

**BERJAYA BUSINESS SCHOOL**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Subject Code & Name : **BGN1302 ACCOUNTING FOR THE SERVICE INDUSTRY**  
Semester & Year : JANUARY– APRIL 2016  
Lecturer/Examiner : JAMES LIOW  
Duration : 3 Hours

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**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of 2 parts:  
PART A (20 marks) : Answer ONE (1) compulsory question. . Answers and workings are to be written in the Answer Booklet provided.  
PART B (80 marks) : Answer FOUR (4) out of FIVE (5) short answer 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 QUESTION (20 MARKS)**

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

The following Trial Balance was extracted from the books of J Piers at 31 March 2007:

	DR	CR
	\$	\$
Carriage inwards	1,800	
Carriage outwards	835	
Purchases	135,410	
Office equipment	30,000	
Motor vehicle	20,000	
Sales		246,000
Wages and salaries	59,350	
Lighting and heating	7,400	
Rent	5,200	
Vehicle running expenses	3,900	
Telephone	8,100	
General expenses	1,175	
Debtors	39,000	
Creditors		25,540
Accumulated for Depreciation:		
- Motor vehicle		5,000
- Office equipment		12,000
Drawings	18,710	
Bank (Overdrawn)		8,200
Cash	200	
Stock (1 April 2006)	9,500	
Returns inwards	2,900	
Returns outwards		1,600
Allowance for Doubtful Debts		1,150
Capital		<u>43,990</u>
	<u>343,480</u>	<u>343,480</u>

Additional information at 31 March 2007:-

- 1) Stock on hand was valued at \$11,800.
- 2) Rent accrued was \$80.
- 3) General expenses prepaid \$75.
- 4) Depreciation is to be provided for as follows:  
Motor vehicle – 25% reducing balance  
Office equipment – 20% straight line
- 5) The allowance for doubtful debts is to be adjusted to 5% of closing debtors.

**REQUIRED**

Prepare for J Piers:

- a) A Statement of Comprehensive Income for the year ended 31 March 2007. (11 marks)
- b) A Statement of Financial Position as at 31 March 2007. (9 marks)

**[Total 20 marks]**

**END OF PART A**

**PART B****: SHORT ANSWER QUESTIONS (80 MARKS)****INSTRUCTION (S)**

: There are five (5) questions in this section, answer only four (4) questions.  
Write your answers in the Answer Booklet(s) provided.

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**QUESTION 1**

The following balances were extracted from the books of Poon Ltd on 1 September 2006:

	<b>Dr</b>	<b>Cr</b>
	<b>\$</b>	<b>\$</b>
Purchase Ledger		54,075
Sales Ledger	87,270	

In the month of September 2006, the following transactions were made:

	<b>\$</b>
Debit balance on Sales Ledger transferred to Purchase Ledger	3,300
Cash purchases	7,275
Debtor's cheque dishonoured	1,200
Legal fees for debt collection charged to credit customer's account	200
Sales on credit	89,700
Credit purchases	64,430
Returns outwards to credit suppliers	2,530
Returns inwards from credit customers	1,060
Cash sales	12,670
Discounts allowed	870
Discounts received	600
Bad debts written off	315
Payments to credit suppliers	54,360
Receipts from credit customers	84,910

The allowance for doubtful debts at 1 September 2006 was 1,270 and it was to be adjusted to 3% of debtors at 30 September 2006.

**Required**

- Prepare the Purchase Ledger Control Account for the month of September 2006. (7 marks)
- Prepare the Sales Ledger Control Account for the month of September 2006. (10 marks)
- Prepare as at 30 September 2006, a Statement of Financial Position extract showing the balance for debtors, creditors and working capital. (3 marks)

**[Total 20 marks]**

## QUESTION 2

Henry Wong, a trader, whose financial year ends on 31 December, purchased the following fixed assets and paid by cheque:

- 1 January 2004 Office Furniture \$22,500
- 1 March 2005 Delivery Vehicle \$32,000

Henry Wong's depreciation policy is as follows:

Office furniture - 10% per annum using the straight line method.

Delivery vehicle - 25% per annum using the reducing (diminishing) balance method.

A full year's depreciation is charged in each year regardless of the date of purchase or sale. On the 31 December 2006 Henry Wong sold the delivery vehicle and received a cheque for \$16,000.

### Required

Prepare the following ledger accounts for the years ended 31 December 2004, 2005 and 2006:

- a) Office Furniture (4 marks)
- b) Accumulated Depreciation - Office Furniture (6 marks)
- c) Delivery Vehicle (3 marks)
- d) Accumulated for Depreciation - Delivery vehicle (4 marks)
- e) Disposal of Delivery Vehicle (3 marks)

**[Total 20 marks]**

## QUESTION 3

The following information is available for DMS Wholesaler at 31 March 2007. All purchases and sales are on credit and all invoices should be paid within 30 days.

	\$
Sales	250,000
Stock 1 April 2006	21,000
Stock 31 March 2007	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 (1)** 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

The following ratios have been calculated for a competitor, RHG 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 2007. (1 mark)
- (ii) Compare **four (4)** of the ratios that you have calculated for DMS Wholesaler with the same **four** ratios provided for RHG Wholesaler to justify your answer. (7 marks)

**Total 20 marks]**

**QUESTION 4**

Gerald D. Englehart Company uses a perpetual inventory system. The company has the same inventory, purchases, and sales data for the month of March as shown earlier:

Inventory:	1 March	200 units @ \$4.00	\$800
Purchases:	10 March	500 units @ \$4.50	\$2,250
	21 March	400 units @ \$4.75	\$1,900
Sales:	15 March	500 units @ \$7.00	\$3,500
	26 March	400 units @ \$8.00	\$3,200

The physical inventory count on March 31 shows 500 units on hand.

**Required**

- a) Calculate the **cost of the ending inventory** and the **cost of goods sold** using the following methods:-
- (i) First In, First Out (FIFO) (5 marks)
  - (ii) Last In, First Out (LIFO) (5 marks)
  - (iii) Weighted Average Cost (5 marks)
- b) Compare the results of the three inventory methods in a tabular format and determine the gross profit for each of the methods. Indicate which method produces the lowest gross profit. (5 marks)

**[Total 20 marks]**

**QUESTION 5**

Danny Choi records his bank and cash transactions in a 3-column cash book. On 31 May 2008, he had a cash balance of \$110 and a bank overdraft of \$745. The following transactions took place during June 2008:

June	
2	Received cheque from S Patel in full settlement of a debt of \$100. Patel deducted 4% settlement discount
5	Withdrew \$200 cash from the bank for office use
9	Paid wages in cash \$250
10	Made cash sales of \$1,100
11	Paid \$500 cash into bank
15	Danny withdrew \$150 by cheque for personal use
16	Received cheque for \$300 from L Durai
18	Paid W Rakki by cheque, \$180, in full settlement of a debt of \$190
19	L Durai's cheque returned by bank marked as dishonoured
21	Made cash sales of \$500 of which \$400 was paid straight into bank
23	Received a cheque for \$18 from T Ford in full settlement of a debt for \$20
24	Paid wages in cash \$320
26	Purchased goods for cash, \$400
27	Paid C Azib by cheque, his account of \$150. Settlement discount of 2% was deducted
28	Paid salaries by cheque, \$550
30	Advised by the bank that the business had been charged \$65 in respect of overdraft interest

**Required**

- Write up the 3-column Cash Book for the month of June 2008. Balance the Cash Book and bring down the balances at 1 July 2008. (16 marks)
- The balances on the Discount Allowed Account and the Discount Received Account at 1 June 2008 were \$1,300 and \$1,790 respectively. Open up both the Discount Allowed Account and the Discount Received Account for the month of June 2008, in Danny Choi's General Ledger and close both the accounts at the end of June 2008. (4 marks)

**[Total 20 marks]**

**END OF QUESTION PAPER**