

BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Subject Code & Name : **DBM1403 ACCOUNTING 2**
Semester & Year : SEPTEMBER – DECEMBER 2016
Lecturer/Examiner : JAMES LIOW
Duration : 2 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (20 marks) : Answer all TWENTY (20) multiple choice questions and shade your answers in the provided space with 2B pencil.
PART B (80 marks) Answer 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 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 = 11 (Including the cover page)

PART B : SHORT ANSWER QUESTIONS (80 MARKS)

INSTRUCTION (S) : There are four (4) questions in this section. Answer ALL questions. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

Smith and Jones are in partnership. The following information was extracted from the trial balance of Smith and Jones at 30 June 2015:-

	\$
Freehold land and buildings	30,000
Motor vehicles at cost 1 July 2014	72,000
Accumulated depreciation, motor vehicles 1 July 2014	14,400
Capital accounts:-	
Smith	20,000
Jones	30,000
Current accounts:-	
Smith	2,100
Jones	4,900
Stock - 1 July 2014	42,000
Credit sales	181,000
Cash sales	67,000
Bank overdraft	19,500
Bank loan, repayable 30 June 2018	30,000
Trade creditors	38,000
Trade debtors	27,000
Allowance for doubtful debts, 1 July 2014	627
Purchases	121,000
Wages	38,000
Miscellaneous expenses	8,500
Insurance	1,000

The following additional information is available:

- (i) Motor vehicle depreciation is charged at 20% per annum on a straight-line basis.
- (ii) Bad Debts of \$500 should be written off in the year to 30 June 2015 and an allowance for doubtful debts is to be made of 3% of remaining debtors.
- (iii) Interest accrued on bank loan at 30 June 2015 was \$252.
- (iv) Wages of \$1,500 for month ending June 2015 was not paid until July 2015.
- (v) Insurance premiums of \$400 were paid in advance.
- (vi) Stocks at 30 June 2015 were \$37,000.

The partnership agreement provides:

- (i) Profits and losses are shared in the ratio of their fixed capitals.
- (ii) Jones receives a salary of \$25,000 per annum.

- (iii) Smith receives 15% commission on all cash sales. The commission is to be treated as an entitlement to the partner.
- (iv) Interest on partners' fixed capital is 5% per annum.
- (v) Interest on drawings is 6% per annum - on the total drawings in any year.
- (vi) Drawings for the year to 30 June 2015 were:

	\$
Smith	7,000
Jones	7,500
- (vii) The freehold land and buildings were revalued at \$45,000 on 30 June 2015. No entries had been made in the books.

Required

- a) Prepare the Profit and Loss & Appropriation Account for the year ended 30 June 2015. (12 marks)
 - b) Prepare the following accounts of the partners in columnar format as at 30 June 2015:-
 - (i) Current Accounts (5 marks)
 - (ii) Capital Accounts (3 marks)
- [Total 20 marks]**

QUESTION 2

Susie Thompson is a sole trader. The following information is taken from her final accounts:

The financial statements of Susie Thompson for the year ended 31 December 2015 are presented below:

Susie Thompson		
Statement of Comprehensive Income for the year ended 31 December 2015		
	\$	\$
Sales		120,000
Cost of Goods Sold		
Opening stock	12,000	
Purchases	77,000	
	89,000	
Less closing stock	(6,000)	83,000
Gross profit		37,000
Less expenses:		
Operating expenses	31,000	
Loan interest	1,200	32,200
Net Profit		4,800

Susie Thompson
Statement of Financial Position as at 31 December 2015

	\$	\$
Fixed assets at net book value		38,500
Current Assets		
Stock	6,000	
Debtors	15,500	
Bank	7,500	
	29,000	

Current Liabilities		
Creditors	16,500	
Working Capital		12,500
		51,000
Financed by:-		
Non- Current Liabilities		
Term loan		9,000
Owners' Equity		
Capital	37,200	
Net profit	4,800	42,000
		51,000

Required

- a) Calculate, to **ONE (1)** decimal places, where appropriate, the following ratios:
- (i) percentage return on capital employed
 - (ii) percentage of gross profit to sales
 - (iii) percentage of net profit to sales
 - (iv) current ratio
 - (v) acid test ratio
 - (vi) rate of average stock turnover (expressed as number of times per year)
 - (vii) debtors' collection period (in days)
 - (viii) creditors' settlement period (in days)

(16 marks)

- b) Comment on the change in the firm's liquidity and state **TWO (2)** reasons for the change.

(3 marks)

- c) State what is considered to be the ideal acid test ratio?

(1 mark)

[Total 20 marks]

QUESTION 3

The following list of balances was taken from the books of Ekta Ltd on 31 December 2015.

	\$'000
Freehold land & building	2,700
Machinery	500
Office equipment	80
Accumulated depreciation – machinery	175
Accumulated depreciation – office equipment	11
1,600,000 ordinary shares of \$1.00 each	1,600
400,000 6% preference shares of \$1.00 each	400
Share premium	150
General reserves	300
Retained earnings, 1 January 2015	126 Cr
10% fixed deposit	80
8% Debentures, repayable June 2017	100
Debtors	78
Creditors	56
Bank overdraft	24
Allowance for doubtful debts	2
Gross profit	929
Stock at 31 December 2015	92
Administration expenses	110
Selling and distribution expenses	160
Ordinary interim dividend paid	60
Preference interim dividend paid	12

Additional information at 31 December 2015:

- (i) The fixed deposit is placed at DSB Bank and is to be treated as current assets.
- (ii) A full year's interest on the fixed deposit is outstanding.
- (iii) Depreciation is to be charged as follows:
 - machinery 20% per annum on reducing balance method
 - office equipment 12.5% per annum on straight line method
- (iv) A bad debt of \$3,000 is to be written off, and the allowance for doubtful debts is to be maintained at 4% of the debtors.
- (v) The directors proposed the following:
 - To increase the general reserve to \$40,000.
 - Payment of final preference dividend of 3%.
 - A final ordinary dividend of \$0.11 per share.

Required

- a) Prepare a statement to show the adjusted net profit of Ekta Ltd for the year ended 31 December 2015. (5 marks)
- b) Commencing with the adjusted net profit, prepare the Profit & Loss Appropriation Account for the year ended 31 December 2015. (4 marks)

- c) Prepare a Statement of Financial Position extract at 31 December 2015, showing the current liabilities, non-current liabilities and capital and reserves. (11 marks)

[Total 20 marks]

QUESTION 4

The following information has been extracted from Juarez Ltd's Statement of Financial Position and Statement of Comprehensive Income for the years ended 31 December 2015.

Juarez Ltd		
Statement of Comprehensive Income for the year ended 31 December 2015		
	\$	\$
Sales Revenue		975,000
Cost of goods sold		(660,000)
		315,000

Less: Expenses		
Operating expenses	176,000	
Depreciation expense	18,000	
Loss on sale of store equipment	1,000	195,000
Net profit before income tax		120,000
Income tax expense		36,000
Net profit		84,000

Juarez Ltd		
Statement of Financial Position as at 31 December		
	2015	2014
	\$	\$
Non-Current Assets		
Land	140,000	80,000
Equipment	160,000	-
Accumulated depreciation	(16,000)	-
	284,000	80,000
Current Assets		
Cash	191,000	159,000
Accounts receivable	12,000	15,000
Inventory	170,000	160,000
Prepaid Insurance	6,000	8,000
	379,000	342,000
Current Liabilities		
Accounts payable	52,000	60,000
Accrued utilities expenses	15,000	20,000

Income Tax payable	12,000	-
	79,000	80,000
Working capital	300,000	262,000
	584,000	342,000
Non-Current Liabilities		
Bond payable	130,000	-
Owners' Equity		
Ordinary share capital	360,000	300,000
Retained earnings	94,000	42,000
	454,000	342,000
	584,000	342,000

Additional information:

- (i) In 2015, the company declared and paid a \$32,000 cash dividend.
- (ii) Bonds were issued at face value for \$130,000 in cash.
- (iii) Equipment costing \$180,000 was purchased for cash.
- (iv) Equipment costing \$20,000 was sold for \$17,000 cash when the book value of the equipment was \$18,000.
- (v) Ordinary share capital of \$60,000 was issued to acquire land.

Required

Prepare a cash flow statement using the indirect method for Juarez Ltd for the year ended 31 December 2015.

[Total 20 marks]

END OF QUESTION PAPER