



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Student ID (in Words) : _____

Course Code & Name : **ACC2113 FINANCIAL ACCOUNTING 2**
 Trimester & Year : SEPTEMBER – DECEMBER 2018
 Lecturer/Examiner : JAMES LIOW
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 1 part:
 PART A (100 marks) : Answer FIVE (5) compulsory 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 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 = 8 (Including the cover page)

PART A : COMPULSORY QUESTIONS (100 MARKS)

INSTRUCTION (S) : There are **FIVE (5)** questions in this section. Answer **ALL** questions. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

Birmin Ltd is a well-established company which intends to embark on a major expansion programme starting 2018. The directors would like to find out more information on the company's cash flows and provided you with the following:

Balance Sheet as at 31 December				
	2016		2017	
	\$	\$	\$	\$
Non-Current Assets				
Premises, net book value	552,000		733,000	
Machinery, net book value	189,400	741,400	253,500	986,500
Current Assets				
Stock	66,200		78,300	
Account receivable	52,890		22,000	
Prepayments	5,500		6,100	
Bank	50,700		83,700	
	175,290		190,100	
Current Liabilities				
Account payable	16,000		14,500	
Accruals	1,890		900	
Dividend payable	25,000		30,000	
Tax payable	40,200		56,200	
	83,090		101,600	
Working Capital		92,200		88,500
		833,600		1,075,000
Non-current Liabilities				
7% debenture		58,600		100,000
Equity				
Capital & reserves:				
Ordinary shares of \$1.00 each	500,000		650,000	
Share premium	130,000		145,000	
Retained profits	145,000	775,000	180,000	975,000
		833,600		1,075,000

Income Statement for the year ended 31 December		
	2016	2017
	\$	\$
Operating profits	92,800	119,500
Less: Interest paid	(5,200)	(6,500)
Net profit before tax	87,600	113,000
Less: Tax expenses	(39,600)	(50,000)
Net profit after tax	48,000	63,000
Retained earnings b/f	120,000	145,000
	168,000	208,000
Less: ordinary dividend	(23,000)	(28,000)
Retained earnings c/f	145,000	180,000

Additional information:

- During the year of 2017, machinery costing \$56,000 and depreciated by \$37,200 was sold at a profit of \$10,300. There is no disposal of other non-current assets.
- The company uses reducing balance method in depreciating all its non-current assets and the current year's depreciation are as follows:
 - Premises \$30,000
 - Machinery \$7,200
- The company issued 150,000 ordinary shares at a premium of \$0.10 per share during the year and this was recorded in the accounts.

Required

Prepare a Cash Flow Statement for the year ended 31 December 2017.

(20 marks)

QUESTION 2

Yu and Zan are in partnership sharing profits and losses in the ratio 3:2 respectively. At 31 March 2018, their Statement of Financial Position was as follows:

Yu and Zan		
Statement of Financial Position as at 31 March 2018		
	\$	\$
Non-current Assets		
Goodwill	120,000	
Premises	180,000	
Office equipment	40,000	
Fixtures and fittings	30,000	370,000
Current Assets		
Stock	26,000	
Debtors	34,000	
Bank	18,000	
	78,000	
Current Liabilities		
Creditors	30,000	
Working capital		48,000
		418,000
Capital		
- Yu	258,000	
- Zan	160,000	
		418,000

The following additional information was available:

- (i) Veata was admitted into the partnership on 1 April 2018. It was agreed that all profits and losses in the new partnership would be shared equally.
- (ii) Veata introduced into the partnership stock valued at \$40,000, debtors of \$16,000, and also sufficient cash to cover her share of goodwill.
- (iii) Assets and liabilities of the former partnership were revalued as follows:

	New value (\$)
Goodwill	180,000
Premises	260,000
Office equipment	36,000
Creditors	27,800
Stock	25,200

- (iv) The partners decided that goodwill will **NOT** be recorded in the books of the new partnership.

Required

Prepare the following

- Revaluation Account of Yu and Zan. (*Dates may be ignored*) (4 marks)
- Capital Accounts of Yu, Zan and Veata following both the revaluation of assets and liabilities and the admission of Veata. (*Dates may be ignored*) (7 marks)
- Statement of Financial Position of Yu, Zan and Veata as at 1 April 2018. (9 marks)

[Total 20 marks]

QUESTION 3

White Ltd has prepared the following financial statements for 2018:

Income Statement for the year ended 30 September 2018		
	\$'000	\$'000
Sales		1,000
Cost of sales		
Opening stock	70	
Add Purchases	520	
	590	
Less Closing stock	(80)	(510)
Gross profit		490
Less: expenses (including debenture interest)		(283)
Net profit		207

Assume the sales and purchases are on credit terms.

Statement of Financial Position as at 30 September 2018		
	\$'000	\$'000
Non-current Assets		
Office equipment	350	
Fixtures and fittings	200	550
Current Assets		
Stock	80	
Debtors	250	
Bank	90	
	420	
Current Liabilities		
Creditors	(120)	
Working capital		300
		850

Non-current Liabilities		
6% debenture - repayable 2020		200
Capital & Reserves		
400,000 ordinary shares of \$1.00 each	400	
Retained profits	250	650
		850

Required

- a) Calculate the following ratios for White Ltd for the year ended 30 September 2018. All workings must be shown and answers given to **ONE** decimal place.
- Gross profit as a percentage of sales
 - Net profit before interest charges as a percentage of sales
 - Average rate of stock-turnover (times)
 - Current ratio
 - Liquidity/acid test ratio
 - Debtors' collection period in days
 - Creditors' settlement period in days
 - Return on capital employed as a percentage (net profit after debenture interest)

(16 marks)

- b) State the effect (increase or decrease) in the following scenarios that will have upon the debtors and creditors:

No.	Scenario	Collection/Settlement Period (Days)	Turnover Rate (times)
(i)	Slow in collecting the debts from debtors		
(ii)	Pay the creditors before the credit terms		

(4 marks)

[Total 20 marks]

QUESTION 4

The following details were extracted from the books of Petronium Ltd at 31 December 2017:-

	\$
Net profit for the year ended 31 December 2017 (after deducting debenture interest of \$4,000)	570,400
8% debenture (Payable in March 2018)	100,000
Interim ordinary dividend paid	50,000
Interim preference dividend paid	5,000
5% loan from Brado Bank (Repayable 2019)	50,000
Share premium	50,000
Issued and fully paid share capital:	
1,000,000 \$0.50 ordinary shares	500,000
200,000 5% \$1.00 preference shares	200,000
General reserves	20,000
Retained profits at 1 January 2017	175,000

Additional information:

Following the calculation of the net profit it was discovered that:

- 1) A full year's interest on the loan from Brado Bank remained unpaid at 31 December 2017 and no entries had been made in the accounts.
- 2) No record has been made for accrued directors' fees of \$30,000.
- 3) 4% of the second half yearly debenture interest has yet to be paid.
- 4) The directors proposed the following:
 - A final dividend of \$0.02 per ordinary share
 - A payment of final preference dividend of 2.5%
 - To transfer \$20,000 from the retained profits to the general reserves.

Required

- a) Prepare a statement to show the adjusted net profit of Petronium Ltd for the year ended 31 December 2017. (4 marks)
- b) Commencing with the adjusted net profit, prepare the Retained Profit Account for the year ended 31 December 2017. (5 marks)
- c) Prepare a Statement of Financial Position extract at 31 December 2017, showing the current liabilities, non-current liabilities and capital and reserves. (11 marks)

[Total 20 marks]

QUESTION 5

Joan and John have been in partnership for two years sharing profits and losses as follows: Joan (one-third), John (two-thirds). Information in relation to their partnership balances and agreement on profit sharing for the year ended 31 December 2017 is as follows:

	Joan (\$)	John (\$)
Capital accounts	40,000	60,000
Current accounts	(35,000)	3,000
Drawings	15,000	5,000
Salary for the year	25,000	10,000

The following incomplete list of balances was extracted from the books on 31 December 2017 after preparing the Profit and Loss Account:

	\$
Gross profit	220,486
Rent	10,200
Insurance	4,600
Lighting and heating	7,500
Vehicle running expenses	9,300
Wages and salaries	52,500
Depreciation	12,000
General expenses	2,600
Trade debtors	14,800
Allowance for doubtful debts	180

The following information is also available relating to the year ended 31 December 2017:

- The allowance for doubtful debts of 2% of trade debtors to be maintained.
- Vehicle running expenses include \$1,800 to be shared equally between the partners for private use of the business vehicles.
- Prepaid insurance amounted to \$800.
- Accrued lighting and heating expenses amounted to \$350.

Other information:

- It is agreed that interest on drawings is charged at 10% per annum.
- Interest on capital is allowed at 7.5% per annum.
- On 1 July 2017, John advanced \$50,000 by way of loan as the business has insufficient cash flow to pay the creditors. The partners agreed that interests are to be charged at 10% per annum.

Required

- a) Prepare the profit and loss statement and the appropriation account for the year ended 31 December 2017. (13 marks)
- b) Prepare the current account for the partners for the year to 31 December 2017. (*Date may be ignored*) (7 marks)

[Total 20 marks]

END OF QUESTION PAPER