

TACC605 (Non-award Unit Study) Assignment 1

Term 1 2023

Due date: week 4's Saturday 11th February 23:59 (online Turnitin submission)

Assessment mark: 25 marks

General requirements:

The assignment should be prepared by the individual student and submitted in a non-pdf format. The assignment should use IMC TOP Assignment Cover Sheet. Font type should be Times New Roman with a size of 12 and paragraph space 1.5.

Question 1 (8 marks)

Share capital of OZ Ltd at 31 March 2019 was as follows: 300 000 ordinary shares at an issue price of \$4 each paid to \$2.50, and 100 000 preference shares at an issue price of \$4 each paid to \$2.

At that date, a further call of \$1.50 on ordinary shares and \$2 on preference shares was made.

During the 3 months to 30 June 2019, all calls were duly received except those on 5000 preference shares which were forfeited as at 30 June 2019.

To bring capital back to the original amount of issued capital, the forfeited shares were offered to an investment company at a price of \$3.50 per share paid to \$4 and the transfer was completed on 30 September 2019.

According to the company's constitution, shareholders' equity in forfeited shares must be refunded to them. On 31 October, the previous owner of forfeited shares received a refund cheque for the amount due, less selling costs of \$720.

Required:

Show journal entries with proper narrations to implement the above transactions.

Question 2 (17 marks)

You have been asked by the management of Mega Ltd to assist with the preparation of the income tax journal entries for the year ended 30 June 2019. The company reported a profit before tax for the year to 30 June 2019 of \$900 000. The company's statements of financial position include assets and liabilities as follows:

	2019	2018
Accounts receivable	\$ 245 000	\$ 200 000
Allowance for doubtful debts	(20 000)	(10 000)

Plant – at cost	600 000	600 000
Accumulated depreciation	(190 000)	(120 000)
Development asset – at cost	360 000	200 000
Accumulated amortisation	(130 000)	(80 000)
Interest receivable	10 000	20 000
Provision for long-service leave	48 000	62 000
Deferred tax asset	?	21 600
Deferred tax liability	?	60 000

Additional information:

- (a) The company is entitled to claim a tax deduction of 125% on development costs when incurred.
- (b) Interest revenue of \$10 000 is included in the profit for the year to 30 June 2019.
- (c) Expenses included in profit for the year to 30 June 2019 are as follows:
- parking and other fines \$10 000
 - depreciation expense for plant \$70 000
 - doubtful debts expense \$25 000
 - amortisation of development asset \$50 000
 - long-service leave expense \$36 000.
- (d) Accumulated depreciation on plant for tax purposes is \$280 000 on 30 June 2019 and \$180 000 on 30 June 2018. There have been no acquisitions or disposals of plant during the current year.
- (e) The corporate tax rate is 30%.

Required:

Complete the current tax and deferred tax worksheets of Mega Ltd and prepare the tax journal entries for 30 June 2019.