

BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **ACC2113 FINANCIAL ACCOUNTING 2**
Trimester & Year : JANUARY – APRIL 2018
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 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.

Total Number of pages = 7 (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

The following information has been extracted from the books of Nimmo Limited for the year to 31 December 2016 and 31 December 2017:

Nimmo Ltd
Statement of Comprehensive Income for the year ending 31 December

	2016	2017
	\$' 000	\$' 000
Profit before taxation	9,500	20,400
Taxation	(3,200)	(5,200)
Profit after taxation	6,300	15,200
Dividends:		
Preference (Paid)	(100)	(100)
Ordinary: interim (Paid)	(1,000)	(2,000)
Ordinary: Final (Proposed)	(3,000)	(6,000)
Retain Profit carried down	800	3,000
Retained Profit brought down	3,000	10,100

Nimmo Ltd
Statement of Financial Position as at 31 December

	2016	2017
	\$'000	\$'000
Non-Current Assets		
Plant, machinery & equipment, at cost	17,600	23,900
Less Accumulated depreciation	9,500	10,750
	8,100	13,150
Current assets		
Stock	5,000	15,000
Trade debtors	8,600	26,700
Prepayments	300	400
Cash at bank and in hand	600	-
	14,500	42,100
Current liabilities		
Bank overdraft	-	16,200
Trade creditors	6,000	10,000
Accruals	800	1,000
Taxation	3,200	5,200
Proposed dividends	3,000	6,000
	13,000	38,400
	9,600	16,850

Financed by:		
Ordinary share capital of \$1.00 each	5,000	5,000
10% preference share capital of \$1.00 each	1,000	1,000
Retained profits	3,000	10,100
	9,000	16,100
15% debentures	600	750
	9,600	16,850

Additional information:

1. The directors are extremely concerned about the large bank overdraft as at 31 December 2017 and they attribute this mainly to the increase in trade debtors as a result of alleged poor credit control.
2. During the year to 31 December 2017, plant, machinery and equipment originally costing \$5,500,000 were sold for \$1,000,000. The accumulated depreciation on these assets as at 31 December 2016 was \$3,800,000.

Required:

Prepare a cash flow statement for the year to 31 December 2017.

[Total 20 marks]

QUESTION 2

S Chan and P Tong are in partnership sharing profits and losses in the ratio 2:1 respectively. The following trial balance was extracted from S Chan and P Tong's accounts at 30 September 2017:

**S Chan & P Tong
Trial Balance as at 30 September 2017**

	\$	\$
Current account:		
- S Chan		2,100
- P Tong		900
Capital:		
- S Chan		72,600
- P Tong		90,900
Drawings:		
- S Chan	10,950	
- P Tong	13,250	
Accounts receivable	18,120	
Accounts payable		24,866
Fixed deposit at Hong Bank Ltd	53,400	
Bank account, overdrawn		1,260
Cash in hand	114	
Fixed deposit interest received		1,221
Discount allowed	1,980	
Discount received		1,680
Wages	12,615	
Premises, at cost	73,500	

Fixtures and Fittings, at net book value	11,280	
Stock at 30 September 2017	47,085	
Gross Profit		59,610
Carriage outwards	2,880	
Sundry expenses	8,886	
Rent and rates	1,077	
	255,137	255,137

The following information was also available at 30 September 2017:

- (i) Interest at 6% per annum is allowed on capital.
- (ii) Interest at 4% per annum is charged on total drawings for the year.
- (iii) A transfer was made from the partners' current accounts to the respective capital accounts: S Chan \$5,000 and P Tong \$13,000.
- (iv) P Tong is entitled to a salary of \$24,000 per annum.
- (v) Prepayments of wages were \$247 and accruals of rent and rates were \$300.

Required

Prepare for S Chan and P Tong, in respect of the year ended 30 September 2017:

- a) The Profit & Loss Appropriation Account. (10 marks)
- b) The partners' Capital Accounts, in columnar format. Dates may be ignored. (8 marks)
- c) The partners' Current Accounts, in columnar format. Dates may be ignored. (2 marks)

[Total 20 marks]

QUESTION 3

Maggie Lee prepared the following final accounts at 31 August 2017:

Maggie Lee Ltd
Statement of Comprehensive Income for the year ended 31 August 2017

	\$	\$
Sales		220,000
Less: Cost of goods sold		
Stock at 1 September 2016	29,600	
Purchases	132,800	
	162,400	
Stock at 31 August 2017	(30,400)	(132,000)
Gross profit		88,000
Less:		
Business expenses	10,200	
Depreciation - vehicles	3,000	(13,200)
Net profit		74,800

Maggie Lee Ltd
Statement of Financial Position as at 31 August 2017

	\$	\$	\$
Non-Current Assets at net book value			
Premises		88,000	
Vehicles		46,000	134,000
Current Assets			
Stock	30,400		
Debtors	27,465		
Bank	29,135	87,000	
Current Liabilities			
Creditors		34,800	52,200
			186,200
Financed by:			
Ordinary share capital		153,800	
Retained earnings		32,400	
			186,200

Required

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

- a) Gross profit as a percentage of sales
- b) Net profit as a percentage of sales
- c) Average rate of stock turnover (times)
- d) Return on average capital employed as a percentage
- e) Current ratio
- f) Acid test ratio
- g) Average time that the goods are carried in stock (months)
- h) Debtors' collection period in days
- i) Creditors' settlement period in days

[Total 20 marks]

QUESTION 4

The following balances appeared in the ledger of L Ng Ltd after the preparation of the Profit & Loss Account for the year ended 31 October 2017:

L Ng Ltd
Trial Balance as at 31 October 2017

	\$'000	\$'000
Ordinary shares capital of \$0.25		12,000
3% \$1.00 preference share capital		600
Interim ordinary dividend paid	560	
Preference dividend paid	18	
Freehold land and buildings, at cost	10,400	
Accumulated depreciation of land and buildings		80
Plant and machinery, at cost	13,880	
Accumulated depreciation of plant and machinery		1,632

Motor vehicles, at cost	3,720	
Accumulated depreciation of motor vehicles		860
Fixtures and fittings, at cost	3,420	
Accumulated depreciation of fixtures and fittings		580
Accounts receivable	5,920	
Accounts payable		3,840
Bank, overdrawn		1,750
Cash in hand	260	
Stock	4,292	
Share Premium		2,640
Prepayments	290	
Accruals		262
8% Loan repayable (30 April 2022)		2,800
Loan interest accrued		112
5% debenture repayable (31 January 2018)		1,600
Retained profit, brought forward		8,656
Net profit		3,880
Revaluation reserve		1,468
	42,760	42,760

The board of directors of L Ng Ltd have declared a final dividend of \$0.04 per ordinary share for the financial year ending 31 October 2017.

Required

Prepare the following statements:-

- Retained Earnings Account for the year ended 31 October 2017. (4 marks)
- Statement of Financial Position as at 31 October 2017. (14 marks)
- List any **TWO (2)** advantages of converting from a partnership to a private limited company. (2 marks)

[Total 20 Marks]

QUESTION 5

Barnes, Hassett and Lindwall were partners, sharing profits and losses in the ratio 2:2:1.

Their Balance Sheet at 31 March 2017 was as follows:

**Barnes, Hassett and Lindwall
Balance Sheet at 31 March 2017**

	\$	\$	\$
Property, plant and equipment			
Freehold premises		240,000	
Fixtures and fittings		41,000	
Motor vehicles		21,000	302,000
Current Assets			
Stock		20,000	

Debtors	25,200		
Less allowance for doubtful debts	(600)	24,600	
Bank		7,700	
		52,300	
Current Liabilities			
Creditors		12,400	
Working capital			39,900
			341,900
Financed by:			
Capital Accounts			
Barnes		140,000	
Hassett		110,000	
Lindwall		70,000	320,000
Current Accounts			
Barnes		8,500	
Hassett		7,440	
Lindwall		5,960	21,900
			341,900

On 1 April 2017, the following were available:

- (i) The partners sold the business to Dexter Ltd for \$400,000.
- (ii) Lindwall took over his partnership motor vehicle at its book value of \$5,000.
- (iii) All other assets except the bank accounts, were taken over, by Dexter Ltd at their book value.
- (iv) The creditors were taken over, at book value, by Dexter Ltd.
- (v) The purchase price for the business was settled by Dexter Ltd by the issue of 200,000 ordinary shares of \$1.00 at \$1.75 each to the partners' capital accounts, and the balance were paid by cheque to the partnership bank accounts.
- (vi) The partners divided the shares between them in the partnership profit sharing ratio. The remaining balances on their capital account were settled from the bank account.
- (vii) The current account balances are transferred to the capital account before making any adjustments.

Required

In the books of the partnership, show the following:

- a) The Realisation account (6 marks)
- b) Dexter Ltd account (3 marks)
- c) Bank Account (3 marks)
- d) The Capital accounts of the partners, in columnar format (8 marks)

(Dates may be ignored)

[Total 20 marks]

END OF QUESTION PAPER