



UNIVERSITI KUALA LUMPUR
Malaysia France Institute

FINAL EXAMINATION
JULY 2010 SESSION

SUBJECT CODE : FVB 30402
SUBJECT TITLE : BUSINESS ACCOUNT AND FINANCE
LEVEL : BACHELOR
TIME / DURATION : 4.00pm – 6.00pm
(2 HOURS)
DATE : 09 NOVEMBER 2010

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. Please write your answers on the answer booklet provided.
 4. Answer should be written in blue or black ink except for sketching, graphic and illustration.
 5. This question paper consists of TWO (2) sections. Section A and B. Answer all questions in Section A. For Section B, answer three (3) questions only.
 6. Answer all questions in English.
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THERE ARE 6 PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 55 marks)**INSTRUCTION: Answer ALL questions.****Please use the answer booklet provided.****Question 1**When the accounting information is useful? Give **THREE** (3) of examples.

(4 Marks)

Question 2

Complete the comparison table for the three (3) external financial reports.

(5 Marks)

	1	2	3
Name	Profit and Loss		
Alternative (Name)		Statement of financial position	N.A.
Static or Flow report			
Accounts involved * ₁			
Accounting basis * ₂			
Question(s) it answers	(1)	(1)	(1)
	(2)	(2)	(2)

Question 3

Companies can be classified as 'private' or 'public'. Normally, private companies are subject to less regulation. What are the necessary conditions for classification as a 'private' company?

(4 Marks)

Question 4

Under what circumstances would you prefer the partnership structure rather than the company structure for your business operations?

(10 Marks)

Question 5

Assets are normally classified as 'current' and 'non-current'

- (a) What is a 'current asset'?
- (b) Provide an example of a 'non-current' asset.
- (c) Can an asset be classified as both current and non-current at the same time?

(12 Marks)

Question 6

Distinguish between 'expenditure' and 'expense'.

(5 Marks)

Question 7

You are given the following ratio computations for ABC Berhad for 2003:

Gross Profit Margin	35%
Net Profit Margin	8%
Current Ratio	1.9X
Debt to Equity Ratio	50%
Inventory Shelf Life	47 days
Debtors Turnover	6.7x

- (a) How useful are these figures in assessing the financial position and financial performance of the business?
- (b) What is the additional information required for better utilization the information provided?

(5 Marks)

(5 Marks)

Question 8

Why is knowledge of the break-even point for a particular product or service useful to management?

(5 Marks)

SECTION B (Total: 45 marks)**INSTRUCTION: Answer only THREE question.****Please use the answer booklet provided****Question 1**

The following information relates to the inventory of Crystal Ltd during December.

	Units	Unit cost	Total cost
1/12 Beginning inventory	300	\$3.00	\$900
10/12 Purchased	600	3.15	1,890
15/12 Purchased	400	3.35	1,340
23/12 Purchased	500	3.50	1,750
Totals	1,800		\$5,880

Crystal Ltd uses the periodic inventory system. During the month, 1,200 units were sold for \$5,100. A physical count on 31 December verified that 600 units were on hand.

Prepare a statement of financial performance down to gross profit for December by using each of the following inventory cost allocation methods:

- (a) Specific identification, assuming that 300 units were sold from the beginning inventory, 500 units were sold from the first purchase, and 400 units were sold from the 15 December purchase

(4 Marks)

- (b) FIFO

(4 Marks)

- (c) LIFO

(4 Marks)

- (d) Weighted average

(3 Marks)

Question 2

There are several errors in the following reconciliation of 'net profit after tax' to 'cash flow from operations'. Assume the errors only relate to principle (whether the item belongs or not) and addition/subtraction (the additions and subtractions may need to be reversed).

Compute the correct 'cash flow from operating activities' by preparing a corrected reconciliation.

(15 Marks)

Net Profit after Tax		67,400
<u>Add:</u>		
Profit on sale of equipment	3,900	
Increase in asset revaluation reserve	15,000	
Decrease in inventory	4,100	
Increase in prepaid expenses	700	
Increase in provision for tax	<u>5,600</u>	<u>29,300</u>
<u>Deduct:</u>		
Depreciation expense	11,200	
Decrease in debtors	5,100	
Increase in accounts payable	4,300	
Decrease in accrued expenses	500	
Decrease in goodwill	<u>20,000</u>	<u>(41,100)</u>
Equals: Cashflow from operating activities		<u>55,600</u>

Question 3

	2000	2001	2002	Industry Average (2002)
(a) Gross Profit Margin	30%	31%	33%	35%
(b) Net Profit Margin	7%	8%	9%	8%
(c) Return on Assets (before tax)	13%	12%	11%	12%
(d) Return to Owners (after tax)	8%	9%	10%	9%
(e) Sales turnover	1.4x	1.3x	1.2x	1.5 times
(f) Current Ratio	1.9x	2.1x	2.4x	2 times
(g) Quick Ratio	1.1x	1.0x	0.8x	1.1 times
(h) Accounts Receivable Turnover	6.5x	7.5x	8.5x	8 times
(i) Inventory Shelf Life	65 days	75 days	95 days	60 days
(j) Debt to Assets Ratio	30%	25%	15%	60%
(k) Interest Cover	5x	6x	8x	4 times

- (a) Which ratios focus on liquidity (short term survival)?

(2 Marks)

- (b) How do you compute 'return on assets'?

(2 Marks)

- (c) In terms of profitability:

- What positive trend can be observed (what has been improved)?

(2 Marks)

- What is causing the return on assets to decline in previous years and the industry average?

(2 Marks)

- (d) Should the firm be concerned about the unfavourable trend in the quick ratio and why?

(3 Marks)

- (e) What is the average collection period for debtors in 2002?

(2 Marks)

- (f) What would be your 'key' recommendation in relation to solvency (long term financial stability)?

(2 Marks)

Question 4

The summarized accounts of Harapan Berhad for the years 2006 and 2007 are given below

Trading and Profit and Lost Accounts for the year ended 31 December

	2006 RM	2007 RM
Sales	200,000	280,000
Less Cost of Sales	150,000	210,000
Gross Profit	50,000	70,000
Less		
Administration expenses	38,000	46,000
Debenture interest	-	4,000
		50,000
	12,000	20,000

Balance sheets as at 31 December

	2006 RM	2007 RM		2006 RM	2007 RM
Ordinary share Capital	100,000	100,00	Fixed assets, at cost		
Profit and Loss Account	30,000	41,000	Less Depreciation	110,000	140,000
8% Debentures	-	50,000			
Creditors	15,000	12,000	Stock	20,000	30,000
Bank	10,000	-	Debtors	25,000	28,000
			Bank	-	5,000
	155,000	203,000		155,000	203,00

Stock at 1 January 2006 was RM 50,000

a) Calculate the following ratios for 2006 and 2007:

- Gross Profit : sales
- Stock Turn over
- Net Profit: Sales
- Quick ("acid test")
- Working Capital
- Net profit: Capital Employed

(12 Marks)

b) State the possible reasons and significances of any changes in the ratios shown by your calculations above.

(3 Marks)

END OF QUESTION