

**FACULTY OF BUSINESS****FINAL EXAMINATION**Student ID (in Figures) :

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Student ID (in Words) : _____
_____Course Code & Name : **ACC1124 ACCOUNTING 2**
Semester & Year : MAY – AUGUST 2020
Lecturer/Examiner : JAMES LIOW
Duration : 2 Hours**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of 2 parts:
PART A (25 marks) : Answer all TWENTY FIVE (25) multiple choice questions and shade your answers in the provided space with 2B pencil.
PART B (75 marks) Answer THREE (3) out of FOUR (4) short answer questions. Answers 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 = 12 (Including the cover page)

PART B : SHORT ANSWER QUESTIONS (80 MARKS)

INSTRUCTION (S) : There are **FOUR (4)** questions in this section. Answer only **(THREE) 3** questions. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

Victor and Michael are in partnership sharing profits and losses in the ratio 3:1 respectively. The following incomplete list of balances was extracted from the trial balance on 31 December 2019 after preparing the Trading Account:

	\$
Gross Profit	129,927
Capital Accounts:	
- Victor	60,000
- Michael	20,000
Current Accounts:	
- Victor	4,500 Dr
- Michael	1,500 Cr
Accounts receivable	14,800
Allowance for doubtful debts	185
Motor vehicle	50,000
Accumulated depreciation – motor vehicle 1 January 2019	10,000
Rent	10,700
Insurance	4,600
Lighting & heating	7,300
Vehicle running expenses	9,300
General expenses	2,600
Wages and salaries	52,500

The following information is also available relating to the year ended 31 December 2019:

- (i) Bad Debts of \$200 should be written off in the year to 31 December 2019 and an allowance for doubtful debts is to be made of 3% of remaining accounts receivable.
- (ii) Prepaid insurance amounted to \$800.
- (iii) Accrued lighting and heating expenses amounted to \$350.
- (iv) Wages and salaries \$1,500 for month ending December 2019 was not paid until January 2020.
- (v) Motor vehicle depreciation is charged at 20% per annum on a straight-line basis.

The partnership agreement provides:

- (i) Victor decided to put in additional capital of \$10,000 into the partnership.
- (ii) Michael is to receive an annual salary of \$20,000.
- (iii) The partners are entitled to interest on their fixed capitals at 6% per annum.
- (iv) Interest is to be charged at 5% of the balance on each partner's drawings account at the financial year-end.

(v) Drawings for the year to 31 December 2019 were:

	\$
Victor	3,600
Michael	4,200

Required

- a) Prepare the Profit and Loss & Appropriation Account for the year ended 31 December 2019. (15 marks)
- b) Prepare the following accounts of the partners in columnar format as at 31 December 2019:
- (i) Current Accounts (7 marks)
 - (ii) Capital Accounts (3 marks)
- [Total 25 marks]**

QUESTION 2

The final accounts of Susan Ltd are set out below:

Susan Ltd		
Statement of Comprehensive Income for the year ended 31 December 2019		
	\$'000	\$'000
Sales		3,917
Less: Cost of Goods Sold		
Opening Stock	218	
Purchases	2,469	
	2,687	
Less: Closing Stock	(288)	2,399
Gross profit		1,518
Administration expenses		960
Net profit		558

Susan Ltd			
Statement of Financial Position as at 31 December 2019			
	\$'000	\$'000	\$'000
Property, plant and equipment			510
Current Assets			
Stock		288	
Accounts receivable		418	
Bank		302	
		1,008	
Current Liabilities			
Accounts payable	310		
Accrued wages & salaries	210	520	
Working capital			488
			998
Owners' equity			
Capital			998

Required

a) Calculate the following ratios to the nearest **ONE (1) decimal place**.

- (i) Gross profit margin
- (ii) Mark-up percentage
- (iii) Net profit margin
- (iv) Return on capital employed (percentage)
- (v) Current ratio
- (vi) Acid test ratio
- (vii) Average stock turnover (times per year)
- (viii) Accounts receivable' collection period (days)
- (ix) Accounts payable' settlement period (days)

(18 marks)

b) State **THREE (3)** interested parties who might use ratio analysis and explain how they would use the information.

(6 marks)

c) State **ONE (1)** limitation of using ratio analysis.

(1 mark)

[Total 25 marks]

QUESTION 3

The following balances were extracted from the books of Stone Ltd at 30 April 2020:

	\$
Land and buildings	341,850
Motor vehicles	100,000
Accumulated depreciation on motor vehicles	75,000
Office equipment	35,000
Accumulated depreciation on office equipment	14,000
Gross profit	252,200
Stock at 30 April 2020	45,000
Selling expenses	30,000
Distribution expenses	65,000
Administration expenses	42,500
5% Debenture repayable 2022	50,000
Interest paid to debenture holders for the first half of the year	1,250
Allowance for doubtful debts	750
Gains on sale of vehicle	600
Retained earnings, 1 May 2019	26,750 (Cr)
6% fixed deposit	25,000
Accounts receivable	31,000
Accounts payable	22,500
Bank overdraft	3,400 (Cr)
Ordinary share capital: issued and fully paid	220,000
General reserve	15,000
8% Preference share capital: issued and fully paid	40,000
Interim dividend paid: preference shares	1,600
Interim dividend paid: ordinary shares	2,000

Additional information at 30 April 2020:

- (i) Depreciation is to be provided as follows:
 - Motor vehicles 25% per annum on reducing balance
 - Office equipment 20% per annum on cost
- (ii) Prepaid selling expenses, \$1,000.
- (iii) Accrued distribution expenses, \$300.
- (iv) The allowance for doubtful debts is to be 3% of accounts receivable.
- (v) 5% debenture interest for second half of the year has yet to be recorded.
- (vi) The 6% fixed deposit is placed at OCB Bank and is to be treated as current assets.
- (vii) The first year's interest on the bank deposit is outstanding at 30 April 2020.
- (viii) The directors have proposed:
 - a transfer to a general reserve of \$12,500.
 - to pay the remainder of the preference dividend for the year.
 - a final dividend to the ordinary shareholders of 200,000 shares at \$0.10 per share.

Required

- a) Prepare a statement to show the adjusted net profit of Stone Ltd for the year ended 30 April 2020. (9 marks)
- b) Commencing with the adjusted net profit, prepare the retained profits account for the year ended 30 April 2020. (4 marks)
- c) Prepare the statement of financial position as at 30 April 2020. (12 marks)

[Total 25 marks]**QUESTION 4**

The following information has been extracted from Robinson Ltd's statement of financial position and statement of comprehensive income for the year ended 31 December 2019:

Robinson Ltd		
Statement of Comprehensive Income for the year ended 31 December 2019		
	\$	\$
Sales Revenue		200,000
Cost of goods sold		(80,000)
		120,000
Less: Expenses		
Salary expense	39,000	
Depreciation expense	5,000	
Interest expense	3,000	
Insurance expense	1,000	
Loss on sale of land	10,000	
Income tax expense	18,600	76,600
Net profit		43,400

Robinson Ltd		
Statement of Financial Position as at 31 December		
	2019	2018
	\$	\$
Non-Current Assets		
Land	120,000	200,000
Building	500,000	400,000
Accumulated depreciation	(105,000)	(100,000)
	515,000	500,000

Current Assets		
Cash	130,000	40,000
Accounts receivable	69,000	60,000
Inventory	80,000	100,000
Prepaid Insurance	6,000	4,000
	285,000	204,000
Current Liabilities		
Accounts payabl	20,000	25,000
Income Tax payable	22,600	20,000
	42,600	45,000
Working capital	242,400	159,000
	757,400	659,000
Non-Current Liabilities		
Note payable	40,000	50,000
Bond payable	120,000	100,000
	160,000	150,000
Owners' Equity		
Ordinary share capital	510,000	450,000
Retained earnings	87,400	59,000
	597,400	509,000
	757,400	659,000

Additional information:

- (i) Land which originally cost \$100,000 was sold for \$90,000.
- (ii) Building was purchased for cash.
- (iii) Bonds were issued at par value in exchange for land.
- (iv) 50,000 ordinary share capital was issued at \$1.20 each.
- (v) Dividends of \$15,000 were declared and paid during the year.

Required

- a) Prepare a statement of cash flows using the indirect method for Robinson Ltd for the year ended 31 December 2019. (22 marks)
- b) List **THREE** (3) purposes of a statement of cash flows. (3 marks)

[Total 25 marks]

END OF QUESTION PAPER