



## FINAL EXAMINATION

### MAR-2022

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COURSE TITLE	BASIC FINANCIAL ACCOUNTING
COURSE CODE	FACT0114
DATE/DAY	16 JUNE 2022 / THURSDAY
TIME/DURATION	09:00 AM - 10:30 AM / 1.5 Hours

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#### INSTRUCTIONS TO CANDIDATES :

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the Invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of 1 Printed Pages including front page)

**\*\*\*DO NOT OPEN THE QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO\*\*\***

**This question paper consists of TWO (2) sections. Answer ALL questions. (100 MARKS)**

**SECTION A (40 Marks)**

**There are TWENTY (20) questions in this part. Answer ALL questions in the answer booklet.**

1. Which accounting assumption assumes that an enterprise will continue in operation long enough to carry out its existing objectives and commitments?

- A. Monetary unit assumption
- B. Economic entity assumption
- C. Time period assumption
- D. Going concern assumption

2. If beginning capital was \$25,000, ending capital is \$37,000, and the owner's withdrawals were \$23,000, the amount of net income or net loss for the period was:

- A. net loss of \$35,000
- B. net income of \$35,000
- C. net income of \$14,000
- D. net loss of \$14,000

3. A measure of profitability is the

- A. current ratio.
- B. debt to total assets ratio.
- C. return on assets ratio.
- D. working capital.

4. The difference between the balance of a plant asset account and the related accumulated depreciation account is termed

- A. market value.
- B. contra asset.
- C. net book value.
- D. accumulated depreciation value

5. A company purchased a photocopy machine on January 1 for \$5,400. This photocopy machine has a useful life of 10 years and a salvage value of \$400. What would be the depreciation expense for the second-year of its useful life using the double-declining-balance method?

- A. \$ 500.
- B. \$ 800.
- C. \$ 864.
- D. \$1,000.

6. Johnny's Car Repair Shop started the year with total assets of \$60,000 and total liabilities of \$40,000. During the year the business recorded \$100,000 in car repair revenues, \$55,000 in utility expenses, \$1000 machine depreciation for the year and dividends of \$10,000.

The net income reported by Johnny's Car Repair Shop for the year was

- A. \$35,000.
- B. \$45,000.
- C. \$44,000.
- D. \$90,000.

Required:

- a) Prepare the statement of profit or loss for the year ended 31 December 2014.
- b) Prepare the statement of financial position as at 31 December 2014.

7. Which item is an example of capital expenditure?

- A cost of repairs to an office building
- B cost of repainting business name on delivery van
- C legal cost paid to purchase an office building
- D legal cost to collect outstanding receivables

8. On 1 July 2021, Tim bought a delivery van for \$10 000. He paid an additional \$900 to have racks fitted inside, and \$800 for a year's insurance. Tim provides for depreciation at the rate of 10% per annum. A full year's depreciation is charged in the year of acquisition.

What was the total for expenses recorded in Tim's income statement in respect of the van for the year ended 30 September 2021?

- A. \$1290
- B. \$1690
- C. \$2100
- D. \$2500

9. A business has a year end of 31 December. It purchased a non-current asset on 1 January 2020 for \$100 000. The asset was depreciated using the reducing balance method at 20% per annum. It was sold for \$40 000 on 1 January 2022.

What was the loss on disposal?

- A. \$20 000
- B. \$24 000
- C. \$40 000
- D. \$60 000

10. Which statement is correct?

- A. The balance on the irrecoverable debts account is carried down to the next accounting period.
- B. The balance on the irrecoverable debts account is treated as an expense in the income statement.
- C. The balance on the provision for doubtful debts account is calculated before the deduction of irrecoverable debts.
- D. The balance on the provision for doubtful debts account is not included in a trial balance.

11. What might cause a decrease in a company's non-current asset turnover?

- A. increase in expenses
- B. increase in sales revenue
- C. purchase of new non-current assets
- D. selling non-current assets

12. A business had calculated a draft profit for the year. The following items have been discovered.

- I. A customer has been declared bankrupt and is unable to pay the amount they owe.
- II. Unsold goods on sale or return basis have been included in inventory.
- III. Rent paid in advance has not been included.
- IV. The owner's cash drawings have been entered into the owner's capital account.

Which of these need to be adjusted to calculate the correct profit for the period?

- A. i and ii
- B. i and iii only
- C. i, iii and iv
- D. ii and iii

13. At the start of the year the balance on a sole trader's capital account was \$183000. During the year the following took place.

- The owner introduced a motor vehicle into the business. This had a cost of \$90

- 000 and had a market value of \$74 000.
- The owner took cash drawings of \$15 000.
- The owner took inventory for personal use. This had a cost of \$24 000 and a selling price of \$32000.

After recording these and the profit for the year, the closing balance on the capital account was \$265 000.

What was the profit for the year?

- A. \$31 000
- B. \$39 000
- C. \$47 000
- D. \$55 000

14. What are limitations of using accounting ratios for comparisons between firms in the same industry?

- I. Different businesses may have different accounting policies.
- II. Efficiencies of different businesses cannot be compared.
- III. Liquidity of the businesses cannot be assessed.

- A. i and ii
- B. i only
- C. ii and iii
- D. iii only

15. A trader's income statement recorded sales, \$10 000, and cost of sales, \$7070. The trader had taken goods for his own use during the year, cost \$280, selling price \$410, but had omitted to record this.

What effect did the omission have on the gross margin?

- A. 2.8% overstated
- B. 2.8% understated
- C. 4.1% overstated
- D. 4.1% understated

16. The non-current asset turnover of a business improved between 2020 and 2021, even though the net revenue was the same for both years. What caused the improvement in the ratio?

- A. a reduction in the level of irrecoverable debts being incurred
- B. an upwards revaluation of the premises at the year end
- C. depreciation charged being higher than the cost of new non-current assets
- D. purchases of new non-current assets being greater than disposals

17. A business sold a non-current asset. It had been purchased for \$15 000 and had an estimated life of 10 years, with no residual value. It was depreciated using the straight-line method. It was sold after six years. Disposal costs were \$1000 and there was a profit on disposal of \$3000.

What was the sale price?

- A. \$8000
- B. \$9000
- C. \$10 000
- D. \$13 000

18. A trader calculated his draft profit for the year as \$16 000. The following items had not been adjusted.

- decrease in prepaid insurance, \$400
- increase in closing inventory, \$1200
- decrease in provision for doubtful debts, \$120
- increase in accrued rent receivable, \$300

What was the profit for the year after adjusting for these items?

- A. \$16 620
- B. \$16 980
- C. \$17 220
- D. \$17 780

19. A company does not include in the financial statements the value of skills gained by its employees from training programmes.

Which accounting concept is being applied?

- A. consistency
- B. materiality
- C. money measurement
- D. substance over form

20. Which statement relating to depreciation is not correct?

- A. A business can never change its accounting policy on depreciation.
- B. Depreciation is the allocation of the cost of a non-current asset over its useful life.
- C. Freehold land is usually not depreciated.
- D. Non-current assets of similar class are depreciated using the same method of depreciation.

**Section B (80 Marks)**

**Question 1**

The following Trial Balance was extracted from the books of Khalifah Enterprise as at 31 December 2021.

	Debit (RM)	Credit (RM)
Purchases and Sales	97,500	150,000
Discount allowed and discount received	400	750
Carriage inwards	550	
Carriage outwards	300	
Return inwards and return outwards	4,000	3,500
Inventory as at 1 January 2014	16,000	
Advertising	1,250	
Dividend received		300
Rental	3,000	3,900
Bad debt	1,800	
Salary	9,000	
Utilities	1,500	
Insurance	2,000	
Cash	2,600	
Bank	7,600	
Account receivables and account payables	50,000	68,500
Capital		154,950
Loan from Maybank		90,000
Freehold premises	200,000	
Furniture	8,000	
Motor vehicles	52,000	
Investment	32,000	
Accumulated depreciation – Furniture		
3,200		
Accumulated depreciation – Motor vehicles		15,600
Drawings	1,200	
	490,700	490,700

**Additional information:**

1. Inventory as at 31 December 2021 was valued at RM52,000.

2. Rental received is for the period from 1 January 2014 to 31 March 2022.
3. RM200 of utilities was paid in advance.
4. The owner had withdrawn RM1,300 goods for his family use and no record was made.
5. Additional bad debts of RM1,100 was to be written off.
6. Insurance amounting RM1,000 was still outstanding at the end of the accounting period.
7. Depreciation is to be charged as follows:
  - a. Furniture - 20% per annum on cost, straight line method.
  - b. Motor vehicles - RM5,200 per year.
8. Interest on loan at 5% per annum has not been paid.

**Required:**

- a) Prepare the statement of profit or loss for the year ended 31 December 2021.
- b) Prepare the statement of financial position as at 31 December 2021



## Question 2

K Limited has been trading for many years and prepares financial statements annually to 30 April. It had the following balances at 1 May 2016:

	\$
Plant and equipment at cost	84 695
provision for depreciation	32 855

On 1 February 2017, the company bought new equipment, \$12 785, and the cost of installing this equipment was \$1595.

On 31 December 2016 the company sold a motor vehicle which had cost \$14 850 on 1 August 2015. The proceeds of \$8900 were paid by cheque.

The company's depreciation policy is as follows:

- Plant and equipment 20% on cost per annum
- Motor vehicles 25% reducing balance per annum
- Depreciation is charged on a month-by-month basis.

### REQUIRED

- Calculate the depreciation charge for plant and equipment for the year ended 30 April 2017. Workings must be shown.
- Prepare the motor vehicle disposal account for the year ended 30 April 2017. Workings must be shown.
- Explain two accounting concepts which are being applied when depreciation is provided.

## Question 3

The following information has been extracted from the financial statements of Thaw Limited at 31 December 2015.

	\$
Revenue	156 000
Purchases	88 000
Inventory at 31 December 2015	42 000
Operating expenses	48 000
Trade receivables	39 000
Other receivables	2 000
Cash in hand	1 000

Trade payables	29 000
Other payables	8 000
Bank overdraft	10 000
8% debenture (2019 – 2021)	6 000

Additional information

- Inventory at 1 January 2015 was valued at \$34 000.
- All sales and purchases were on credit.

**REQUIRED**

a) Calculate the following ratios for Thaw Limited.

- Current ratio to two decimal places.
- Liquid (acid test) ratio to two decimal places.
- Trade receivables turnover (days)
- Trade payables turnover (days)
- Inventory turnover (days) [

b) Discuss the ratios calculated in part (a) in respect of Thaw Limited's liquidity and comment on the overall position.

c) Explain three limitations of ratio analysis.



\*\*\* END OF QUESTION PAPER \*\*\*

The following Trial Balance was extracted from the books of Smart Enterprise as at 31 December 2014.

Debit (RM)	Credit (RM)
Purchases and Sales	97,500
150,00	
0	
Discount allowed and discount received	400
	75
0	
Carriage inwards	550
Carriage outwards	300
Return inwards and return outwards	4,000 3,500
Inventory as at 1 January 2014	16,000
Advertising	1,250
Dividend received	300
Rental	3,000 3,900
Bad debt	1,800
Salary	9,000
Utilities	1,500
Insurance	2,000
Cash	2,600
Bank	7,600
Account receivables and account payables	50,000 68,500
Capital	154,950
Loan from Maybank	90,000
Freehold premises	200,000
Furniture	8,000
Motor vehicles	52,000
Investment	32,000
Accumulated depreciation – Furniture	3,200
Accumulated depreciation – Motor vehicles	15,600
Drawing	1,200
490,700	490,700

Additional information:

1. Inventory as at 31 December 2014 was valued at RM52,000.
2. Rental received is for the period from 1 January 2014 to 31 March 2015.
3. RM200 of utilities was paid in advance.
4. The owner had withdrawn RM1,300 goods for his family use and no record was made.
5. Additional bad debts of RM1,100 was to be written off.

6. Insurance amounting RM1,000 was still outstanding at the end of the accounting period.
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  - ii) Motor vehicles - RM5,200 per year.
8. Interest on loan at 5% per annum has not be







