

BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Student ID (in Words) : _____

Subject Code & Name : **ACC2113 FINANCIAL ACCOUNTING 2**
Semester & Year : JANUARY – APRIL 2017
Lecturer/Examiner : JAMES LIOW
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 1 part:
PART A (100 marks) : Answer FIVE (5) compulsory questions. Answers and workings are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment and calculator into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College of Hospitality regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College of Hospitality.

Total Number of pages = 6 (Including the cover page)

PART A : COMPULSORY QUESTIONS (100 MARKS)

INSTRUCTION (S) : There are **FIVE (5)** questions in this section. Answer ALL questions. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

Prepare a cash flow statement for Chee Wern Ltd for the year ended 31 December 2016 as required using the indirect method. The Statement of Comprehensive Income and Statement of Financial Position for Chee Wern Ltd for the year 2016 are given below.

Chee Wern Ltd
Statement of Comprehensive Income for the year ended 31 December 2016

	\$	\$
Sales		6,500
Less Cost of goods sold		<u>(3,000)</u>
		3,500
Less: Expenses		
Wages	2,000	
Other costs	600	
Depreciation	500	
Interest	<u>100</u>	<u>(3,200)</u>
Profit for the year		300
Dividend		<u>(50)</u>
Retained Profit		<u>250</u>

Chee Wern Ltd
Statement of Financial Position as at 31 December

	2016		2015	
	\$	\$	\$	\$
Fixed assets at cost		4,500		3,800
Less Accumulated depreciation		<u>2,300</u>		<u>1,800</u>
Net book value		2,200		2,000
Current assets				
Stock	400		500	
Trade debtors	150		200	
Cash	<u>200</u>	750	<u>100</u>	800
Current liabilities				
Trade creditors	325		300	
Accrued wages	<u>25</u>	<u>(350)</u>	<u>50</u>	<u>(350)</u>
		<u>2,600</u>		<u>2,450</u>
Financed by:				
Debentures	900		1,000	
Ordinary share capital	1,000		1,000	
Retained profits	<u>700</u>		<u>450</u>	
		<u>2,600</u>		<u>2,450</u>

[Total 20 marks]

QUESTION 2

Kumar, Menon and Siva are in partnership sharing profits in the ratio 2:1:1.

They have fixed capitals of \$120,000; \$60,000 and \$50,000 respectively and interest on capital is allowed at the rate of 10% per annum.

During the year to 31 December 2016, the three partners took drawings of \$76,000; \$22,400 and \$24,000 respectively.

On 1 January 2016 all three partners had credit balances on their current accounts of \$800; \$640 and \$1,260 respectively.

In addition, Kumar is paid a salary of \$34,000 per annum.

The following information is also available relating to the year ended 31 December 2016:

	\$
Purchases	402,300
Sales	645,320
Stock at 1 January 2016	23,360
Stock at 31 December 2016	25,020
Depreciation	17,820
Discount received	2,260
Discount allowed	1,640
Rent payable	24,000
Light and heat	28,880
Wages	45,980
Repairs to equipment	7,620

Required

Prepare for the year ended 31 December 2016:

- Profit & Loss and Appropriation Account (13 marks)
- The Current Accounts for the three partners in columnar format. Dates may be ignored. (7 marks)

[Total 20 marks]

QUESTION 3

The following information is available for Radioactive Wholesaler at 31 March 2016. All purchases and sales are on credit and all invoices should be paid within 30 days.

	\$
Sales	250,000
Stock 1 April 2015	21,000
Stock 31 March 2016	19,000
Purchases	187,500
Cost of sales	189,500
Gross profit	60,500
Net profit	30,000
Capital employed	300,000
Cash at bank	1,000
Debtors	15,000
Creditors	20,000

Required

a) Using the above information, calculate the following ratios to **one** decimal place:

- (i) Current/working capital
- (ii) Liquidity/acid test
- (iii) Gross profit margin
- (iv) Net profit margin
- (v) Return on capital employed
- (vi) Rate of stock turnover
- (vii) Debtors' collection period in days
- (viii) Creditors' settlement period in days

(12 marks)

The following ratios have been calculated for a competitor, Custom Segar Wholesaler:

Current/working capital	1.5:1
Liquidity/acid test	0.6:1
Gross profit margin	20%
Net profit margin	9%
Return on capital employed	8%
Debtors' collection period	30 days
Creditors' settlement period	42 days

Required

- b) (i) State which business performed better during the year ended 31 March 2016. (1 mark)
- (ii) Compare four of the ratios that you have calculated for Radioactive Wholesaler with the same four ratios provided for Custom Segar Wholesaler to justify your answer. (7 marks)

[Total 20 marks]

QUESTION 4

Hung Hing Ltd has an authorised share capital of 400,000 ordinary shares of \$0.50 each, of which 320,000 which 120,000 are issued and fully paid. It has \$80,000 of 5% debentures with interest being paid half-yearly in arrears on 30 June and 31 December. It also has a loan of \$60,000 with interest being paid at 8% on the same terms as the debentures. The debentures and loan are repayable in 2018.

The following information is available for the year ended 31 December 2016:

	\$
Directors' salaries	56,000
Wages	184,000
Sales	1,070,000
Cost of sales	580,000
General expenses	128,200

Additional information at 31 December 2016:

	\$
Premises at net book value	480,000
Debtors	37,600
Creditors	23,600

Machinery at net book value	360,000
Bank	52,400 Dr
Closing stock	122,000
Share premium	120,000
General reserve at 1 January 2016	80,000
Retained profits at 1 January 2016	295,400

- (i) The directors have proposed that a dividend of \$0.05 per share is paid on the ordinary shares.
(ii) Dividends are also to be paid on the preference shares. \$20,000 is to be transferred to the General Reserve. All interest payments were made on their due dates.

Required

Prepare the following statements:-

- a) Profit & Loss and Appropriation Account for the year ended 31 December 2016. (8 marks)
b) Statement of Financial Position at 31 December 2016. (12 marks)

[Total 20 Marks]

QUESTION 5

Joe Nike and Nat Puma were in partnership. It was agreed that profits and losses are to be shared in the ratio 2 : 1.

**Joe Nike & Nat Puma
Balance Sheet as at 31 March 2016**

Non-Current Assets	\$	\$	\$
Goodwill		30,000	
Premises		180,000	
Motor Vehicles		30,000	
Fixtures and Fittings		15,000	255,000
Current Assets			
Debtors	87,600		
Cash at Bank	9,500	97,100	
Current Liabilities			
Creditors		31,000	
Working Capital			66,100
			321,100
Capital Accounts			
Joel Nike	95,000		
Nat Puma	210,000	305,000	
Current Accounts			
Joe Nike	8,100		
Nat Puma	8,000	16,100	
			321,100

At 31 March, Goodwill was revalued at \$41,000 and premises were revalued at \$175,000. Revaluation took place before Joe Nike retired.

At 31 March, Joe Nike retired, and withdrew his investment from the business. Nat Puma decided to admit Jon Adidas to the partnership on 1 April 2015. It was agreed that Nat Puma and Jon Adidas would share profits and losses in the ratio 3 : 1.

On 1 April, Jon Adidas introduced the following Assets:

	\$
Debtors	21,000
Goodwill	9,000
Cash	85,000

On 1 April, the partnership arranged a bank overdraft of \$20,000.

Required

Prepare the following accounts, to show where necessary the entries relating to the retirement of Joe Nike and the admission of Jon Adidas to the partnership.

- a) Revaluation Account (4 marks)
- b) The Capital Account of Joe Nike (4 marks)
- c) The opening Statement of Financial Position of Nat Puma and Jon Adidas at 1 April 2016. (12 marks)

[Total 20 marks]

END OF QUESTION PAPER