



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 2022
Lecturer/Examiner : JAMES LIOW
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- 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.
- Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.**
- 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.**
- 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 = 9 (Including the cover page)

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**

Rahman Bhd (RB) is a company involved in the distribution of quarry material for the construction and agricultural industries. The following trial balance was extracted from their books as at 31 December 2021:

Trial Balance as at 31 December 2021			
	Note	RM	RM
Accumulated depreciation - Building	(ii)		34,750
Accumulated depreciation - Plant equipment	(ii)		26,840
Accumulated depreciation - Motor vehicle	(ii)		350,000
Administrative expenses		103,510	
Allowance for doubtful debts	(vi)		10,574
Bank		267,410	
Building, at cost	(ii)	241,020	
Tax payable	(v)		16,500
Selling and distribution costs		754,210	
Income tax expenses	(v)	13,640	
Inventory at 1 January 2021		230,000	
Ordinary share capital - 100,000 issued at RM1.50 each	(vii)		150,000
5% Irredeemable preference shares	(viii)		200,000
Ordinary dividends paid	(viii)	25,000	
Preference dividends paid	(viii)	5,000	
Land	(iv)	240,000	
Plant equipment, at cost	(iii)	42,400	
Purchases / Return outwards		1,236,570	10,869
Retained earnings at 1 January 2021			593,119
Return inwards / revenue		14,570	2,478,560
Revaluation reserve	(iv)		64,851
General reserve	(viii)		90,000
Trade payables			324,867
Trade receivables	(vi)	487,600	
Motor vehicle, at cost		690,000	
		4,350,930	4,350,930

Additional information:

- (i) Inventory at 31 December 2021 is RM146,000. Included in this amount is some quarry materials that has been damaged costing RM4,650. This damage goods can be sold to a local company for RM1,200 and incurred packaging costs of RM170 before it can be readily sold.
- (ii) Depreciation is to be charged as follows:
- Buildings 2% straight line on cost
 - Plant equipment 15% straight line on cost
 - Motor vehicle 25% reducing balance
- Depreciation for the year is charged in full in the year of purchase and none in the year of sale. Depreciation on buildings and motor vehicle are charged to administrative expenses and depreciation on plant equipment is charged to cost of sales.
- (iii) Plant equipment were sold for RM3,000 on 1 December 2021. These were purchased in June 2016 for RM5,000. The proceeds from the sale were erroneously included in revenue accounts on the trial balance. Any gain or loss arising from the disposal of plant equipment is to be charged to cost of sales.
- (iv) The freehold land was revalued on 1 January 2021 by a professional valuer at RM252,000.
- (Building, plant equipment, motor vehicle and land are to be included in a single account as property, plant and equipment (PPE) in the statement of financial position)*
- (v) The income tax expenses were under declared by RM5,260. The tax payable is to be charged to other payable.
- (vi) RB wrote off bad debts of RM7,200 before adjusting the allowance for doubtful debts at 4%. Any bad and doubtful debts are to be charged to sales and distribution costs.
- (vii) On 30 November 2021, RB issued rights issue shares at 1 for 4 existing ordinary shares and lodged RM1.50 per share to its bank account. No entry has been recorded in the financial statements for this transaction.
- (viii) On the annual general meeting held on 1 December 2021, the board of directors proposed the following:
- Payment of final dividend to the preference shareholders.
 - A final dividend of ordinary shares at RM0.10 per share.
 - A transfer of RM30,000 to general reserves.
- (All dividends are payable in 2021 and be treated as other payable)*

Required:

Prepare the following statements for Rahman Bhd for the financial period ending 31 December 2021:

- a) Statement of profit or loss and other comprehensive income (11 marks)
 b) Statement of changes in equity (5 marks)
 c) Statement of financial position (14 marks)

[Subtotal: 30 marks]

SECTION B

MTC Bhd (MTC) prepares its financial statements on 31 December 2021:

Statement of Comprehensive Income for the Year Ended 31 December 2021	
	RM'000
Revenue	2,553
Cost of Sales	(1,814)
Gross Profit	739
Distribution costs	(125)
Administrative expenses	(264)
Operating profit	350
Interest received from investment	25
Interest paid	(75)
Net profit before tax	300
Tax expenses	(140)
Net profit after tax	160

Statement of Financial Position as at 31 December		
	2021	2019
	RM'000	RM'000
Non-current assets		
Property, plant and equipment (PPE)	280	214
Intangible assets	250	200
Investment	-	25
	530	439
Current assets		
Inventories	150	102
Trade receivables	440	315
Cash in hand	2	1
	592	418
Total assets	1,122	857

Equity and Liabilities		
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Equity and reserves		
Share capital	360	300
Retained earnings	160	100
	520	400
Non-current liabilities		
Long-term loan	170	50
Current liabilities		
Trade payables	127	119
Bank overdraft	85	98
Tax payable	120	110
Dividends payable	100	80
	432	407
Total equity and liabilities	1,122	857

Additional information:

- (i) Interest of RM25,000 was received from the investment before it was fully disposed with a cash proceeds of RM30,000.
- (ii) One of the PPE with an original cost of RM85,000 and a carrying amount of RM45,000 were sold for RM32,000 during the year. No depreciation is charged in year of disposal.
- (iii) The following is the breakdown of PPE:

	2021 RM'000	2019 RM'000
Cost	620	504
Accumulated Depreciation	(340)	(290)
	280	214

- (iv) During the year, MTC registered a trademark for its production process of RM50,000 and charged it to intangible assets.
- (v) In order to expand its factory plant, MTC took additional drawdown of its loan from CAMB bank.
- (vi) During the year, MTC issued rights shares to its existing shareholders.
- (vii) The interim dividend for 2021 of RM100,000 remained unpaid. No final dividend for 2021 has been proposed.

Required

In accordance with MFRS 107 *Statement of Cash Flows*, prepare the statement of cash flows using indirect method for the year ended 31 December 2021.

[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

Anura and Viraj formed a partnership named Anvi Trading to run a business to share profits and losses in the ratio of 2:1 respectively. The information is the extract from the trial balance as at 31 May 2022:

	RM
Revenue	1,250,000
Cost of sales	936,038
Administrative expenses	24,600
Selling and distribution expenses	32,520
Interest expenses	15,000
Capital accounts:	
- Anura	120,000
- Viraj	136,000
Current accounts:	
- Anura	14,000
- Viraj	22,000 (Debit)
Drawings:	
- Anura	25,000
- Viraj	19,800
Buildings, at carrying amount	350,000
Plant equipment, at carrying amount	125,000
Goodwill	90,000

The following relates to the partnership:

- (i) The partnership agreement provides the following:
- Interest on capital at 5% per annum on the partners' capital account balances held at the beginning of each accounting year.
 - Anura and Viraj are entitled for a salary of RM48,000 per annum and RM24,000 per annum.
 - Partners are charged with interest on drawings at 10% per annum.

- (ii) On 31 May 2022, the following assets were revalued as follows:

	RM
Buildings	485,000
Plant and equipment	75,000
Goodwill	100,000

The above assets will be carried at revalued amounts in the books of the partnership.

Required

- a) Prepare the following in the books of partnership:
- (i) Statement of profit or loss and appropriation accounts for the year ended 31 May 2022. (6 marks)
 - (ii) Current accounts, in columnar format. (7 marks)
 - (iii) Revaluation accounts. (6 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

Shacarn Bhd is a company which supplies meat to the retail trade. The following are their results for the last two years:

Statement of Profit or Loss for the year ended 31 December		
	2021	2020
	RM'000	RM'000
Sales	24,000	18,000
Cost of sales	(16,800)	(12,000)
Gross profit	7,200	6,000
Distribution costs	(1,200)	(1,000)
Administration costs	(800)	(750)
Finance costs	(620)	(840)
Profit before tax	4,580	3,410
Taxation	(573)	(426)
Profit after tax	4,007	2,984

Statement of Financial Position as at 31 December 2021		
	2021	2020
	RM'000	RM'000
Non-Current Assets		
Property, plant and equipment	13,200	11,000
Current Assets		
Inventory	1,400	1,800
Accounts receivables	2,000	1,200
Cash at bank	1,200	400
Total current assets	4,600	3,400
Total assets	17,800	14,400

Equity & Liabilities		
Equity		
Ordinary share capital	2,000	2,000
Retained earnings	4,767	760
Total equity	6,767	2,760
Non-Current Liabilities		
Long-term loan	9,000	10,000
Current Liabilities		
Accounts payable	1,400	1,200
Bank overdraft	240	60
Taxation	120	180
Accruals	273	200
Total current liabilities	2,033	1,640
Total Equity and Liabilities	17,800	14,400

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 Inventory for 2020 was RM2,000,000.
- (iii) The number of ordinary shares in issue is 2,000,000 for both years.
- (iv) The following are the share price:

2021	2020
RM26.00	RM15.00

Required

- a) Calculate the following ratios and all workings must be shown and answers given to **TWO** (2) decimal place:
 - (i) Gross profit margin
 - (ii) Return on capital employed (net profit before interest and tax)
 - (iii) Current ratio
 - (iv) Inventory turnover (number of times)
 - (v) Accounts receivable collection period (days)
 - (vi) Accounts payable settlement period (days)
 - (vii) Debt ratio
 - (viii) Earnings per share (EPS)
 - (ix) Price-earnings ratio (PE)

(18 marks)

- b) Evaluate the EPS and PE ratio for both the year. Recommend to the investors whether to buy, sell or hold the stock. Use the ratios calculated above as the basis of your commentary.

(7 marks)

[Total 25 marks]

END OF QUESTION PAPER