



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 : SEPTEMBER – DECEMBER 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

Boge Bhd is a public listed company involved in the manufacture of electronic components and chips. The following trial balance was extracted from their books as at 31 December 2020:

Trial Balance as at 31 December 2020			
		RM'000	RM'000
Administrative expenses		87,070	
Selling and distribution expenses		164,450	
Accounts receivables and accounts payables	(iii)	130,920	56,700
Ordinary share capital at 120 million shares	(vii)		144,000
5% irredeemable preference share capital	(vii)		48,000
Purchases and revenue	(ii)	372,000	760,000
8% loan notes repayable 2025	(v)		150,000
Land	(vi)	200,000	
Buildings at cost	(vi)	60,000	
Fixtures and fittings at cost	(vi)	49,500	
Motor vehicles at cost	(vi)	138,000	
Accumulated depreciation - Buildings	(vi)		13,500
Accumulated depreciation - Fixtures and fittings	(vi)		17,420
Accumulated depreciation - Motor vehicles	(vi)		41,900
Inventories at 1 January 2020		156,740	
Interest paid	(v)	6,000	
Preference share dividends	(vii)	1,200	
Ordinary share dividends	(vii)	4,500	
Bank			15,000
Revaluation reserve			20,000
Other payables	(iv)		6,000
Retained earnings at 1 January 2020			96,160
Allowance for doubtful debts	(iii)		1,700
		1,370,380	1,370,380

Additional information:

- (i) The inventory at cost on 31 December 2020 was RM189,000,000. Included in this figure are slow moving components that originally cost RM4,000,000 that it is expected to be sold for RM2,500,000.
- (ii) Sales for January 2021 amounting to RM6,000,000 had been incorrectly included in the above trial balance. These sales were received in full payment as at 31 December 2020.
- (iii) Boge Bhd wrote off a bad debt of RM920,000 in December 2020. The Allowance for doubtful debts should be set at 2%. The increase/decrease in doubtful debts is to be charged to selling and distribution expenses.
- (iv) During the year the company rented additional premises from 1 July 2020 at an annual rental of RM24,000, payable quarterly in advance on 1 July 2020 and 1 October 2020. The last quarter payment has been paid but the staff member had mistakenly included the amount as other payables in the above trial balance.
- (v) Interest on the loan notes had been paid up to 30 June 2020. The second half of the interest payment had yet to be accrued and charged as other payables. The interest expenses are to be classified as finance costs in the statement of comprehensive income.
- (vi) Depreciation for the year ended 31 December 2020 is to be calculated using the following rates:
 - Buildings 2% on straight line basis
 - Fixtures and fittings 10% on straight line basis
 - Motor vehicles 25% on reducing balance basis

Depreciation on buildings and fixtures and fittings are charged to administrative expenses. Whereas the depreciation on motor vehicles is to be charged to cost of sales.

The freehold land was last revalued 10 years ago. To reflect the actual market value in the financial position, it was agreed to accept the professional valuer's advice at RM250 million.

- (vii) During the financial year, the board of directors had unanimously agreed on the following matters:
 - A right issue shares at 1 for 4 existing ordinary shares and lodged RM80 million to its bank account. No entry has been included in the financial statements for this transaction.
 - After the right issue of shares, it was proposed a final dividend of RM0.10 per share to be payable.
 - The final preference shares dividends are to be proposed.
 - A transfer of RM30,000 to be created as general reserves.(All final dividends are to be treated as other payables)

(viii) The taxation charge for the year to 31 December 2020 is estimated to be RM40,000,000 to be accrued as other payables.

Required:

Prepare the following statements for Boge 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 (6 marks)
- c) Statement of financial position (16 marks)

[Subtotal: 30 marks]

SECTION B

The following are the financial statements for Barry Bhd for the year ended 31 December 2020 are presented below:

Statement of Profit or Loss for the year ended 31 December 2020	
	RM'000
Sales revenue	11,205
Less: Cost of goods sold	(5,809)
Gross profit	5,396
Less: Expenses	(3,648)
Profit before tax	1,748
Less: income tax	(200)
Profit after tax	1,548

Statement of Financial Position as at 31 December		
	2020	2019
	RM'000	RM'000
Non-current assets		
Land & building	4,500	4,500
Plant & machinery	10,167	6,170
Less: accumulated depreciation	(6,732)	(5,970)
	7,935	4,700
Current assets		
Inventories	2,410	1,209
Trade receivables	1,823	641
Cash at bank	-	123
	4,233	1,973
Total assets	12,168	6,673

Equity and Liabilities		
Equity		
Ordinary share capital	3,000	1,750
Retained profits	800	1,687
	3,800	3,437
Non-current liabilities		
10% term loan	3,800	1,800
Current liabilities		
Trade payables	2,102	1,436
Bank overdraft	2,466	-
	4,568	1,436
Total liabilities	8,368	3,236
Total equity and liabilities	12,168	6,673

Additional information:

- (i) Plant and machinery costing RM581,000 had been sold for RM200,000 in cash. The accumulated depreciation on these plant and machinery at 31 December 2020 amounted to RM489,000.
- (ii) The board of directors meeting convened and agreed on the following matters:
- RM1,250,000 was raised through right issue of ordinary shares.
 - Additional 10% term loan of RM2,000,000 was fully drawn down on 1 January 2020.
 - Dividends on ordinary share capital has been declared and paid.
- (iii) Included in the expenses consists of the following:
- 10% interest of loan
 - Gain on the disposal of plant and machinery
 - Depreciation charge for the year

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

Anita, Brian and Clive have been in partnership for many years. Their bookkeeper has just produced the following summarised income statement for the year ended 31 December 2020:

	RM
Revenue	1,200,000
Cost of sales	(720,000)
Gross profit	480,000
Expenses	(300,000)
Net profit before appropriations	180,000

The following information is available:

- (i) The partnership agreement states the following:
- Interest on capital is to be credited at 6% per annum on the year-end balances.
 - Interest on drawings is at 5% per annum on the year-end balances.

- (ii) The partners are entitled to the following salaries per annum:

Partner	RM
Anita	32,000
Brian	22,000
Clive	13,000

- (iii) The partners made the following cash drawings during the year:

Partner	RM
Anita	41,200
Brian	28,400
Clive	26,800

- (iv) The balance on the capital and current accounts at the beginning of the year are as follows:

	Partner	RM
Capital accounts:	Anita	50,000 (credit)
	Brian	44,000 (credit)
	Clive	6,000 (credit)

Current accounts:	Anita	11,400 (credit)
	Brian	4,800 (credit)
	Clive	4,600 (debit)

Capital accounts remained unchanged throughout the year.

- (v) On 31 December 2020 Donna was admitted into the partnership. She paid RM90,000 cash into the partnership bank account on that date.
- (vi) The old partners shared profits in the ratio of 5:3:2. The new partners shared profits in the ratio 4:3:3:2.
- (vii) Goodwill of RM120,000 is to be shared between the partners. It has been decided that no goodwill will be recorded on the partnerships statement of financial position. Hence, Donna has to pay for the share of the goodwill.
- (viii) Land and buildings are to be revalued upwards by RM80,000 as at 31 December 2020, which will remain in the partnership's statement of financial affairs.
- (ix) Brian had also loaned the partnership RM20,000 at an interest rate of 10% per annum. This interest has not yet been accounted for as at 31 December 2020.

Required:

Prepare the following statements for the financial period ended 31 December 2020:

- a) The profit or loss appropriation account for the partnership. (6 marks)
 - b) The partners' capital accounts (10 marks)
 - c) The partners' current accounts (9 marks)
- (Date may be ignore)*

[Total 25 marks]

QUESTION 2

Madeline's Pharm Bhd (MPB) is a public listed company that has been operating for the past 15 years, specialising in the manufacturing of high-quality pharmaceutical products and solutions for various diseases and conditions.

The following information relates to the operations of MPB for the two years to 31 December:

Statement of Comprehensive Income for the year ended 31 December		
	2020	2019
	RM' million	RM' million
Sales revenue	350	450
Cost of Goods Sold	(135)	(150)
Gross Profit	215	300
Expenses (Including debenture interest)	(120)	(159)
Net profits	95	141

Statement of Financial Position as at 31 December		
	2020	2019
	RM' million	RM' million
Non-current assets	650	861
Current assets		
Inventories	25	42
Accounts receivables	80	38
Bank	75	30
	180	110
Total assets	830	971
Equity and Liabilities		
Equity		
Capital	575	550
Retained earnings	95	261
	670	811
Non-current liabilities		
10% debenture	80	100
Current liabilities		
Accounts payables	25	20
Other payables	55	40
	80	60
Total liabilities	160	160
Total equity and liabilities	830	971

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

- (i) All sales and purchases were made on credit term.
- (ii) The closing inventories at 31 December 2019 was 20% higher than the inventories at 31 December 2018.
- (iii) The following is the information on the number of ordinary shares issued and the share price as at 31 December:

	2020	2019
Number of issued share capital	45 million	50 million
Share price	RM1.20 per share	RM3.95 per share

Required

- a) Calculate the following ratios for year 2020 and 2019. All workings are to be shown and answers given to **TWO** (2) decimal places:
 - (i) Gross profit margin
 - (ii) Net profit margin
 - (iii) Return on capital employed (net profit before interest)
 - (iv) Current ratio
 - (v) Acid test ratio
 - (vi) Inventory turnover (times)
 - (vii) Receivable collection period (days)
 - (viii) Payable settlement period (days)
 - (ix) Earnings per share (EPS)
 - (x) Price earnings (PE) ratio

(15 marks)

- b) The share price of MPB has declined over the years. Assume that you are a research analyst and the management has requested you to analysis the performance of MPB.

Additional information is given below on the future prospect of MPB:

In the recent Covid-19 pandemic, MPB received some information that the government is sourcing for pharmaceutical companies for bottling the vaccine when it becomes available. You are required to take into consideration of the long-term contracts and the investment required if the contract is successfully secured.

Required

Advise on the financial outlook of MPB whether it is a good buy. Your answer must be supported by the analysis obtained in Part (a) on the profitability, asset utilisation and investment ratios.

(10 marks)

[Total 25 marks]

END OF QUESTION PAPER