



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **ACC2113 FINANCIAL ACCOUNTING 2**
Semester & Year : SEPTEMBER – DECEMBER 2020
Lecturer/Examiner : JAMES LIOW
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (50 marks) : Answer ONE (1) compulsory question. Answers and workings are to be written in the Answer Booklet provided.
PART B (50 marks) : Answer all TWO (2) problem solving questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment 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.

PART A : COMPULSORY QUESTION (50 MARKS)

INSTRUCTION (S) : There is **ONE (1)** question in this section. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

SECTION A

Wadini Bhd buys and sells high pressure washer, namely KA688 and KJ118. The following trial balance was extracted from the general ledger on 31 December 2019:

Wadini Bhd		
Trial Balance as at 31 December 2019		
	RM	RM
Sales		1,150,000
Inventories, 1 January 2019	75,000	
Purchases	465,000	
Distribution expenses	238,000	
Administrative expenses	350,000	
Other operating expenses	8,000	
Loan interest	8,000	
Land and buildings, at cost	600,000	
Plant and equipment, at cost	340,000	
Accumulated depreciation at 1 January 2019:		
- Land and buildings		96,000
- Plant and equipment		63,000
Investments in bonds	40,000	
Trade receivables	60,000	
Allowance for doubtful debts		5,000
Bank overdraft		24,000
Ordinary share capital		500,000
5% irredeemable preference share capital		40,000
Bank loan		200,000
Retained earnings at 1 January 2019		59,500
General reserves		1,500
Ordinary dividends paid	14,000	
Preference dividends paid	1,000	
Trade payables		60,000
	2,199,000	2,199,000

The following adjustments have yet to be accounted for as at 31 December 2019:

a) Details of the closing inventories are as following:

Item	KA688 (RM)	KJ118 (RM)
Total costs	16,200	76,000

b) The company paid its annual insurance premium of RM16,800 for the period of 1 June 2019 to 31 May 2020. This payment is included in administrative expenses.

c) The company's depreciation policy is as follows:

Buildings	straight line method over 50 years
Plant and equipment	10% straight line method

d) Depreciation on buildings is charged to administrative expenses and depreciation on plant and equipment is charged to cost of sales.

e) The cost of the land of RM200,000 is on freehold title and has been revalued by a professional valuer to RM350,000 due to rapid development activities in the surrounding areas. All property, plant and equipment (PPE) is assumed to have zero residual value. There were no additions, or disposals of PPE during the year ended 31 December 2019.

f) At year end, trade receivables include a balance of RM4,800 which is considered irrecoverable. The allowance for doubtful debts required an adjustment to general provision of 5% of the remaining trade receivables. The company has decided to present the losses on trade receivables as other operating expenses.

g) Due to the expansion to East Malaysia, the company has successfully obtained a new loan on 1 April 2019 and is repayable in full, in five years' time. Interest is charge at a fixed rate of 8% per annum.

h) Income tax for the year ended 31 December 2018 is estimated at RM10,000

i) The investment income receivable is amounted to RM5,000 and the company has yet to be accrued.

j) On the annual general meeting held on 1 December 2019, the board of directors proposed the following:

- Payment of final dividend to the preference shareholders.
- A final dividend of 500,000 ordinary shares at RM0.01 per share.
- A transfer of RM30,000 to general reserves.

(All dividends are payable in 2020 and be treated as other payable)

- k) On 31 December 2019, the board of directors has declared to ordinary shareholders on the basis of one bonus share for every ten existing shares held at RM1.00 per share. The company will utilise its general reserve and retained earnings equally.

Required:

Prepare the following statements for Wadini Bhd for the financial period ending 31 December 2019:

- a) Statement of profit or loss and other comprehensive income (6 marks)
 b) Statement of changes in equity (7 marks)
 c) Statement of financial position (11 marks)
 d) Explain how an entity's financial position and performance could benefit the users to identify the significant difference over several accounting periods. (6 marks)

[Subtotal: 30 marks]

SECTION B

Antarctic Bhd is a merchandising company and prepares its financial statements on 31 December 2019:

Antarctic Bhd	
Statement of Profit or Loss and Other Comprehensive Income	
for the Year Ended 31 December 2019	
	RM'000
Sales	5,440
Cost of goods sold	(2,000)
Gross profit	3,440
Less:	
Depreciation expenses	(120)
Other operating expenses	(1,050)
Gain on sale of land	50
Loss on sale of equipment	(20)
Interest expenses	(50)
Profit before tax	2,250
Tax expenses	(20)
Profit after tax	2,230

Antarctic Bhd		
Statement of Financial Position as at 31 December 2019		
	2019	2018
	RM'000	RM'000
Non- current assets		
Freehold land	1,700	1,800
Property, plant & equipment	3,300	3,000
Accumulated depreciation	(400)	(300)
	4,600	4,500
Current assets		
Inventories	310	380
Trade receivables	650	430
Cash and cash equivalent	420	180
	1,380	990
Total assets	5,980	5,490
Equity and liabilities		
Share capital	4,200	4,000
Retained earnings	820	550
	5,020	4,550
Non-current liabilities		
Notes payable	650	550
Current liabilities		
Trade payable	310	390
Total equity and liabilities	5,980	5,490

Additional information:

- (i) The board of directors has declared and paid the dividends to the shareholders.
- (ii) The following occurred during the year for land and property, plant and equipment:
 - Full payment was made to the purchase of a machine at the cost.
 - An equipment that cost RM120,000 with a carrying amount of RM100,000 was sold for cash.
 - A piece of freehold land that bought for RM100,000 in 2015 was sold for cash.

Required

Based on the information given, prepare the statement of cash flows using indirect method for the year ended 31 December 2019.

[Subtotal: 20 marks]

[Total 50 marks]

PART B : PROBLEM SOLVING QUESTIONS (50 MARKS)

INSTRUCTION(S) : There are **TWO (2)** questions in this section, answer **ALL** questions. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

J. Brown, Fahami Abdullah and Azmil Abu Bakar decided to dissolve their partnership on 15 April 2020. Profits and losses are shared 2:1:2. The statement of financial position on that date is presented below:

J. Brown, Fahami Abdullah and Azmil Abu Bakar		
Statement of Financial Position as at 15 April 2020		
	RM	RM
Non-current assets		
Land	260,000	
Equipment	234,000	
Building	1,260,000	1,754,000
Current assets		
Cash at bank	29,500	
Cash in hand	6,500	
Accounts receivable	45,000	
Inventory	108,000	189,000
		1,943,000
Equity and Liabilities		
Capital accounts:		
- J. Brown	165,000	
- Fahami Abdullah	153,000	
- Azmil Abu Bakar	190,000	508,000
Current accounts:		
- John Brown	150,000	
- Fahami Abdullah	(145,000)	
- Azmil Abu Bakar	260,000	265,000
Non-current liabilities		
Loan on building		1,080,000
Current liabilities		
Accounts payable		90,000
		1,943,000

The following transactions relate to the dissolution of the partnership:

- (i) The partners sold the business to Mustapha Bhd (MB) for RM1,200,000.
- (ii) MB is to take over the assets and liabilities at its carrying amount of the partnership except for the bank accounts.
- (iii) The purchase consideration was settled by MB by issuing 400,000 ordinary shares at RM1.80 each to the partners' capital accounts, and the balance were paid by cheque to the partnership bank accounts.
- (iv) 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.
- (v) J. Brown and Fahami to take over one of the equipment at its carrying amount of RM20,000 each.
- (vi) The partnership incurred the dissolution expenses amounting to RM8,500. It has been decided to fully utilise the cash in hand and the remaining balance to be paid from the bank accounts.
- (vii) Fahami was insolvent and unable to pay in respect of any debit balance in his capital account. To resolve this, J. Brown and Azmil would share Fahami's capital deficiency equally.

Required

In the books of the partnership, show the following:

- a) Realisation account (9 marks)
 - b) Mustapha Bhd account (3 marks)
 - c) Bank Account (3 marks)
 - d) Capital accounts of the partners, in columnar format (10 marks)
- (Dates may be ignored)* **[Total 25 marks]**

QUESTION 2

The published financial statements of a garment trading company, Joyce Bhd, for the year ended 31 March 2020 are as follows:

Joyce Bhd	
Statement of Profit or Loss for the Year Ended 31 March 2020	
	RM' 000
Revenue	2,500
Cost of sales	(1,900)
Gross profit	600
Less:	
Administrative expenses	(140)
Selling and distribution expenses	(100)
Finance costs	(110)
Profit before tax	250
Tax	(60)
Profit after tax	190

Joyce Bhd	
Statement of Financial Position as at 31 March 2020	
	RM '000
Assets	
Non-current assets	
Property, plant and equipment	2,000
Current assets	
Inventory	100
Accounts receivable	220
Bank	80
	400
Total assets	2,400
Equity and liabilities	
Share capital	1,000
Reserves	500
	1,500
Non-current liabilities	
6% debentures (repayable in 2025)	600
Current liabilities	
Accounts payable	190
Accrued expenses	50
Tax payable	60
	300
Total liabilities	900
Total equity and liabilities	2,400

The following information was extracted from the notes to the financial statements:

- (i) All sales were made on credit and the turnover figure represented net sales.
- (ii) Net purchases for the year amounted to RM1,600,000. All purchases were made on credit.
- (iii) Total outstanding ordinary share issued was 1,000,000.
- (iv) A dividend of RM500,000 was paid during the year.
- (v) The closing market price per share on 31 March 2020 was RM2.25

The following are the ratios of the industry average:

Gross profit ratio	28.33%
Net profit ratio	11.56%
Return on shareholders' equity	10.19%
Current ratio	2 times
Quick ratio	1.25 times
Days sales in accounts receivable	28.56 days
Days purchases in accounts payable	38.18 days
Inventory turnover	14.08 times
Earnings per share	RM0.16
Price-earnings ratio	14.14 times
Dividend yield ratio	19.15%
Debt ratio	30.36%

Required

- a) Calculate the following ratios for Joyce Bhd. All workings must be shown and answers given to **TWO** decimal place.
- (i) Gross profit margin
 - (ii) Net profit margin before interest and tax
 - (iii) Return on capital employed (net profit before interest and tax)
 - (iv) Current ratio
 - (v) Acid test ratio
 - (vi) Receivable collection period (days)
 - (vii) Payable settlement period (days)
 - (viii) Average rate of inventory turnover (number of times)
 - (ix) Earnings per share
 - (x) Price earnings ratio
 - (xi) Dividend yield ratio
 - (xii) Debt ratio
- (18 marks)
- b) Given the industry average below, comment the following ratios calculated in part (a) with the industry average:
- (i) Profitability
 - (ii) Liquidity
 - (iii) Investment
 - (iv) Gearing
- (7 marks)

[Total 25 marks]

END OF QUESTION PAPER