



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 : MAY – AUGUST 2021
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**

York Bhd (YB) is a public listed company involved in the manufacture of clothes for the retail industry. The following trial balance was extracted from their books as at 31 December 2020:

Trial Balance as at 31 December 2020			
	Note	Dr (RM)	Cr (RM)
Motor vehicles, at cost	(i)	352,000	
Accumulated depreciation - motor vehicles	(i)		187,000
Plant & equipment, at cost	(i)	758,000	
Accumulated depreciation - plant & equipment	(i)		245,000
Land and buildings, at Cost	(i)	1,245,000	
Accumulated depreciation - buildings	(i)		642,500
Investment in bond	(vii)	50,000	
Selling and distribution expenses		246,800	
4% long-term loan repayable 2025	(vi)		400,000
Inventory at 1 January 2020		248,700	
Other payables			4,000
Finance costs	(vi)	9,000	
Ordinary share capital at 120,000 shares	(iii)		260,000
5% Irredeemable preference shares	(iii)		200,000
Ordinary dividends paid	(iii)	26,000	
Preference dividends paid	(iii)	5,000	
Bank			45,200
Purchases / revenue		1,245,700	2,451,200
Allowance for doubtful debts	(iv)		16,000
Retained earnings at 1 January 2020			425,300
Accounts receivable / accounts payable	(iv)	740,700	248,600
Administrative expenses		197,900	
		5,124,800	5,124,800

Additional information:

- (i) YB held an inventory count at the year-end which found that the year-end inventories at cost amounted to RM324,200. Included in this figure is slow moving inventory costing RM10,300. This slow moving inventory can be sold immediately for RM7,600, provided that additional repair work to the inventory costing RM1,600 is incurred.

- (ii) Equipment costing RM120,000 was purchased and still accrued as at 31 December 2020. The accrued purchase acquisition is to be taken up as other payable.

The cost of the land of RM200,000 on freehold title and has been revalued by a professional valuer to RM550,000 due to rapid development activities in the surrounding areas.

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

Depreciation is to be charged as follows:

- Buildings 1% based on straight line method
- Plant and equipment based on 10% straight line method
- Motor Vehicles 20% reducing balance method

Depreciation for the year is charged in full in the year of purchase and none in the year of sale.

- (iii) On 30 November 2020 YB issued rights issue shares at 1 for 4 existing ordinary shares and lodged RM80,000 to its bank account. No entry has been included in the financial statements for this transaction.

On the annual general meeting held on 1 December 2020, the board of directors proposed the following:

- Payment of final dividend to the preference shareholders.
- A final dividend of ordinary shares at RM0.90 per share.
- A transfer of RM30,000 to general reserves.

(All dividends are payable in 2021 and to be treated as other payable)

- (iv) YB wrote off a bad debt of RM7,500 in December 2020. The Allowance for doubtful debts should be set at 5%.
- (v) One of YB customers was unhappy with an order received in December 2020 amounting to RM18,000 which they paid in full before delivery of the product. YB accepted that there was an issue with most of the order and agreed to refund 70% of the order amount to the customer in January 2021. YB needs to provide for this amount at the year-end and charged the losses to cost of sales.
- (vi) The finance costs relate to the interest incurred on the long term loan. The balance of finance costs in relation to the long term loan needs to be accrued for the year-ending 31 December 2020.
- (vii) The investment income receivable is amounted to RM5,000 and the company has yet to be accrued.

(viii) Income tax for the year ended 31 December 2020 is estimated at RM42,000 to be accrued as other payables.

Required:

Prepare the following statements for Wadini Bhd for the financial period ending 31 December 2020:

- a) Statement of profit or loss and other comprehensive income (8 marks)
- b) Statement of changes in equity (5 marks)
- c) Statement of financial position (17 marks)

[Subtotal: 30 marks]

SECTION B

Hamza Bhd is a merchandising company and prepares its financial statements on 31 December 2020:

Statement of Profit or Loss for the year ended 31 December 2020	
	RM'000
Sales	640,000
Cost of sales	(380,000)
Gross profit	260,000
Operating expenses	(155,000)
Finance costs	(20,000)
Gain on sale of equipment	250
Net profit	85,250

Statement of Financial Position as at 31 December		
	2020	2019
	RM'000	RM'000
Non-Current Assets		
Land	71,000	110,000
Plant and equipment	265,000	200,000
Accumulated depreciation for plant & equipment	(67,750)	(42,000)
	268,250	268,000
Current Assets		
Inventories	180,000	189,000
Accounts receivable	82,000	66,000
Cash and bank balances	67,000	22,000
	329,000	277,000
	597,250	545,000

Equity and liabilities		
Share capital	214,000	164,000
Retained earnings	179,250	114,000
	393,250	278,000
Non-Current Liabilities		
10% Bonds payable	150,000	200,000
Current Liabilities		
Accounts payable	30,000	40,000
Interest payable	20,000	20,000
Accrued expenses	4,000	7,000
	54,000	67,000
Total liabilities	204,000	267,000
Total equity and liabilities	597,250	545,000

Additional information:

- (i) Hamza Bhd declared and paid cash dividend of RM20 million during the year.
- (ii) On 31 December 2020, the company issued ordinary shares against retirement of bonds payable amounting to RM50 million.
- (iii) 10% bonds payable were issued on 1 January 2019; accrued interest is payable on 1 January each year.
- (iv) A machine costing RM5 million which was bought on 1 January 2019 depreciated at 25% was sold for RM4 million on 1 January 2020 (full year depreciation was charged).
- (v) The land was disposed at the book value.
- (vi) Ignore taxation.

Required

- a) Based on the information given, prepare the statement of cash flows using indirect method for the year ended 31 December 2020. (15 marks)
- b) Explain any **TWO** (2) benefits of a statement of cash flows in accordance with MFRS 107 *Statement of Cash Flows*. (5 marks)

[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

Mahendran and Peter were in partnership sharing profits and losses in the ratio 3 : 2 respectively. On 1 January 2021, they decided to dissolve their partnership due to their old age to continue the partnership business.

The statement of financial position on that date is presented below:

Statement of Financial Position as at 1 January 2021		
	RM	RM
Non-current assets		
Equipment	494,000	
Building	260,000	754,000
Current assets		
Cash at bank	36,000	
Accounts receivable	45,000	
Inventory	108,000	189,000
		943,000
Equity and Liabilities		
Capital accounts:		
- Mahendran	260,000	
- Peter	248,000	508,000
Current accounts:		
- Mahendran	410,000	
- Peter	(145,000)	
		265,000
Non-current liabilities		
Loan on building		80,000
Current liabilities		
Accounts payable		90,000
		943,000

The following transactions relate to the dissolution of the partnership:

- (i) The partners sold the business to KL Starway Bhd (KLSB) for RM1,000,000.
- (ii) The purchase consideration was settled by KLSB by issuing 500,000 ordinary shares at RM1.50 each to the partners' capital accounts, and the balance were paid by cheque to the partnership bank accounts.
- (iii) The terms for KLSB is to take over all the assets and liabilities at its carrying amount of the partnership except for the bank account.
- (iv) Peter to take over one of the equipment at its carrying amount of RM20,000.
- (v) The partnership incurred the dissolution expenses amounting to RM7,500 which was paid from the partnership bank accounts.
- (vi) Peter was insolvent and unable to pay in respect of any debit balance in his capital account. To resolve this, Mahendran agreed to share Peter's capital deficiency.

Required

- a) In the books of the partnership, show the following:
 - (i) Realisation account (6 marks)
 - (ii) KL Starway Bhd account (3 marks)
 - (iii) Capital accounts of the partners, in columnar format (8 marks)
 - (iv) Bank account (2 marks)

(Dates may be ignored)

 - b) List **THREE** (3) advantages and **THREE** (3) disadvantages of forming a partnership. (6 marks)
- [Total 25 marks]**

QUESTION 2

The financial statements of Gopa Bhd, a large retail company are presented as follows:

Statement of Comprehensive Income for the year ended 31 Dec		
	2019	2020
	RM'000	RM'000
Sales	6,100	8,500
Cost of sales	(3,200)	(5,100)
Gross profit	2,900	3,400
Operating expenses	(1,500)	(1,250)
	1,400	2,150
Interest expenses	(40)	(20)
Profit for the year	1,360	2,130
Dividends (preferred and ordinary)	(100)	(180)
	1,260	1,950

Statement of Financial Position as at 31 December		
	2019 RM'000	2020 RM'000
Non-current assets	4,200	6,500
Current assets		
Inventories	545	742
Receivables	55	98
Bank	16	87
	616	927
Total assets	4,816	7,427
Equity and Liabilities		
Capital and reserves		
Ordinary share capital	2,020	2,675
Retained profits	1,768	3,718
	3,788	6,393
Non-current liabilities		
10% Preferred share capital 400 400	400	400
Loan 500 500	500	500
	900	900
Current liabilities		
Accounts payable	128	134
Total equity and liabilities	4,816	7,427

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

- (i) All sales and purchases were made on credit term.
- (ii) The opening stock for the financial period ended 2019 was valued at RM954,000.

Required

- a) Calculate the following ratios and all workings must be shown and answers given to **TWO** (2) decimal place:
 - (i) Return on capital employed (net profit before interest)
 - (ii) Gross profit margin
 - (iii) Net profit margin (after interest)
 - (iv) Current ratio
 - (v) Acid test ratio
 - (vi) Receivable collection period (days)
 - (vii) Payable settlement period (days)
 - (viii) Inventory turnover (number of days)

(16 marks)

b) Comment the following ratios calculated in part (a) with the previous year's performance:

- (i) Gross profit margin
- (ii) Current ratio
- (iii) Accounts payable settlement period

(9 marks)

[Total 25 marks]

END OF QUESTION PAPER