



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
FEBRUARY 2024 SEMESTER**

COURSE CODE : EAP00104
COURSE NAME : INTRODUCTION TO FINANCIAL ACCOUNTING
PROGRAMME NAME : FOUNDATION IN BUSINESS
DATE : 25 JUNE 2024
TIME : 09.00 AM – 12.00 PM
DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **THREE (3)** sections; **Section A, Section B and Section C**
4. Answer **ALL** questions in Section A, Section B and Section C.
5. Please write your answers on the OMR answer script and answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. This question paper must not be removed from the examination hall.

THERE ARE ELEVEN (11) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total:30 Marks)

N

Please use the answer booklet provided.

1. A business organized as a separate legal entity is a
 - A. corporation.
 - B. proprietor.
 - C. government unit.
 - D. partnership.
2. Which of the following is **NOT** one of the three forms of business organization?
 - A. Corporations
 - B. Partnerships
 - C. Proprietorships
 - D. Investors
3. Which of the following is an asset?
 - A. Accounts Receivable
 - B. Accounts Payable
 - C. Common Stock
 - D. Dividends
4. To show how successfully your business performed during a period of time, you would report its revenues and expenses in the
 - A. Statement of Financial Position.
 - B. income statement.
 - C. statement of cash flows.
 - D. retained earnings statement.
5. Which of the following financial statements is concerned with the company at a point in time?
 - A. Statement of Financial Position
 - B. Income statement
 - C. Retained earnings statement
 - D. Statement of cash flows

6. An income statement ...
- A. summarizes the changes in retained earnings for a specific period of time.
 - B. reports the changes in assets, liabilities, and stockholders' equity over a period of time.
 - C. reports the assets, liabilities, and stockholders' equity at a specific date.
 - D. presents the revenues and expenses for a specific period of time.
7. The Accounting equation is $\text{Asset} = \text{Liabilities} + \dots\dots\dots$
- A. Capital
 - B. Current Asset
 - C. Total Expense
 - D. Equity
8. If the assets of a business are RM 100,000 and equity is RM 20,000, the value of liability will be
- A. RM 100,000
 - B. RM 80,000
 - C. RM 120,000
 - D. RM 20,000
9. $\text{Net Income} = \text{Income} - \dots\dots\dots$
- A. Profit
 - B. Losses
 - C. Expenses
 - D. Revenue
10. Accounting equation is the base of
- A. Single Entry System
 - B. Dual Aspect Concept
 - C. Double Entry System
 - D. Costing Measurement System

11. On January 1st 2022 an entity's Statement of Financial Position showed total asset of RM 850 and total liabilities of RM 250. Owner's equity at January 1st was?
- A. RM 850
 - B. RM 250
 - C. RM1100
 - D. RM600
12. Sales made to Ahmed on credit should be debited to?
- A. Sales
 - B. Account Receivable-Ahmed
 - C. Account Receivable
 - D. Cash
13. In which order does the Journal list transactions?
- A. Chronological
 - B. Increasing
 - C. Decreasing
 - D. Alphabetical
14. Which of the following transactions would have no impact on stockholders' equity?
- A. Investment of cash by stockholders
 - B. Purchase of the land from the proceeds of bank loan
 - C. Net loss
 - D. Dividends to stockholders
15. Which of the following transactions occurs on daily basis in a large business organization?
- A. Payroll
 - B. Credit sales
 - C. Purchaser of equipment
 - D. Payment of suppliers
16. According to the rules of debit and credit for Statement of Financial Position accounts?
- A. Increase in assets, liabilities and owner equity recorded by debit
 - B. Decrease in liability and owner's equity are recorded by debit
 - C. Decrease in asset and liability are recorded by credit
 - D. Increase in asset and owner's equity are recorded by debit

17. What is the purpose of double entry bookkeeping?
- A. to apply the dual aspect concept
 - B. to avoid errors
 - C. to prepare books of prime entry accurately
 - D. to record revenue and capital transactions correctly
18. X sells goods on credit to Y. Y returns some of these goods to X. Which document will X send to Y?
- A. credit note
 - B. debit note
 - C. invoice
 - D. statement of account
19. A garage business buys a motor van that will be used for business purposes only. Which account in the general ledger will contain this transaction?
- A. capital
 - B. motor expenses
 - C. motor vehicles
 - D. purchases
20. Which of the following accounts is an asset account?
- A. Cash
 - B. Accounts receivable
 - C. Inventory
 - D. All of the above
21. ABC Company provides the following information:
- | | |
|--------------------------|----------|
| Cost of the equipment | RM5,000 |
| Scrap value | RM500 |
| Useful life of equipment | 10 years |
- Under straight line method, the yearly depreciation charge is:
- A. RM500
 - B. RM550
 - C. RM 50
 - D. RM 450

22. A financial statement that shows the total amount of assets, liabilities and owner's equity in the business at certain date is known as _____.
- A. Statement of Equity
 - B. Statement of Cash Flow
 - C. Statement of Profit or Loss
 - D. Statement of Financial Position
23. Is it true that the trial balance total should have the same balance for both debit and credit?
- A. No, there are sometimes good reasons why they differ.
 - B. Yes, except where the trial balance is extracted at the year end.
 - C. Yes, always.
 - D. No, because it is not a statement of financial position.
24. The descending order in which current assets should be shown in the Statement of Financial Position is
- A. Inventory, Receivables, Bank, Cash
 - B. Cash, Bank, Receivables, Inventory
 - C. Receivables, Inventory, Bank, Cash
 - D. Inventory, Receivables, Cash, Bank
25. Gross profit is
- A. excess of sales over cost of goods sold.
 - B. sales less purchases.
 - C. cost of goods sold + purchases.
 - D. net profit expenses of the period.
26. If the owner takes goods for its own use, the recording should
- A. Debit Drawings Account: Credit Purchase Account
 - B. Debit Purchase Account: Credit Drawing Account
 - C. Debit Drawings Account: Credit Stock account
 - D. Debit Sales Account: Credit Stock Account

27. Depreciation is

- A. The amount spent to buy a non-current asset.
- B. The salvage value of a non-current asset.
- C. The part of the cost of the non-current asset consumed during its period use by the firm.
- D. The amount of money spent in replacing asset.

28. Given figures showing :

Sales	RM15,500	Purchases	RM7,400
Opening Inventory	RM1,000	Carriage Inwards	RM200
Closing Inventory	RM899		

The gross profit is _____.

- A. RM7,599
- B. RM7,701
- C. RM7,799
- D. RM7,501

29. Senang Hati Enterprise provides the following information :

Cost of the cabinet	RM10,000
Scrap value	RM1,500
The useful life of the cabinet	10 years

Using the straight-line method, the accumulated depreciation in year 3 is :

- A. RM8,500
- B. RM3,000
- C. RM2,550
- D. RM850

30. Adjusting entries at the end of an accounting period are often needed because:

- A. there are never enough accounts to record all the transactions.
- B. many transactions affect more than one accounting period.
- C. there are always errors made in recording transactions.
- D. management cannot decide what they want to report.

SECTION B (Total : 10 Marks)

Complete the following statements:

1. Accounting equation is given as, $\text{Assets} = \text{Liabilities} + \underline{\hspace{2cm}}$.
2. The concept requires that assets are normally shown at cost price.
3. need to be balanced at various times during the year to see what is happening with respect to a particular account.
4. The cash book is the and the bank account put together in one book.
5. is that for each debit entry there is a credit entry and for each credit entry there is a debit entry.
6. Straight line depreciation is calculated as the , minus the estimated disposal value, divided by the number of expected years of use.
7. Many businesses sell on credit and there is therefore a risk that some customers will not pay for their goods and become a .
8. expenditure is incurred when a business spends money either to buy non-current assets or add to the value of an existing non-current asset.
9. expenditure is expenditure incurred in running the business on a day-to-day basis.
10. The statement of financial position is a list of balances arranged according to whether they are , capital or liabilities and so depict the financial situation on a specific date.

SECTION C (Total: 60 Marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

- a) Explain the meaning of depreciation. (1 mark)
- b) Discuss the two methods to calculate depreciation. (4 marks)
- c) Identify and list **FIVE (5)** factors of the differences between Bank Balance and Cash Book Balance in Bank Reconciliation. (5 marks)

Question 2

On 1st July 2021, Kiki Company purchased a machinery for RM500,000 and depreciated it on a straight-line basis over a 4-year period. The estimated residual value is at RM60,000. The company then purchased an equipment at a cost of RM200,000. The equipment was expected to remain in service for 20 years. Kiki Company has depreciated the equipment on a reducing balance basis at 40%.

Required:

- (a) Prepare a schedule showing the annual Depreciation expense, Accumulated Depreciation and Net Book Value of a machinery for each of the three years (2021, 2022 and 2023) using straight line method.

Year	Computation	Depreciation Expenses (RM)	Accumulated Depreciation (RM)	NBV

(8 Marks)

- (b) Prepare a schedule showing the annual Depreciation expense, Accumulated Depreciation and Net Book Value of an equipment for each of the three years (2021, 2022 and 2023) using reducing balance method.

Year	Computation	Depreciation Expenses (RM)	Accumulated Depreciation (RM)	NBV

(12 Marks)

Question 3

The following balances were extracted from the books of Santan Trading as at 31 December 2023.

Santan Trading
Trial Balances as at 31 December 2023

Particulars	Debit (RM)	Credit (RM)
Purchases	100,000	
Duty on purchases	5,600	
Sales		260,000
Carriage inwards	2,300	
Account receivables	34,500	
Account payable		24,540
Cash	1,850	
Bank	44,300	
Inventory as at 1 January 2023	10,730	
Machinery	65,000	
Motor vehicle (purchased on 1 January 2023)	35,000	
Accumulated depreciation –machinery		6,500
Capital		90,000
Drawings	4,050	
Interest on fixed deposit		2,500
Loan from RHB bank		25,000
Rental	18,000	
Postage and stationery	2,800	
Advertising	10,000	
Salaries and wages	70,500	
Bad debts	700	
Allowance for doubtful debts		110
Discount allowed and discount received	670	950
Insurance	3,600	
TOTAL	409,600	409,600

Additional Information:

1. Inventory as at 31 December 2023 was RM9,500
2. RM700 of the advertising was prepaid.
3. There was an outstanding rent of RM200.
4. Depreciation is provided as follows:

	RM
Machinery	6,500
Motor Vehicle	1,750

Required:

- A. Statement of Profit Loss for the year ended 31 December 2023.
(15 marks)
- B. Statement of Financial Position as at 31 December 2023.
(15 marks)

END OF EXAMINATION PAPER