



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION

JANUARY 2016 SEMESTER

SUBJECT CODE : EAB 10503
SUBJECT TITLE : FINANCIAL ACCOUNTING & REPORTING I
LEVEL : BACHELOR
TIME / DURATION : 9.00 AM - 12.00 P.M / 3 HOURS
DATE : 18th MAY 2016

INSTRUCTIONS TO CANDIDATES

1. Please read the instructions given in the question paper CAREFULLY.
2. This question paper is printed on both sides of the paper.
3. This question paper consists of **FOUR (4)** questions. Answer ALL questions
4. Please write your answers on the answer booklet provided.
5. All questions must be answered in English (any other language is not allowed).
6. This question paper must not be removed from the examination hall.

THERE ARE EIGHT (8) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

Pinggiran Indah Manufacturing has provided the following list of balances as at 31 December 2015:

Name of Accounts	RM
Inventories	
- Raw Materials	20,000
- Work in Progress (at prime cost)	31,500
- Finished goods (at cost plus 20%)	45,000
- Loose tools	14,000
Purchases of raw materials	286,000
Direct wages	198,000
Indirect wages	21,000
Carriage inwards on raw materials	10,000
Electricity expenses	
Factory	26,000
Office	20,000
Rent and rates	
- Factory	52,000
- Office	21,500
Insurance	
- Factory	11,000
- Office	3,800
Purchase of loose tools	12,300
Repairs of motor vehicles	12,000
Sales	1,111,000
Selling expenses	42,600
Administrative expenses	68,900
Interest on loan	2,400
Plant and machinery (at cost)	200,000
Accumulated depreciation on plant and machinery	120,000
Motor vehicles (at cost)	85,000
Accumulated depreciation on motor vehicles	63,750
Office equipment (at cost)	25,000
Accumulated depreciation on office equipment	11,250
Bank	60,000
Allowance for unrealized profit (at 1 January 2015)	7,500
Capital	100,000
8% Loan from Public Bank	30,000

Account payables	25,000
Account receivables	110,000

Additional information:

1. Inventories as at 31 December 2015 are as follows:

	RM
Raw materials	24,500
Work in progress (at prime cost)	31,200
Finished goods (at cost plus 20%)	120,000
Loose tools	12,800

2. Details of accruals expenses as at 31 December 2015:

	RM
Direct wages	5,500
Indirect wages	1,700
Electricity: Factory	1,200
Office	600

3. Details of prepaid expenses as at 31 December 2015:

	RM
Rent: Factory	1,500
Insurance: Factory	1,400
Office	500

4. Depreciation for the year is to be provided as follows:

Plant and machinery	20% on net book value
Motor vehicles	25% on cost
Office equipment	15% on net book value

5. Fifty five percent (55%) of the motor vehicles expenses are to be apportioned to the factory.

6. Finished goods are transferred from factory at production cost plus twenty percent (20%).

Required:

- A. Prepare the Manufacturing account for the year ended 31 December 2015. **(12 marks)**
- B. Prepare the Statement of Profit or Loss for the year ended 31 December 2015. **(9 marks)**
- C. Define work in progress **AND** explain the treatment in the manufacturing account. **(4 marks)**

25 marks

Question 2

Eight years ago, Mum and Dud started a partnership on management consultancy. Prior to the commencement of the business, they have agreed upon the following matters:

- Dud is to receive a salary of RM2,000 per month.
- Interest on opening capital is 10% per annum.
- Profits sharing ratio between Mum and Dud is 2:1 respectively.

The Statement of Financial Position of the partnership as at 30 September 2014 was as follow:

Non-Current Assets:	Cost RM	Acc. Depreciation RM	NBV RM
Land	100,000	-	100,000
Motor vehicles	112,000	54,000	58,000
Machinery	90,000	62,000	28,000
Fixtures and fittings	24,000	16,000	8,000
			<u>194,000</u>
Current Assets:			
Inventories		26,000	
Account receivables		<u>23,600</u>	49,600
			<u><u>243,600</u></u>
Equities and Liabilities:			
Capital accounts:			
Mum		100,000	
Dud		<u>60,000</u>	160,000
Current accounts:			
Mum		5,200	
Dud		<u>4,000</u>	9,200
Non-Current Liability			
15% Loan from Doter			50,000
Current liabilities			
Account payables		14,800	
Bank overdraft		<u>9,600</u>	24,400
			<u><u>243,600</u></u>

Upon Sun's admission into the partnership on 1 June 2015, a new partnership agreement was drawn up:

- Dud's salary would be increased by RM12,000 per annum.
- Mum is to receive a salary of RM30,000 per annum.
- No interest will be allowed on capital.
- Profits and losses would be shared equally among the partners.

In addition, Sun had to pay RM80,000 for his share of capital. He paid RM60,000 into the firm's bank account and brought his private van worth RM20,000 into the business.

Additional information:

1. Drawings made by the partners during the accounting period:

	RM
Mum	3,000
Dud	4,000
Sun	800

2. Goodwill was valued at RM60,000 and goodwill account is to be maintained in the firm's book.

Depreciation on the motor vehicle is to be allocated on monthly basis at 25% per annum on net book value.

4. On 31 May 2015, some of the assets were revalued as follows:

	RM
Land	208,000
Motor vehicles	40,040
Machinery	24,500
Fixtures and fittings	5,300
Inventories	22,200

5. On 1 June 2015, Mum decided to transfer RM40,000 from her capital account to the partnership's loan account. She is entitled to an interest of 12% per annum which is to be included in the Statement of Comprehensive Income.

6. The net profit for the year ended 30 September 2015 was RM88,236 and it is assumed that this profit has accrued evenly throughout the year. However, depreciation for the motor vehicle has not been provided for and the interest on loan has not been charge in arriving at this net profit figure.

Required:

- A. Prepare the appropriation account showing the pre and post period for the year ended 30 September 2015. (8 marks)
- B. Prepare revaluation account. (4 marks)
- C. Prepare the partner's capital and current accounts. (10 marks)
- D. Define the **THREE (3)** reasons that lead to changes in partnership. (3 marks)

25 marks

Question 3

On 1 January 2015, Mikail bought a car from Carz Enterprise on hire purchase. The details of the hire purchase agreement were as follows:

Cash price:	RM60,000
Deposit:	RM5,000
Installments:	Half yearly installment RM10,000 for the first 5 installments and RM17,000 for the last installment
First installment due:	30 June 2015
Interest charged:	Flat rate

All installments were paid on due dates. After third installment on 1 July 2016, the car was involved in an accident and permanently damaged. Mikail received insurance of RM 45,000. Besides that, Carz enterprise agreed to give a 30% rebate of finance cost due to termination of hire purchase agreement.

Mikail prepared their account annually every 31 December. The estimated useful life of the car is 5 years (20% on cost), with no residual value and yearly basis.

Required:

- A. Show the calculation of the interests per installment. **(5 marks)**
- B. Calculate the amount of final payment. **(5 marks)**
- C. Prepare the following account for the year ended 31 December 2015 and 2016 in the book of Mikail:
 - i. Hire Purchase Payable
 - ii. Car account
 - iii. Accumulated Depreciation for car
 - iv. Disposal account.**(11 marks)**
- D. Differentiate the **TWO (2)** characteristics between hire purchase and credit sale term. **(4 marks)**

25 marks

Question 4

Venus Holdings, which operates in Bangi, has a branch in Kuantan. The branch maintains its own accounting records and is allowed to make its local purchases. Head office sends goods to branch at cost plus 20%. The following is the trial balance of head office and branch as at 31 December 2015:

	Bangi	Kuantan
	RM	RM
Capital	533,040	-
Accumulated depreciation at 1 January 2015:		
Machinery	45,000	22,500
Motor vehicle	14,250	9,500
Goods sent to branch	85,000	-
HO current account	-	109,200
Sales	460,000	227,600
Other income	2,550	1,760
Allowance for unrealized profit at 1 January 2015	8,000	-
Account payable	48,000	70,400
	1,195,840	440,960
Machinery at cost	200,000	100,000
Motor vehicle at cost	75,000	50,000
Office equipment at cost (purchased on 1 April 2015)		
Bangi	150,000	-
Kuantan	65,000	-
Inventories at 1 January 2015	73,000	48,000
Accounts receivable	168,000	26,870
Bank	125,000	25,000
Purchases	180,000	100,800
Goods received from head office	-	70,000
Administrative expenses	16,350	9,990
Selling and distribution expenses	9,640	7,200
Financial expenses	5,850	3,100
Branch current account	128,000	
	1,195,840	440,960

Additional information:

1. Inventory-take on 31 December 2015, revealed inventory shortage of RM3,620 in Bangi and RM1,300 (at market value) in Kuantan.

2. As at 31 December 2015, there was RM3,800 cash in transit from the branch to the head office. The cash was received by the head office on 8 January 2016. There was also RM15,000 of goods in transit from the head office to the branch. The branch only received these goods on 4 January 2016.

3. The inventories as at 31 December 2015:

	RM
Bangi	103,500
Kuantan	96,700

A quarter of the branch inventory was purchased from outside suppliers.

4. Included in the administrative expenses of the head office was an amount of RM2,110 to be charged to the branch. No entry had been made in both books.

5. It is the company's policy to depreciate its assets as follows:

Machinery	10% per annum on cost, yearly basis
Motor vehicles	10% per annum on reducing balance method, yearly basis
Office equipment	15% per annum on cost, monthly basis

Required:

A. Prepare the Statement of Comprehensive Income for the Head office, the Branch and the business as a whole for the year ended 31 December 2015.

(13 marks)

B. Prepare the branch current account.

(3 marks)

C. Prepare combined Statement of Financial Position as at 31 December 2015.

(7 marks)

D. Analyze the balances of branch current account and head office current account have for the differences in the amount.

(2 marks)

25 marks

END OF QUESTION PAPER