300</td>
</tr>
<tr>
<td>Debtors</td>
<td>19 600</td>
</tr>
<tr>
<td>Inventory</td>
<td>65 000</td>
</tr>
<tr>
<td></td>
<td>90 650</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>$ 1 250</td>
</tr>
<tr>
<td>Creditors</td>
<td>22 000</td>
</tr>
<tr>
<td></td>
<td>23 250</td>
</tr>
</tbody>
</table>
Noncurrent Assets
Motor vehicles 12 000
less accumulated depreciation 2 500
100 150

Owners’ Equity
Contributed capital 50 000
Retained earnings 26 900
100 150

During 2010 the following transactions took place. The company uses a periodic inventory costing system.

1. Rent on the premises of $20 000 was paid by cash.
2. Rates of $1 300 on the premises were paid during the year for the period 1 April 2009 to 31 March 2010. The annual rate charge has remained the same since 1 January 2008.
3. A second delivery vehicle was bought on 1 January 2009 for $13 000 cash. This vehicle is expected to be used by the business for four years and then sold for $3 000.
4. Wages totalling $36 700 were paid during the year. At the end of the year, the business owed $860 for wages for the last week of the year.
5. Electricity bills totalling $1 820 for the first three quarters of the year were paid. The bill for the last quarter for $690 remained unpaid at 31 December 2009.
6. Inventory costing $67 000 was bought on credit.
7. Inventory costing $8 000 was bought for cash.
8. Sales on credit $179 000 (cost $89 000).
9. Cash sales $54 000 (cost $25 000).
10. Cash received from debtors $178 000.
11. Payments made to creditors totalled $71 000.
12. Vehicle expenses of $16 200 were paid.
13. Depreciation on all vehicles totalled $4 000.

REQUIRED

Prepare an income statement and a balance sheet for XYZ Ltd as at 31 December 2010.

ADDITIONAL QUESTION SET 3

Question 1

Charlie Company operates a single product entity. Data relating to the product for 2008 are as follows.

Annual volume 32 000 units
Selling price per unit $60
Variable manufacturing cost per unit $28
Annual fixed manufacturing costs $120 000
Variable marketing and distribution costs per unit $12
Annual fixed non-manufacturing costs $360 000

REQUIRED

a. Calculate the breakeven point in units for 2008.
b. Calculate the profit achieved in 2008.
c. Changes in marketing strategy are planned for 2009. This would increase variable marketing and distribution costs by $4 per unit, and reduce fixed non-manufacturing costs by $80 000 per year. Calculate the number of units that would need to be sold in 2009 to achieve the same profit as in 2008.
d. Would you recommend the change? Explain.
**Question 2**

Gym Equipment Pty Ltd produces exercise mats for use in fitness centres. Production capacity is 20,000 mats per year. Due to a chain of fitness centres closing, Gym Equipment now has spare capacity of 2,000 mats per year. An international hotel chain, Resteasy, has recently contacted Gym Equipment to place a one-off order for 3,000 mats. The hotel chain has recently remodelled a number of its hotels to incorporate fitness centres for guests.

Budgeted costs for 20,000 mats are:
- Variable manufacturing costs $800,000
- Fixed manufacturing costs $900,000

Mats normally sell for $100 each, and Resteasy has offered to pay $90 per mat. Resteasy has also requested that each mat be embossed with its company logo. An embossing machine costing $20,000 would therefore need to be purchased by Gym Equipment. The machine could not be used for other products.

**REQUIRED**

a. From a financial perspective, should Gym Equipment accept the special order? Show calculations.

b. What other factors should be considered before the order is accepted?

**Question 3**

Economic Revival Pty Ltd commenced business on 1 May 2008. The following transactions occurred during the month of May.

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1</td>
<td>Shareholders invested $10,000 cash in the business.</td>
</tr>
<tr>
<td>2</td>
<td>Paid $800 for office rent for that month.</td>
</tr>
<tr>
<td>3</td>
<td>Purchased $500 of supplies on credit.</td>
</tr>
<tr>
<td>5</td>
<td>Paid $50 for advertising.</td>
</tr>
<tr>
<td>9</td>
<td>Received $1,000 cash for services provided.</td>
</tr>
<tr>
<td>12</td>
<td>Paid $200 cash dividend.</td>
</tr>
<tr>
<td>15</td>
<td>Performed $3,000 services on account.</td>
</tr>
<tr>
<td>17</td>
<td>Paid $2,500 for employee salaries.</td>
</tr>
<tr>
<td>20</td>
<td>Paid for the supplies purchased on account on May 3.</td>
</tr>
<tr>
<td>23</td>
<td>Received a cash payment of $2,000 for services provided on account on May 15.</td>
</tr>
<tr>
<td>27</td>
<td>Borrowed $5,000 from the bank, repayable on 1 September 2010.</td>
</tr>
<tr>
<td>30</td>
<td>Purchased office equipment for $2,400 on account.</td>
</tr>
<tr>
<td>31</td>
<td>Paid $150 for electricity.</td>
</tr>
</tbody>
</table>

**REQUIRED**

Prepare an income statement and a balance sheet as at May 31, 2008.

**Question 4**

The directors of Office Supplies Ltd provide you with the following financial information for the period ended 31 December 2007. Selling expenses $39,000, interest expense $15,000, loss on sale of fixed asset $2,500, administrative expenses $31,000, income tax expense $16,000, cost of goods sold $190,000, ordinary share capital (20,000 shares issued) $80,000, sales revenue $310,000, other revenue $7,500, dividends paid $8,000, retained earnings at 1 January 2007 $116,000.

**REQUIRED**
a. Prepare an income statement for Office Supplies Ltd for the period ending 31 December 2007.

**Question 5**

Moviemax Ltd manufactures DVD recorders. During 2008, the company’s total costs associated with manufacturing 20 000 DVD recorders were as follows.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct material</td>
<td>$200 000</td>
</tr>
<tr>
<td>Direct labour</td>
<td>118 000</td>
</tr>
<tr>
<td>Variable manufacturing overhead</td>
<td>62 000</td>
</tr>
<tr>
<td>Fixed manufacturing overhead</td>
<td>32 000</td>
</tr>
<tr>
<td>Fixed non-manufacturing overhead</td>
<td>84 000</td>
</tr>
<tr>
<td>Variable selling and administrative costs</td>
<td>44 000</td>
</tr>
</tbody>
</table>

**REQUIRED**

Calculate the cost per DVD recorder under variable costing and absorption costing.

**Question 6**

Music Cellars sells CDs of the performing artist Billy Brown. At the beginning of March, Music Cellars had in inventory 1 500 Billy Brown CDs with a unit cost of $7. During March, Music Cellars made the following purchases of Billy Brown CDs.

<table>
<thead>
<tr>
<th>Date</th>
<th>Quantity</th>
<th>Unit Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 5</td>
<td>3 500</td>
<td>$8</td>
</tr>
<tr>
<td>March 13</td>
<td>5 500</td>
<td>$9</td>
</tr>
<tr>
<td>March 21</td>
<td>4 000</td>
<td>$10</td>
</tr>
<tr>
<td>March 26</td>
<td>1 500</td>
<td>$11</td>
</tr>
</tbody>
</table>

During March, 13 500 units were sold. Music Cellars uses a periodic inventory system.

**REQUIRED**

a. Determine for March (1) the ending inventory cost and (2) the cost of goods sold under each of the three inventory cost flow methods of FIFO, LIFO and weighted average.
b. Which cost flow method had the greatest impact on the month’s income statement and why?

**Question 7**

i) The accrual system of accounting is better than cash accounting. Discuss.

ii) In each of the following independent situations, indicate the nature of the adjustment that needs to be made (for example, prepaid expense, accrued income, income received in advance, accrued expense, etc) and indicate whether the profit and financial position would be overstated or understated if the adjustment was not made.

a. Received $12,000 cash in advance for an advertising campaign to run over 12 months. It was originally recorded as revenue. At the end of the year the campaign had been running for 8 months.
b. Salaries of $1,000 per week (5 working days) are normally paid on Friday. The end of the year is a Wednesday and we have not paid the salaries.
c. Paid $12,000 for 12 months rent in advance. At the end of the year, three months rent had not been used.

d. Estimated that the consumption of electricity, telephone and water services consumed at the end of the year and unpaid amounted to $3,000.

e. An analysis of accounts receivable indicated $51,000 was unlikely to be collected.

### 4: Unit Resources

#### 4a Lists of required texts/readings


The publications listed below (available from the library) are highly recommended for further reading on the topics covered in the unit. You should also consult them for the research and preparation of your assignments.

**Books**


**Journals**


The University subscribes to a number of on-line bibliographic databases. For this unit, the most useful are the Ebscohost and AATD databases.

#### 4b Materials and equipment

There is no essential equipment other than the textbook.

#### 4c Unit website

This unit has a Moodle site.
5: Assessment

5a Assessment overview

<table>
<thead>
<tr>
<th>Assessment item (including exams held in the exam period)</th>
<th>Due date of assignments</th>
<th>Weighting (total to equal 100%)</th>
<th>Addresses learning outcome(s)</th>
<th>Addresses generic skill(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignment 1</td>
<td>5.30pm Thursday 5 April 2012</td>
<td>20%</td>
<td>Assignment covers financial accounting elements of learning outcomes</td>
<td>1, 2, 3, 4, and 6</td>
</tr>
<tr>
<td>Assignment 2</td>
<td>5.30pm Thursday 3 May 2012</td>
<td>30%</td>
<td>Assignment covers main elements of learning outcomes</td>
<td>1, 2, 3, 4, 5, and 6</td>
</tr>
<tr>
<td>Examination</td>
<td>Examination period</td>
<td>50%</td>
<td>Focuses on learning outcomes</td>
<td>1, 2, 3, and part 6</td>
</tr>
</tbody>
</table>

Each assignment is to be completed by groups of three students. The membership of each group must remain the same for both assignments. Failure to join a group will incur a significant mark penalty of 50%. The marks awarded for each assignment will be recorded for each student in the group. You will be assessed on your capacity to focus closely on the requirements of each assignment, as well as on your communication skills.

Submit each assignment typed using Times New Roman 12, double spaced, single sided with a corner staple.

5b Details of each assessment item

Assignment 1

**Due Date:** 5.30pm Thursday 5 April 2012

**Length:** 1500 words

**Value:** 20 marks

**Topic/s:** Financial Accounting Case Study

**Details:** Publicly listed companies are currently receiving considerable press coverage frequently linked to factors relating to their financial statements. They produce annual reports for the use of a range of interested parties, including existing and potential shareholders, suppliers, financiers, and regulatory authorities. Annual reports convey primarily financially-oriented information that is intended to shed light on organizational performance from a financial perspective. However, their utility is being questioned. Recent evidence suggests that annual reports may mask what may be otherwise considered to be the “true” state of affairs of a firm. With this in mind, financial statements may need to be read with care. Hence it is important that they are evaluated critically.
Variability in the prices of shares listed on stock exchanges around the world continues unabated. Some of that variability has been due to concerns relating to the degree of financial leverage used by organizations, liabilities classified as non-current rather than current, difficulties associated with raising capital, and the extent of opaqueness of corporate structures as well as the nature and magnitude of debt reported in financial statements. Some investors are increasingly hesitant to buy stock as a result of these concerns. Other investors have lost their life savings in collapsed companies.

**Required:** Obtain the annual reports of the two ASX listed companies of Ramsay Health and Sonic Health for the period 2009 to 2011 inclusive. Reports can be obtained in hard copy directly from the company or downloaded from the corporate website.

Evaluate the annual reports from the perspective of investors in the firms. Prepare trend analyses and financial ratio analyses for a minimum of three years for the organizations and evaluate them for their information content. Assess whether the reports provide any red flags that may have provided signals of impending financial difficulties. Comment also on the qualitative and non-financial information contained in the reports and assess the extent to which that information facilitates a clearer understanding of the companies’ financial operations. Evaluate the notes to the accounts for information that may influence the manner in which the reported financial data may be interpreted. Finally, comment on the utility of annual reports and financial statement analysis in terms of their capacity to inform the decision processes of investors in these two companies.
Assignment 2

**Due Date:** 5.30pm Thursday 3 May 2012

**Length:** 2500 words

**Value:** 30 marks

**Topic/s:** Product Costing

**Details:** Costing products is a matter of considerable importance to organizations. The need for accurate product costs ranges from cost identification for inventory valuation purposes, through to profitability analyses and strategic considerations. From the accounting standards perspective, a product's cost comprises direct material, direct labour, and a “fair share” of factory overhead. Consequently, many downstream and upstream costs are excluded from the accounting standard approach. Furthermore, as environmental considerations loom larger for manufacturing firms, environmental material and process costs are increasingly seen as requiring greater identification and consideration in product costing. Product disposal costs have also become a critical issue for organizations in many circumstances. Suggestions have been made that the accounting standard approach to product cost should be expanded to enable firms to more readily address profitability and strategic matters.

**Required:** Examine the literature to identify the different perspectives on how a product’s cost may be formulated. Assess the strengths and weaknesses of the various approaches to product costing that have been proposed, and assess which might be useful in ensuring that management accounting fulfils a more strategic role in manufacturing organizations.

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**Lodging Assignments**

Please remember that you are responsible for lodging your written coursework on or before the due date to your lecturer’s mailbox (Number 25) located outside 6B1. You are also required to upload a copy of each assignment to this unit’s Moodle site by no later than the due date. You may post your assignment providing it is postmarked on or before the due date to: Lecturer's name, University of Canberra, Canberra ACT 2601. **Please do not send your assignments by email.** You are required to keep a hard and a soft copy of your assignments as even in the most ‘perfect’ of systems, items can sometimes go astray.

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**Late Assignments and Re-submission Policy**

Extensions will only be granted on medical or compassionate grounds. Requests for extensions should be **made in writing** to the unit convener **prior** to the due date. Medical certificates or other evidence must be attached and must contain information which justifies the extension sought. Late assignments which have **not** been granted an extension will be penalised by deducting ten (10) percent of total marks from the mark which would otherwise be awarded, for each full day overdue. No re-submission of assignments permitted.
Referencing

The Faculty of Business, Government and Law requires you to use the Author/Date (Harvard) style of referencing. This style, rather than the footnote system, allows readers to immediately see your source of information and saves the writer the trouble of adjusting footnotes to the page. There are minor variations in style but you should aim for consistency. The most important point is the author and date of the reference should appear in brackets in the text. A reference is necessary when:

a. Another writer is directly quoted.
b. The ideas of another writer are reported or rephrased.

To reference a book:

If you are citing a general idea from another writer, but in your own words, in your essay write,

Bowie (2000) suggests ....... OR
It has been suggested (Bowie, 2000) that ....... OR
Beauchamp & Bowie (2004) argue ..... OR
It has been argued ............... (Beauchamp & Bowie, 2004).

If you are giving a direct quote you should also include the page number in the brackets after the quote and the quote should be in quotation marks.

Example

In discussing the conversion of farmland traditionally used for the supply of local food crops, to export crops causing malnutrition for the host population, Dobson notes that "multinational corporations control 80 percent of the world's land cultivated for export-oriented crops" (Dobson, 2002: 21). OR Dobson (2002) says it is disquieting to note that "multinational corporations control 80% of the world's land cultivated for export-oriented crops" (p.21).

Then, in your reference list at the end of your essay where sources are presented in alphabetical order by surname (i.e. last name) of first author show:

Author(s) surname(s), then initials of given names
Year of publication
Title of book (italics and bold)
Place of publication
Publisher

Example


To reference multiple sources:

Multiple references to a single author should be cited in the following manner:
De George (1993, 1999) suggests that ......

Reference to multiple authors should be cited by listing within brackets, and in alphabetical order, the surname of each author and the date of publication. For example,
Some authors (De George, 1999; Velasquez, 2002) have noted that ......

To reference a chapter in an edited book, or an article in a journal:

In your essay write the same details, e.g.
Duska, (1998) suggests .... OR It has been suggested .... (Duska, 1998).

In the list at the end of the essay you need to give the page numbers on which the article appeared.

Example

For a journal article, write:

- Author(s) surname(s), then initials
- Year of publication
- Article title (not in inverted commas)
- Journal name (italics and bold)
- Volume No.
- Pages on which article appeared.

**Example**


**To reference an author’s work found in a secondary source:**

(such as when you read a text with a reference to another author)

Donaldson (1997, cited in DeGeorge, 1999) suggests that ......

In the reference list at the end of your essay cite the secondary source only (i.e. De George). Do not list the primary source (i.e. Donaldson).

**To reference an electronic document:**

Electronic document references should, at a minimum, include the author’s name, if known; the full title of the document; the full title of the work it is part of, if there is one; the ftp, http, or other address (URL); and the date the document was accessed.

**Examples**


**Punctuation style for references:**

Please refer to the punctuation used in the above examples.

Additional information can be accessed from the University of Canberra Academic Skills Program, *Acknowledging Sources of Academic Writing*, http://www.canberra.edu.au/studyskills/writing/sources.html.

**Examination**

The final examination will be of three (3) hours duration. It will consist of computational and short answer questions.

Please note the following:

- The examination is worth 50 percent of the total available marks.
- No materials are allowed into the examination room for this unit other than an Unannotated Non-Electronic Language Dictionary (English/Foreign) and a Non-Programmable Calculator.
• You must bring your current student identification card to the examination.
• The best preparation for the exam is consistent work throughout the semester.

In order to pass this unit you must complete and submit each item of coursework, complete the examination and achieve an overall mark of at least 50 per cent of the total available marks.

5c Special assessment requirements
Nil

5d Supplementary assessment
Supplementary assessment will be available only to students who have failed a single unit in their final semester with a final mark between 45-49%

5e Academic Integrity
Students have a responsibility to uphold University standards on ethical scholarship. Good scholarship involves building on the work of others and use of others’ work must be acknowledged with proper attribution made. Cheating, plagiarism, and falsification of data are dishonest practices which contravene academic values.

6: Student Responsibility

6a Workload
The amount of time you will need to spend on study in this unit will depend on a number of factors including your prior knowledge, learning skill level and learning style. Nevertheless, in planning your time commitments you should note that for a 3cp unit the total notional workload over the semester or term is assumed to be 150 hours. These hours include time spent in classes. The total workload for units of different credit point value should vary proportionally. For example, for a 6cp unit the total notional workload over a semester or term is assumed to be 300 hours.

6b Special needs
Students who need assistance in undertaking the unit because of disability or other circumstances should inform their Unit Convener or UC AccessAbility (formerly the Disabilities Office) as soon as possible so the necessary arrangements can be made.

6c Participation requirements
One lecture and one tutorial per week. Attendance is not compulsory to pass the unit.

6d Withdrawal
If you are planning to withdraw please discuss with your unit convener. Please see this link for further information on deadlines.

6e Required IT skills
A knowledge of Word and Excel.

6f Costs
The costs of studying this subject include enrolment fees, and a textbook. No additional costs are expected other than those levied by the Student Association. It is unlikely that you will exceed your Internet download allocation.

6g Work placements, internships or practicums
Further developmental work at the University of Canberra may result in Work Integrated Learning being relevant this unit.

6h Additional information
Nil.

7: Student Feedback
All students enrolled in this unit will have an opportunity to provide anonymous feedback on the unit at the end of the Semester via the Unit Satisfaction Survey (USS) which you can access by logging into MyUC via the UC homepage: http://www.canberra.edu.au/home/. Your lecturer or tutor may also invite you to provide more detailed feedback on their teaching through an anonymous questionnaire.

8: Authority of this Unit Outline
Any change to the information contained in Section 2 (Academic content), and Section 5 (Assessment) of this document, will only be made by the Unit Convener if the written agreement of Head of Discipline and a majority of students has been obtained; and if written advice of the change is then provided on the unit site in the learning management system. If this is not possible, written advice of the change must be then forwarded to each student enrolled in the unit at their registered term address. Any individual student who believes him/herself to be disadvantaged by a change is encouraged to discuss the matter with the Unit Convener.