



UNIVERSITI KUALA LUMPUR
Malaysia France Institute

FINAL EXAMINATION
SEPTEMBER 2014 SESSION

SUBJECT CODE	:	FVB30903
SUBJECT TITLE	:	INTRO TO BUSINESS ACCOUNT AND FINANCE
LEVEL	:	BACHELOR
TIME / DURATION	:	9.00 AM – 12.00 PM (3 HOURS)
DATE	:	9 JANUARY 2015

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 two (2) questions only.**
 - 6. Answer all questions in English.**
-

THERE ARE 7 PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 40 marks)**INSTRUCTION: Answer all questions.****Please use the answer booklet provided.****Question 1**

- a. Define a budget and how is the budget different from a forecast. (3 marks)
- b. List three (3) uses of budgets. (3 marks)
- c. List the steps involved in the budgeting process. (4 marks)

Question 2

- a. Briefly explain each of the following expression that you have seen in the financial statements of a limited company :
- i. Dividend (2 marks)
- ii. Debenture (2 marks)
- b. Describe the differences in the term of liability of a limited company differ from the liability of a real person, in respect of amounts owed to others. (3 marks)
- c. Some people are about to form a company which plays the role as a vehicle through which to run a new business. Explain the advantages to them of forming a private limited company rather than a public one. (3 marks)

Question 3

On 1st June 2011, Peter Davis started a new venture. In June, some transactions have been carried out as per following and the details as in table 1.

Table 1 : Peter Davis's transactions in June 2011

01 June 2011	Started an engineering business putting RM2,000,000 in cash.
02 June 2011	Paid RM1,800,000 of the opening cash into a bank account for the business.
05 June 2011	Bought office furniture on credit from Betta-Built Ltd for RM120,000.
08 June 2011	Bought a motor van paying by cheque RM950,000.
12 June 2011	Bought works machinery from Evans & Sons on credit RM560,000.
18 June 2011	Returned faulty office furniture costing RM62,000 to Betta-Built Ltd.
25 June 2011	Sold some of the works machinery for RM75,000 cash.
26 June 2011	Paid amount owing to Betta-Built Ltd RM58,000 by cheque.
28 June 2011	Took RM100,000 out of the bank and put it in the cash.
30 June 2011	J Smith lend Peter Davis RM500,000 – giving the money by cheque.

- a. Construct a statement of financial position for the business at the end of each day using the horizontal format (T account).

(20 marks)

SECTION B (Total: 60 marks)

INSTRUCTION: Answer TWO (2) questions only.

Please use the answer booklet provided.

Question 4

Bill Battery Company has carried out some research that shows the business could provide a standard service that it has recently developed. Provision of the services would require investment in a machine that would cost RM100,000 payable immediately. Sales of the service would take place throughout the next five years. At the end of that time, it is estimated that the machine could be sold RM20,000.

Sales of the service would be expected to occur as follows.

	Number of units
First year	5,000
Second year	10,000
Third year	15,000
Fourth year	15,000
Fifth year	5,000

It is estimated that the new service can be sold for RM12.00 a unit, and that the relevant (variable) costs will total RM8.00 a unit.

a. Calculate Accounting Rate of Return (ARR). (15 marks)

b. Calculate payback period. (15 marks)

(Please answer question no. a & b in table format)

Question 5

Mahadi, Sham and Chong Partnership buys and sells automotive assembly machine parts. They have made an arrangement during the partnership incorporation and the followings are the extract of the agreement.

1. Profit will be distributed in the ratio of 5:3:2.
2. Interest on capital will be credited at 10% per annum.
3. Interest on drawings will be charged at 15% per annum.
4. Sham & Chong to receive salary at RM48,000 per annum.

Below are account balances of capital account, drawing and current account of each partner on 30th June 2009.

	Capital Account	Drawing	Current Account
	RM	RM	RM
Mahadi	144,000	96,000	12,000
Sham	108,000	99,000	(6,000)
Chong	78,000	114,000	9,000

Mahadi advanced RM120,000 to the partnership and the full amount will be repaid in the next 5 years. It is agreed that 15% interest on loan per annum will be credited to Mahadi's account on a half yearly basis. The followings are the account balances in the partnership.

Cost of Sales	RM 2,668,000
Doubtful Debt	RM 12,000
Depreciation	RM 20,000
Overdraft charges	RM 14,000
Rental of Office	RM 120,000
Utility	RM 2,000
Insurance	RM 20,000
Carriage Outward	RM 55,000
Agent's Commission	RM 756,000
Staff's Salaries	RM 450,000
Telephone	RM 1,000
General Expenses	RM 40,000
Sales	RM 3,780,000

You are required to construct :

- a. Profit and loss account. (10 marks)
- b. Profit and loss appropriation account. (10 marks)
- c. Partner's current account. (10 marks)

Question 6

The following is the balance sheet of Sunshine Pte Ltd as at 31 December 2004.

Balance Sheet as at 31 December 2004

	RM	RM	RM
Non-current assets			
Machinery			25,300
Current assets			
Inventories	12,200		
Trade receivable	21,300		
Prepaid expenses (rates)	400		
Cash	<u>8,300</u>	42,200	
Less Current Liabilities			
Trade Payables	16,900		
Accrued expenses (wages)	<u>1,700</u>	<u>18,600</u>	
			<u>23,600</u>
			<u>48,900</u>
Capital			
Original			25,000
Retained profit			<u>23,900</u>
			<u>48,900</u>

During 2005 the following transactions took place :

1. The owners withdrew capital in the form of cash of RM23,000.
2. Premises were rented at an annual rental of RM20,000. During the year, rent of RM25,000 was paid to the owner of the premises.
3. Rates on the premises were paid during the year for the period of 1 April 2005 to 31 March 2006 and amounted to RM2,000.
4. A machinery (a non-current asset) which was bought on 1 January 2004 for RM13,000 has proved to be unsatisfactory. It was part-exchanged for some new machinery on 1 January 2005, and Sunshine Pte Ltd paid a cash amount of RM6,000. The new machinery would have cost RM15,000 had the business bought it without the trade-in.
5. Wages totaling RM23,800 were paid during the year. At the end of the year, the business owed RM860 of wages.
6. Electricity bills for the four quarters of the year were paid totaling RM2,700.
7. Inventories totaling RM143,000 were bought on credit.
8. Inventories totaling RM12,000 were bought for cash.
9. Sales revenue on credit totalled RM211,000 (cost RM127,000).
10. Cash sales revenue totalled RM42,000 (cost RM25,000).
11. Receipts from trade receivables (debtors) totalled RM198,000.
12. Payments to trade payables (creditors) totalled RM156,000.
13. Van running expenses paid totalled RM17,500.

The business uses the reducing-balance method of depreciation for non-current assets at the rate of 30 per cent each year.

You are requested to prepare :

- a. A balance sheet as at 31 December 2005

(15 marks)

- b. An income statement (profit and loss account) for the year to that date.

(15 marks)

END OF QUESTION