Tutorial POA

Tutorial 1 Section 2 : Q1 : Q2

Net profit = 69,930 ✓ Net profit = 69,930 ✓

opening capital = 42,000 ✓ opening capital = 48,900 ✓

* Total assets - Total liabilities = Closing capital

Tutorial 2

Q1

Debit:

Date	Particular	Folio	Discount Allowed (to customers)	Cash	Bank
May					
1	Capital			800	1,000
9	Sales			80	
15	Capital				1,000
16	TR : Todds		30		570
~~26~~	~~TR : Tati~~				450
30	Cash	/			400

Credit:

Date	Particular	Folio	Discount Received (from suppliers)	Cash	Bank
May					
2	Purchase				400
2	Rates				40
10	Transport			12	
14	Stationary			16	
20	Drawings			120	
24	Purchase			28	
25	TP : Zen & Co		10		190
28	Transport			10	
30	Bank	/		400	

Office

- cash at office
- in safe
- cash in hand
- cash
- petty cash

Bank

- cash at bank
- bank a/c
- bank balance

	Cash	Bank
Bal c/d (on the credit side)	289	1,950

- normal, positive balance

⊕
Debit side

Bal b/d

POA Tutorial 3

Q3

(a) Books of prime entry

Purchases Journal

Date	Particular	Invoice number	RM	RM
Jan				
3	TP: Fantastic	23	5,000	
	Less: 10% trade discount		(500)	4,500
10	TP: Super	542		7,000
	TP: Grand	421		6,000
15	TP: Grand	455		8,000
31	Purchases Account			25,500

Return Outwards Journal

Date	Particular	Credit note	RM	RM
Jan				
5	TP: Super	876		500
8	TP: Grand	098		1,000
22	TP: Fantastic	368	3,000	
	Less: 10% trade discount		(300)	2,700
31	Return Outwards Account			4,200

Cash Book

Date	Particular	Folio	Discount Allowed	Cash	Bank	Date	Particular	Folio	Discount Received	Cash	Bank
Jan						Jan					
1	Bal b/d			23,000	46,000	5	TP: Super		1,000		9,000
						12	TP: Fantastic		500	4,500	
						28	TP: Grand		240		2,160
						31	Bal c/d			18,500*	34,840*
				23,000	46,000				1,740	23,000	46,000
Feb											
1	Bal b/d			18,500	34,840						

(b) Purchases Ledger

Trade payables: Fantastic

Jan		RM	Jan		RM
12	Cash	4,500	1	Bal b/d	30,000
12	Discount received	500	3	Purchases	4,500
22	Return outwards	2,700			
31	Bal c/d	26,800*			
		34,500			34,500

Trade payables: Super

Jan		RM	Jan		RM
5	Bank	9,000	1	Bal b/d	18,000
5	Discount received	1,000	10	Purchases	7,000
5	Return outwards	500			
31	Bal c/d	14,500*			
		25,000			25,000

Trade payables: Grand

Jan		RM	Jan		RM
8	Return outwards	1,000	1	Bal b/d	21,000
28	Bank	2,160	10	Purchases	6,000
28	Discount received	240	15	Purchases	8,000
31	Bal c/d	31,600*			
		35,000			35,000

(c) General Ledger

Purchases Account

Date	Particulars	RM	Date	Particulars	RM
Jan					
31	Trade payables control	25,500			

Discounts Received Account

Date	Particulars	RM	Date	Particulars	RM
			Jan		
			31	Trade payables control	1,740

Return Outwards Account

Date	Particulars	RM	Date	Particulars	RM
			Jan		
			31	Trade payables control	4,200

Trade Payables Control Account

Date	Particulars	RM	Date	Particulars	RM
Jan			Jan		
31	Return outwards	4,200	1	Bal b/d	69,000
31	Cash	4,500	31	Purchases	25,500
31	Bank	11,160			
31	Discount received	1,740			
31	Bal c/d	72,900*			
		94,500			94,500

Q4

(a) Books of prime entry

Sales Journal

Date	Particular	Invoice number	RM	RM
May				
1	TR: Arumugam Trading	120	750	
	Less : 10% trade discount		(75)	675
8	TR: Chop Seng Fatt	121	900	
	Less : 10% trade discount		(90)	810
31	Sales Account			1,485

Return Inwards Journal

Date	Particular	Credit note	RM	RM
May				
5	TR: Arumugam Trading	220	120	
	Less: 10% trade discount		(12)	108
13	TR: Chop Seng Fatt	221	150	
	Less: 10% trade discount		(15)	135
31	Return Inwards Account			243

Cash Book (Debit side)

Date	Particular	Folio	Discount Allowed	Cash	Bank
May					
26	TR: Chop Seng Fatt		25		475
27	TR: Armugam Trading		20	380	
			45	380	475

(b) Sales Ledger

Trade receivables: Armugam Trading

May		RM	May		RM
1	Sales	675	5	Return inwards	108
			27	Cash	380
			27	Discount allowed	20
			31	Bal c/d	167
		675			675

Trade receivables: Chop Seng Fatt

May		RM	May		RM
8	Sales	810	13	Return Inwards	135
			26	Bank	475
			26	Discount allowed	25
			31	Bal c/d	175
		810			810

(c) General Ledger

Sales Account

			May		RM
			31	Trade receivables control	1,485

Discount Allowed Account

May		RM			
31	Trade receivables control	45			

Return Inwards Account

May		RM			
31	Trade receivables control	243			

Trade Receivables Control Account

May		RM	May		RM
31	Sales	1,485	31	Return inwards	243
			31	Cash	380
			31	Bank	475
			31	Discount allowed	45
			31	Bal c/d	342
		1,485			1,485

- 7 Books of prime entry
  - Purchases Journal
  - Return outwards Journal
  - Cash Book
  - Petty cash book
  - Sales Journal
  - Return inwards Journal
  - General Journal

Return Inwards

stock coming in

- Cash sales → cash book

  credit sales → sales journal

T3 : Double entry system

Q1

Double entry effect of transaction :			
Assets / Liabilities / Equity / Revenue/ Expenses	**Increase / Decrease**	**Amount (RM)**	**Title of Ledger account**
Dr Assets Cr Equity	Increase Increase	50,000 50,000	Cash / Bank Capital
Dr Assets Cr Assets	Increase Decrease	28,000 28,000	Motor vehicles Bank
Dr ~~Assets~~ Expenses Cr Liabilities	Increase Increase	34,000 34,000	Purchases ~~Inventories~~ Payables
Dr Assets Cr Liabilities	Increase Increase	88,000 88,000	Bank Loan
Dr Assets Cr Assets Cr Liabilities	Increase Decrease Increase	15,000 750 14,250	Equipment Cash Payables
Dr Equity Cr Assets	Decrease Decrease	2,300 2,300	Drawings Cash
Dr Assets Cr Revenue	Increase Increase	5,000 5,000	Bank Sales
Dr Assets Cr Revenue	Increase Increase	6,000 6,000	Receivables Sales
Dr Expenses Cr Assets	Increase Decrease	1,800 1,800	Salaries Bank
Dr Assets Cr Assets	Increase Decrease	6,000 6,000	Bank Receivables
Dr Liabilities Cr Assets	Decrease Decrease	6,000 6,000	Payables Bank

Q2

Date	Assets/Liabilities/ Equity/ Revenue/ Expenses	Increase/ Decrease	Amount (RM)	Title of Ledger Account
April 1	Dr Assets Cr Equity	Increase Increase	20,000 20,000	Cash Capital
4	Dr Assets Cr Liabilities	Increase Increase	2,400 2,400	Furniture Payables
8	Dr Assets Cr Assets	Increase Decrease	4,000 4,000	Inventories Cash
11	Dr Assets Cr Revenue	Increase Increase	1,600 1,600	Cash Sales
12	Dr Assets Cr Liabilities	Increase Increase	7,000 7,000	Inventories Payables
16	Dr Assets Cr Revenue	Increase Increase	2,700 2,700	Receivables Sales
18	Dr Assets Cr Assets Cr Liabilities	Increase Decrease Increase	20,000 10,000 10,000	Motor Vehicles Cash Payables
23	Dr Assets Cr Assets	Increase Decrease	1,300 1,300	Cash Receivables
28	Dr Liabilities Cr Assets	Decrease Decrease	2,200 2,200	Payables Cash
29	Dr Equity Cr Assets	Decrease Decrease	400 400	Drawings Cash

POA Tutorial 4

Question 1

MU Trading

Statement of Profit or Loss for the month ended 31 May 2018

	RM	RM	RM
~~Net~~ Sales → purchase-related expenses			475,000
Less: Cost of goods sold			
Opening Inventories		21,950	
Purchases		400,000	
		421,950	
Less: closing Inventories		(10,950)	(411,000)
Gross Profit			64,000
Add: Income			
Discount received			3,800
			67,800
Less: Expenditure → other expenses			
Carriage outward		5,600	
Discount allowed		4,000	
Salaries		35,000	(44,600)
Net Profit			23,200

MU Trading

Statement of Financial Position as at 31 May 2018

	RM	RM	RM
Non-current assets			
Office equipment		20,000	
Motor vehicles		60,000	80,000
Current assets			
Inventories (closing inventory)		10,950	
Trade receivables		26,000	
Bank		18,000	54,950
			134,950
Equity			
Capital as at 1 June 2017		57,250	
Add: Net Profit		23,200	
		80,450	
Less: Drawings		(14,000)	
Capital as at 31 May 2018			66,450
Non-current liabilities			
Loan			50,000
Current liabilities			
Trade payables			18,500
			134,950

Question 2

Alexis Trading

Trial Balance as at 31 Dec

	Debit RM	Credit RM
Cash in hand	29,000	
Cash at bank	38,000	
Motor vehicles	65,000	
Sales		97,300
Trade Payables		60,050
Purchases	82,000	
Office Equipment	31,500	
Trade receivable	45,700	
Inventory (opening inventory)	32,650	
Capital		100,000
Bank Loan		75,000
Salaries and Wages	8,500	
	332,350	332,350

Extra exercise questions

Question 2

Bank Account

Oct		RM	Oct		RM
1	Capital	15,000	9	Rent	150
24	TR: Kylan	815	17	TP: ByeBye Trading	740
			31	Motor vehicles	6,250
			31	Bal c/d	8,675
		15,815			15,815
Nov					
1	Bal b/d	8,675			

Cash Account

Oct		RM	Oct		RM
5	Sales	5,100	6	Wages	110
			31	Bal c/d	4,990
		5,100			5,100
Nov					
1	Bal b/d	4,990			

Capital Account

Oct		RM	Oct		RM
31	Bal c/d	15,000	1	Bank	15,000
		15,000			15,000

TP: ByeBye Trading Account

Oct		RM	Oct		RM
17	Bank	740	2	Purchases	10,450
21	Return outwards	500			
31	Bal c/d	9,210			
		10,450			10,450
			Nov		
			1	Bal b/d	9,210

Purchases Account

		RM			RM
Oct			Oct		
2	TP: ByeBye Trading	10,450	31	SPL	10,450
		10,450			10,450

Sales Account

		RM			RM
Oct			Oct		
31	SPL	6,750	5	Cash	5,100
			7	TR: Kylan	1,650
		6,750			6,750

Wages Account

		RM			RM
Oct			Oct		
6	Cash	110	31	SPL	110
		110			110

TR: Kylan Account

		RM			RM
Oct			Oct		
7	Sales	1,650	24	Bank	815
			31	Bal c/d	835
		1,650			1,650
Nov					
1	Bal b/d	835			

Rent Account

		RM			RM
Oct			Oct		
9	Bank	150	31	SPL	150
		150			150

OP: Cozy Account

		RM			RM
Oct			Oct		
31	Bal c/d	1,200	15	Fixtures and fittings	1,200
		1,200			1,200
			Nov		
			1	Bal b/d	1,200

Fixtures and Fittings Account

		RM			RM
Oct			Oct		
15	OP: Cozy	1,200	31	Bal c/d	1,200
		1,200			1,200
Nov					
1	Bal b/d	1,200			

Return Outwards Account

		RM			RM
Oct			Oct		
31	SPL	500	21	TP: ByeBye Trading	500
		500			500

Motor Vehicles Account

		RM			RM
Oct			Oct		
31	Bank	6,250	31	Bal c/d	6,250
		6,250			6,250
Nov					
1	Bal b/d	6,250			

Dream Accessories Shop

Trial Balance as at 31 October

	Debit RM	Credit RM
Bank	8,675	
Cash	4,990	
Capital		15,000
Trade Payables		9,210
Purchases	10,450	
Sales		6,750
Wages	110	
Trade Receivables	835	
Rent	150	
Other Payables		1,200
Fixtures and Fittings	1,200	
Return Outwards		500
Motor Vehicles	6,250	
	32,660	32,660

Dream Accessories Shop

Statement of Profit or Loss for the month ended 31 October

	RM	RM	RM
Net Sales			6,750
Less: Cost of goods sold			
Opening Inventories		0	
Purchases	10,450		
Less: Return outwards	(500)		
	9,950		
Add: Wages	110	10,060	
		10,060	
Less: Closing Inventories		(5,200)	(4,860)
Gross Profit			1,890
Less: Expenditure			
Rent			(150)
Net Profit			1,740

Dream Accessories Shop

Statement of Financial Position as at 31 October

	RM	RM	RM
Non-current assets			
Fixtures and Fittings		1,200	
Motor vehicles		6,250	7,450
Current assets			
Inventories		5,200	
Bank		8,675	
Cash		4,990	
Trade Receivables		835	19,700
			27,150
Equity			
Capital as at 1 October		15,000	
Add: Net Profit		1,740	
Capital as at 31 October			16,740
Current liabilities			
Trade Payables		9,210	
Other Payables		1,200	10,410
			27,150

POA Tutorial 4

Section B : Extra exercise questions

Question 1

a)

Cash Account

May		RM	May		RM
1	Bal b/d	400	6	Wages	60
8	Sales	300	11	Sundry Expenses	48
10	TR : G. Small	600	24	Wages	60
26	Sales	380	31	Bank	912
			31	Bal c/d	600
		1,680			1,680

Bank Account

May		RM	May		RM
1	Bal b/d	6,000	14	Purchases	1,400
4	Sales	1,200	18	TP : J. Sandoz	190
31	Cash	912	23	Office cleaning	25
			28	Salaries	240
			31	Bal c/d	6,257
		8,112			8,112

Sales Account

May		RM	May		RM
31	SPL	1,880	4	Bank	1,200
			8	Cash	300
			26	Cash	380
		1,880			1,880

Wages Account

May		RM	May		RM
6	Cash	60	31	SPL	120
24	Cash	60			
		120			120

TR: G. Small Account

May		RM	May		RM
31	Bal c/d	640	10	Cash	600
			10	Discount allowed	40
		640			640

Discount Allowed Account

May		RM	May		RM
10	TR: G. Small	40	31	SPL	40
		40			40

Sundry Expenses Account

May		RM	May		RM
11	Cash	48	31	SPL	48
		48			48

Purchases Account

		RM			RM
May			May		
14	Bank	1,400	31	SPL	1,400
		1,400			1,400

TP: J. Sandoz Account

		RM			RM
May			May		
18	Bank	190	31	Bal c/d	210
18	Discount received	20			
		210			210

Discount Received Account

		RM			RM
May			May		
31	SPL	20	18	TP : J. Sandoz	20
		20			20

Office Cleaning Account

		RM			RM
May			May		
23	Bank	25	31	SPL	25
		25			25

Salaries Account

		RM			RM
May			May		
28	Bank	240	31	SPL	240
		240			240

b)

Bob Stanley

Statement of Profit or Loss for the month ended 31 May

	RM	RM	RM
Net sales			1,880
Less: Cost of goods sold			
Purchases		1,400	
Add: Wages		120	(1,520)
Gross Profit			360
Add: Income			
Discount received			20
			380
Less: Expenditure			
Discount allowed		40	
Sundry expenses		48	
Office cleaning		25	
Salaries		240	(353)
Net Profit			27

Question 3

Evergreen Trading

Trial Balance as at 31 May 2018

	Debit RM	Credit RM
Cash in hand	400	
Cash at bank	6,800	
Capital		18,000
Drawings	300	
Motor vehicles	8,500	
Trade receivables	2,100	
Trade payables		5,425
Sales		12,400
Purchases	9,400	
Return outwards		275
Wages	5,000	
Rent & rates	3,600	
	36,100	36,100

Tutorial 5 – Accounting Concepts and Conventions

Section 1: *Multiple choice questions*

1. The accounting concept that requires all transactions to be recorded at their original cost to the business is called

   A. Entity concept
   B. Prudence concept
   C. Historical cost concept
   D. Going concern concept

2. ______________ supports that allowance for doubtful debts should be provided to write down the value of trade receivables.

   A. Entity concept
   B. Going concern concept
   C. Historical cost concept
   D. Conservatism concept

3. *Affairs of the business should be alienated from the personal affairs of the owner(s).*

   A. Conservatism concept
   B. Going concern concept
   C. Historical cost concept
   D. Entity concept

4. Which accounting concept is being applied when unrecorded accrued rent at the end of the accounting period is adjusted into rent expenses in the Statement of Profit or Loss?

   A. Accounting period
   B. Historical cost
   C. Consistency
   D. Matching

5. Which of the following assumptions facilitates the comparison of performance of the business from one period to another?

   A. Accounting period
   B. Consistency
   C. Historical cost
   D. Prudence

6. Which accounting concept is being applied when Mr. Singh's new retail clothes business is assumed to be able to continue operating for the next one year?

   A. Going concern
   B. Prudence
   C. Consistency
   D. Accounting period

7. Inventories should be valued at the lower of cost and net realisable value. Which one of the following accounting concept governs this?

   A. Going concern concept
   B. Consistency concept
   C. Prudence concept
   D. Accounting period

8. Sales revenue will be recognised when goods and services have been supplied, while costs related to the goods and services supplied will be recognised too. The accounting concept which governs this is

   A. Matching concept
   B. Consistency concept
   C. Prudence concept
   D. Entity concept

Section 2:

Question 1

Anna operates a laundry business. During the year, she receives RM20,000 for services rendered. Her customers still owe her RM10,000 for services rendered in the same year. The operating expenses paid so far amount to RM12,000 while the expenses she used but still unpaid totaled RM8,000.

(a) Calculate her total revenue and total expenses for the year.

Total revenue
= revenue + trade receivables
= 20,000 + 10,000
= 30,000

Total expenses
= expenses paid + expenses unpaid
= 12,000 + 8,000
= 20,000

(b) What is her profit for the year?

Profit
= Total revenue - Total expenses
= 30,000 - 20,000
= 10,000

(c) Which accounting concept is being applied here?

Matching concept

Question 2

(a) What is a basic assumption of the "business entity" concept?

The business is treated as owing money to the owner and the capital contributed will be shown as equity; if the business pays for the personal transactions of the owner, these payments will be shown as "drawings" and deducted from the capital account.

(b) When a banker is considering a loan to a sole proprietor business, would a banker have any interest in the amount and nature of the personal assets and liabilities of the owner of the business? Explain.

Yes, the banker needs the information about the business to assess the business viability and creditworthiness before lending money to lower the risk to the bank.

Question 3

Name the accounting concepts described here:

(a) Revenue from business activity and expenses associated with earning that revenue are recorded in the same accounting period.
Matching

(b) Business is expected to remain in operation for the foreseeable future.
Going concern

(c) Similar items should receive similar accounting treatment.
Consistency

(d) Allows financial statements to be prepared periodically.
Accounting period

(e) A business's financial information is recorded and reported separately from the owner's personal transactions.
Entity

(f) All transactions of a business entity are recorded at the original cost to the business.
Historical cost

(g) This principle discourages over reporting of assets and revenue.
Conservatism / Prudence

(h) Transactions should be recorded only if there are source documents proving the transactions had happened.
Objectivity

Question 4

Match the item in Column A with the description in Column B.

A	Column A	B	Column B
a.	Accounting entity	iv.	Usual basis of recording assets.
b.	Historical cost	v.	Define which transaction should or should not be reported in books of the business.
c.	Objectivity	i.	It supports verifiable evidence for the occurrence of any business transactions.
d.	Money measurement	ii.	Use of a common unit of measurement for reporting financial activity.
e.	Prudence	iii.	Profit should not be overst ated and losses should not be understated.

Tutorial 6 — <u>Accounting for Non-current assets</u>

Section A:

1 (a) Describe capital expenditure and revenue expenditure. How are they to be treated in the accounts?

Capital expenditure is incurred when a business spends money on buying non-current assets and expenses to increase the value of existing non-current assets.

Revenue expenditure is incurred in running the business on a day-to-day basis and not increasing the value of non-current assets.

(b) What is depreciation? Explain.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciable amount is the cost of an asset less its scrap value. It is only an estimate because the truly accurate amount of loss/reduction can only be determined when disposing of the non-current assets.

2 (a) What are the common methods of depreciation? Explain.

Straight line method

The total loss on the non-current assets are spread over its useful life at an equal amount and charged to the Statement of Profit or Loss every year.

Reducing Balance method

A fixed percentage for depreciation is deducted from the cost in the first year. In the following years, the fixed percentage is applied on the net book value, i.e. after deducting previous years' depreciation charges.

(b) Compare depreciation with accumulated depreciation. Explain how they are treated in the accounts.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciable amount is the cost of an asset less its scrap value. It is only an estimate because the truly accurate amount of loss/reduction can only be determined when disposing of the non-current assets.

Depreciation is charged as an expense in the Statement of Profit or Loss.

Accumulated depreciation is a General Ledger account showing the TOTAL amounts of depreciation that had been charged to the Statement of Profit or Loss over a number of years. It represents the estimated total loss/reduction in the value of non-current assets accumulated over the number of years.

Accumulated depreciation reduces the value of non-current assets in the Statement of Financial Position.

3. State whether each of the following statements is **True** or **False:**

a. When as a business has an accumulated depreciation account of RM4,000 for a particular non-current assets, it means the business has accumulated, or set aside this amount of cash for replacement later.
False
True (for wear & tear)

b. Depreciation is the fall in value of non-current assets.
True

c. The straight line method is the depreciation method where decreasing amounts of depreciation are being charged to the Statement of Profit or Loss over the years.
False

d. Net book value is the estimated value of non-current assets after deducting accumulated depreciation.
True

e. Capital expenditure is incurred when a business spends money to buy or increase the value of non-current asset.
True

Tutorial 6

Question 4

→ Q1. Cap exp. v.s. Rev. exp

upgrade ← maintain/ repair

(Asset) (Expenses)

→ current location
- price of machine + transportation fees

→ current condition
- price of machine + cost of setting up/ assemble

(a) Cost of the machine

= purchase cost + transportation cost + freight insurance + custom duty + installation cost + future dismating cost

= 120,000 + 3,000 + 1,200 + 3,000 + 1,000 + 700

700
- future dismating cost
- prudance

= ~~128,200~~ 128,900

(b) (i) Straight line

$$\text{Depreciation} = \frac{\text{Aquisition cost} - \text{Scrap value}}{\text{Estimated useful life}}$$

$$= \frac{128,9\cancel{2}00 - 5,000}{6}$$

$$= \cancel{20,533.33}\ 20,650 \text{ per year}$$

Annual depreciation for years ended 31 Dec 2012, 2013, 2014, 2015, 2016, and 2017 : ~~20,533.33~~ 20,650

(ii) Reducing balance basis at the rate of 42% per annum

			RM
2012	Jan 1	Cost	128,900
	Dec 31	Less: Depreciation (Cost × 42%)	(54,138)
2013	Jan 1	Net Book Value	74,762
	Dec 31	Less: Depreciation (NBV × 42%)	(31,400)
2014	Jan 1	Net Book Value	43,362
	Dec 31	Less: Depreciation (NBV × 42%)	(18,212)
2015	Jan 1	Net Book Value	25,150
	Dec 31	Less: Depreciation (NBV × 42%)	(10,563)
2016	Jan 1	Net Book Value	14,587
	Dec 31	Less: Depreciation (NBV × 42%)	(6,127)
2017	Jan 1	Net Book Value	8,460
	Dec 31	Less: Depreciation (NBV × 42%)	(3,553)
			4,907

(c) (i)

Machinery Account

		RM			RM
2014 Jan 1	Bal b/d	128,900	2014 Dec 31	Bal c/d	128,900
2015 Jan 1	Bal b/d	128,900	2015 Dec 31	Bal c/d	128,900
2016 Jan 1	Bal b/d	128,900	2016 Dec 31	Bal c/d	128,900

(ii)

Depreciation: Machinery Account

		RM			RM
2014 Dec 31	Acc. Depn: Machinery	18,212	2014 Dec 31	SPL	18,212
2015 Dec 31	Acc. Depn: Machinery	10,563	2015 Dec 31	SPL	10,563
2016 Dec 31	Acc. Depn: Machinery	6,127	2016 Dec 31	SPL	6,127

(iii)

Accumulated Depreciation: Machinery Account

2014		RM	2014		RM
Dec 31	Bal c/d	103,750	Jan 1	Bal b/d	85,538
			Dec 31	Depn: Machinery	18,212
		103,750			103,750
2015			2015		
Dec 31	Bal c/d	114,313	Jan 1	Bal b/d	103,750
			Dec 31	Depn: Machinery	10,563
		114,313			114,313
2016			2016		
Dec 31	Bal c/d	120,440	Jan 1	Bal b/d	114,313
			Dec 31	Depn: Machinery	6,127
		120,440			120,440

(iv)

Statement of Profit or Loss (extract) for the year ended 31 December 2014

	RM	RM	RM
Less: Expenditure < Maintenance cost	350		
Depn. Machinery	18,212		

Statement of Profit or Loss (extract) for the year ended 31 December 2015

	RM	RM	RM
Less: Expenditure < Maintenance cost	350		
Depn. Machinery	10,563		

Statement of Profit or Loss (extract) for the year ended 31 December 2016

	RM	RM	RM
Less: Expenditure < Maintenance cost	350		
Depn. Machinery	6,127		

(v)

Statement of Financial Position (extract) as at 31 December 2014

	RM	RM	RM
Non-current assets			
Machinery at cost	128,900		
Less: Accumulated depreciation	(103,750)	25,150	

Statement of Financial Position (extract) as at 31 December 2015

	RM	RM	RM
Non-current assets			
Machinery at cost	128,900		
Less: Accumulated depreciation	(114,313)	14,587	

Statement of Financial Position (extract) as at 31 December 2016

	RM	RM	RM
Non-current assets			
Machinery at cost	128,900		
Less: Accumulated depreciation	(120,440)	8,460	

POA Tutorial 7

Section A :

★ to be written off (minus)

has been written off (no need)

1. RM28,000 × 3% = RM840

↓ Allowance for Doubtful Debts

2. RM 180,600 − RM1,400 = RM179,200

RM179,200 × 2% = RM3,584 ↓ Allowance for Doubtful Debts

3. Doubtful Debts = RM3,548 − RM2,600

= RM948

Allowance for Doubtful Debts = RM3,548

} need SPL extract & SFP extract

Question 4

(a)

Trade Receivables Control Account

		RM			RM
June			June		
30	Bal b/d	502,740	30	Bad debts	4,500
				Bal c/d	498,240 ✓
		502,740			502,740
July					
1	Bal b/d	498,240			

(b)

Bad Debts Account

		RM			RM
June			June		
30	TR	7,120	30	SPL	11,620 ✓
	TR: Boris	4,500			
		11,620			11,620

(c)

Allowance for Doubtful Debts Account

June		RM	June		RM
30	Doubtful debts	1,025 ✓	30	Bal b/d	23,220
	Bal c/d	22,195			
		23,220			23,220
			July 1	Bal b/d	22,195

(d)

Doubtful Debts Account

June		RM	June		RM
30	SPL	1,025 ✓	30	Allowance for Doubtful Debts	1,025

(e) Statement of Profit or Loss (extract)

	RM	RM	RM
Add: Income			
Decrease in allowance for doubtful debts		1,025	
optional			
Less: Expenditure			
Bad debts (7,120+ 4,500)		11,620	

(f) Statement of Financial Position (extract)

	RM	RM	RM
Current Assets			
Trade Receivables (502,740 - 4,500)	498,240		
Less: Allowance for doubtful debts	(22,195)	476,045 ✓	
		net trade receivables	

POA Tutorial 8

Section 1

1. a) • Goods for resale : goods purchased for resale, such as cloth and shoes

• Work-in-progress : partly finished goods still being manufactured

b) If the closing inventory is understated, the profit for the period will also be understated.

If the closing inventory is overstated, the profit for the period will also be overstated.

c) To prevent inventory understated or overstated.

2. • First in-first out (FIFO)

- The oldest items in the inventories are consumed or sold first, so closing inventories represent the latest or most recent purchases.

- Advantage : It is realistic because it based on the assumption that inventories are issued in the order in which the goods are received.

- Disadvantage : In a manufacturing business, raw materials used in production are taken using the earliest price (outdated price), which is unrealistic when setting the selling price of ~~its~~ the finished goods.

• Weighted average cost (WAC)

- It requires the combination of the unit cost of inventories by totaling the cost of existing inventories and the cost of new inventories purchased, then divided by the total units of inventories held after the new purchase.

- Advantage: As prices paid for identical items purchased at different times are averaged, WAC recognises that all such items have equal value.

- Disadvantage: A new average must be calculated with every purchase of inventories.

3. No, the statement is incorrect. Inventories should be valued at the lower of cost and net realisable cost.

4. During inflation, FIFO values inventories at the latest (higher price), which tends to understate cost of sales and hence overstate profit. This is not in conformity with the ~~purchase~~ prudence concept.

For WAC, the average cost is influenced by both the older, lower-cost items and the newer, higher-cost items. The cost of goods sold is calculated based on this average cost, which tends to be higher than the specific lower costs of inventory items.

Section 2

Question 1

a) Total purchase = 3,360 + 5,760 + 8,640 + 9,600 + 10,560

= 37,920

Cost of Sales = ~~167~~ 1,680 + 1,680 + 1,920 + 3,840 + 2,160 + 6,480 + 9,600 + 10,560

= 37,920

open + PW - close = COGS

Closing inventories = 0

Question 2

a) Yes, it is the correct accounting concept.

b) The net profit will also be overvalued.

Question 3

a) Total purchase = 375,000 + 390,000 + 324,000 + 336,000

= 1,425,000

Cost of sales = 337,500 + 3,750 + 35,100 + 39,000 + 20,250

= 435,600

Closing inventories = 121,500 + 336,000

= 457,500

b) Total purchase = 375,000 + 390,000 + 324,000 + 336,000

= 1, 425,000

Cost of sales = 337,500 + 388,575 + 241,965

= 968,040

Closing inventories = 456,960

c) Since Connie Lee expects the cost of petrol to continue rising, FIFO method can be used. FIFO assumes that the items purchased first (earliest inventory) are sold first. Thus, the cost of sales is calculated using the older, lower-cost inventory, which leads to a higher profit margin.

POA Tutorial 9

Question 1

Question	(a)	(b)	(c)	(d)
Items	Expenses	Expenses	Revenues	Revenues
Amount	RM 7,000	RM 8,000	RM 7,500	RM9,000
Due on	31 Jan 20X2	15 Nov 20X1	15 Jan 20X2	13 Nov 20X1
Paid on/ Received on	5 Dec 20X1	3 Jan 20X2	1 Dec 20X1	1 Feb 20X2
Types	Prepaid expenses	Accured expenses	Income received in advanced	Accured income
SOPL	Expenses (−)	Expenses (+)	Revenues (−)	Revenues(+)
SOFP	Current Assets	Current Liabilities	Current Liabilities	Current Assets

Expenses → Accured expenses : + : CL

→ Prepaid expenses : − : CA

Income → Accured income : + : CA

→ In advance : − : CL

Question 2

(A)

a) **Prepaid Advertising Expenses Account**

b) **Advertising Expenses Account**

June		RM	June		RM
30	Cash / Bank	600	30	SPL	800
30	Accrued advertising	200			
		800			800

c) **Accrued Advertising Account**

June		RM	June		RM
30	Bal c/d	200	30	Advertising expenses	200

d) **Accrued Rental Received Account**

June		RM	June		RM
30	Rental received	4,000	30	Bal c/d	4,000

e) **Rental Received Account**

June		RM	June		RM
30	SPL	14,000	30	Cash/Bank	10,000
			30	Accrued rental received	4,000
		14,000			14,000

f) **Accrued Electricity Account**

g) Electricity Account

June		RM	June		RM
30	Cash / Bank	1,000	30	Prepaid electricity	150
			30	SPL	850
		1,000			1,000

h) Prepaid Electricity Account

June		RM	June		RM
30	Electricity	150	30	Bal c/d	150

(B)

a) Statement of Profit or Loss (extract) for the year ended 30 June Year 2

	RM	RM
Add: Income		
Rental received (10,000 + 4,000)	14,000	
Less: Expenditure		
Advertising (600 + 200)	800	
Electricity (1,000 - 150)	850	

b) Statement of Financial Position (extract) as at 30 June Year 2

	RM	RM
Current assets		
Accrued Rental Received	4,000	
Prepaid Electricity	150	
Current liabilities		
Accrued Advertising	200	

Question 3

a) Statement of Profit and Loss (extract) for the year ended 31 August Year 2

		RM	RM
Add: Income			
Commission received	(3,650 + 350)	3,300	
Rental received	(6,000 - 1,200)	4,800	
Less: Expenditure			
Rental paid	(4,400 + 400)	4,800	
Insurance paid	(1,600 - 300)	1,300	

b) Statement of Financial Position (extract) as at 31 August Year 2

	RM	RM
Current assets		
Accrued commission	350	
Prepaid insurance	300	
Current liabilities		
Rental received in advance	1,200	
Accrued rental	400	

POA Tutorial 10

Question 1

need to write

a) (12,300 − 1,230)

Revised Cash Book

May		RM	May		RM
31	Bal b/d	9,549	31	Error in Cash Book ~~Cheque No. 109001~~	11,070 ~~12,300~~
31	Interest	69	31	Bank charges	230
31	Transfer from investment account	110,000	31	Standing order: Rental	1,200
			31	Bal c/d	~~105,888~~ 107,118
		119,618			119,618
Jun					
1	Bal b/d	~~105,888~~ 107,118			

b) Bank Reconciliation Statement as at 31 May

	RM	RM
Balance as per Bank Statement		(29,822)
Add: Uncredited lodgements		
– Quick Bhd.	26,500	
– Precious Bhd.	18,750	
– Adam Sdn. Bhd.	103,640	
– Commission	5,800	154,690
		124,868

Less : Unpresented cheques

~~Expert Ent~~	~~1,230~~	
- Furniture Forth	8,000	
- Trading	5,050	
- Petty Cash	500	(17,750)
- Computer	4,200	~~(18,980)~~
Balance as per revised Cash Book		~~105,888~~
		107,118

c) (i) Direct debit

This is an instruction by the business to the bank to make direct payments for amounts owing to certain suppliers.

(ii) Inter-Bank Giro (IBG)

Widely used currently as banks encourage the use of e-banking and discourage the use of cheques by increasing the fee/charge for issuing cheques.

(iii) Uncredited lodgement

There are some cheques received and deposited into the bank account, but not yet cleared. This receipt has already been debited into the Cash Book, but not yet acknowledged by the bank - although it will be in a very short time when the cheque is eventually cleared.

Question 2

a) Bank Reconciliation Statement as at 31 May

	RM	RM
Balance as per Bank Statement		22,315.70
Add : Uncredited lodgements		
- Vints Trading	4,181.20	
- Mag Enterprise	3,695.70	7,876.90
		30,192.60
Less : Unpresented cheques		
- Amaze Design	904.40	
~~Salaries~~	~~9,406.00~~	(947.40)
- Stationery	43.00	~~(10,353.40)~~
Balance as per revised Cash Book		~~19,839.20~~
		29,245.20

b)

Revised Cash Book

Sept		RM	Sept		RM
30	Bal b/d	23,052.20	30	SO- AIA Insurance	262.60
30	CR Deposits	7,876.90	30	SO- Unifi	1,235.70
			~~30~~	~~TRF Payroll~~	~~9,406.00~~
			30	INT (Loan account)	111.90
			30	Bank charges	73.70
			30	Bal c/d	29,245.20 ~~19,839.20~~
		30,929.10			30,929.10
Oct					
1	Bal b/d	~~19,839.20~~ 29,245.20			

Question 3

a)

Revised Cash Book

Sep		RM	Sep		RM
30	Bal b/d	8,499	30	Standing order	132
30	Credit transfer	270	30	Bank charges	210
			30	Bal c/d	8,427
		8,769			8,769
Oct					
1	Bal b/d.	8,427			

b)

Bank Reconciliation Statement as at 30 September

	RM	RM
Balance as per Bank Statement		6,726
Add: Uncredited lodgements		
- Kamal Enterprise		1,872
		8,598
Less: Unpresented cheques		
- Sedaya Trading		(171)
Balance as per revised Cash Book		8,427

Question 4

a)

Revised Cash Book

Jul		RM	Jul		RM
31	Credit transfer : Kanvas Ltd	360	31	Bal b/d	7,844
31	Bal c/d	8,014	31	Pacific Insurans Co	400
			31	Bank charges	130
		8,374			8,374
			Aug 1	Bal b/d	8,014

b) Bank Reconciliation Statement as at 31 July

	RM	RM
Balance as per Bank statement		(8,268)
Add: Uncredited lodgements		
- Pantai Ltd		422
		(7,846)
Less: Unpresented cheques		
- Phileo Book Store		(168)
Balance as per revised Cash Book		(8,014)

POA Tutorial 11

Question 1

(a) Statement of Profit or Loss for Maju Jaya Trading for the year ended 31 August 20X1

	RM	RM	RM
Sales		177,300	
Less: Return inwards		(3,800)	
Net Sales			173,500
Less: Cost of goods sold			
Opening inventory		29,300	
Purchases	89,100		
Less: Return outwards	(2,600)		
	86,500		
Add: carriage inwards (4,500 / 3)	1,500		
Wages (36,000 / 4)	9,000	97,000	
		126,300	
Less: Closing inventory		(26,300)	(100,000)
Gross Profit			73,500
Add: Income			
Discount received		1,300	
Rent (4,800 - 800)		4,000	5,300
			78,800
Less: Expenditure			
Carriage outwards (4,500 - 1,500)		3,000	
Salaries (36,000 - 9,000)		27,000	
Discount allowed		2,300	
Interest		1,800	
Insurance		3,600	
Utilities (5,000 + 450)		5,450	
Bad debts (1,900 + 1,600)		3,500	
Doubtful debts (2,250 - 1,500)		750	
Depreciation: Furniture & fittings (50,000 x 20%)		10,000	
Depreciation: Office equipment (40,000 x 20%)		8,000	
Depreciation: Motor vehicles [(70,000 - 25,200) x 20%]		8,960	(74,360)
			4,440

b) Statement of Financial Position as at 31 August 20X1

	RM	RM	RM
Non-current assets			
Furniture & fittings	50,000		
Less: Accumulated depreciation	(10,000)	40,000	
Office equipment	40,000		
Less: Accumulated depreciation (8,000 + 8,000)	(16,000)	24,000	
Motor vehicles	70,000		
Less: Accumulated depreciation (25,200 + 8,960)	(34,160)	35,840	
			99,840
Current assets			
Inventories		26,300	
Trade receivables (46,600 – 1,600)	45,000		
Less: Allowance for doubtful debts	(2,250)	42,750	
Bank		11,000	
Cash		3,000	83,050
			182,890
Equity			
Capital as at 1 September 20X0		140,000	
Add: Net profit		4,440	
		144,440	
Less: Drawings		(19,100)	
Capital as at 31 August 20X1			125,340
Non-current liabilities			
Loan			25,000
Current liabilities			
Trade payables		31,300	
Accrued utilities		450	
Rent received in advance		800	32,550
			182,890

Question 2

(a) Statement of Profit or Loss for the year ended 30 June 20X1

	RM	RM	RM
Sales		1,254,600	
Less: Return inwards		(4,500)	
Net Sales			1,250,100
Less: Cost of goods sold			
Opening inventory		160,000	
Purchases (956,000 - 6,000)	950,000		
Less: Return outwards	(3,000)		
	947,000		
Add: Carriage inwards	1,800		
Custom duty	3,000	951,800	
		1,111,800	
Less: Closing inventory		(175,000)	(936,800)
Gross Profit			313,300
Add: Income			
Discount received		800	
Commission received (6,000 + 1,000)		7,000	
Doubtful debts (1,000 - 800)		200	8,000
			321,300
Less: Expenditure			
Water and electricity		4,300	
Bad debts		3,700	
Carriage outwards		3,000	
General expenses (2,200 + 500)		2,700	
Interest on loan (3,500 + 8,500)		12,000	
Discount allowed		600	
Advertisement		16,000	
Salaries		60,000	
Depreciation : Plant and machinery (300,000 x 15%)		45,000	
Depreciation : Motor vehicles [(100,000 - 12,000) x 20%]		17,600	(164,900)
Net Profit			156,400

CamScanner

Statement of Financial Position as at 30 June 20X1

	RM	RM	RM
Non-current assets			
Freehold premises		800,000	
Motor vehicles	100,000		
Less: Accumulated depreciation (12,000+17,600)	(29,600)	70,400	
Plant and machinery	300,000		
Less: Accumulated depreciation	(69,000)	231,000	
			1,101,400
Current assets			
Inventories		175,000	
Cash		8,800	
Trade receivables	136,000		
Less: Allowance for doubtful debts	(800)	135,200	
Accrued commission received		1,000	320,000
			1,421,400
Equity			
Capital as at 1 July 20X0		1,000,000	
Add: Net profit		156,400	
		1,156,400	
Less: Drawings (12,000 + 6,000)		(18,000)	
Capital as at 30 June 20X1			1,138,400
Non-current liabilities			
6% long term loan			200,000
Current liabilities			
Bank		6,000	
Trade payables		68,000	
Accrued general expenses		500	
Accrued interest on loan		8,500	83,000
			1,421,400

POA Tutorial 13

Question 1

(a) (i) Gross profit as a percentage of Sales

$$= \frac{\text{Gross profit}}{\text{Sales}} \times 100\%$$

Home Furnitures

$$= \frac{365,000}{700,000} \times 100\%$$

$$= 52\%$$

Comfort Furnitures

$$= \frac{525,000}{950,000} \times 100\%$$

$$= 55\%$$

(ii) Net Profit as a percentage of sales

$$= \frac{\text{Net profit before tax}}{\text{sales}} \times 100\%$$

Home Furnitures

$$= \frac{105,000}{700,000} \times 100\%$$

$$= 15\%$$

Comfort Furnitures

$$= \frac{155,000}{950,000} \times 100\%$$

$$= 16\%$$

(iii) Current ratio $= \frac{\text{current assets}}{\text{current liabilities}}$

Home Furnitures

$$= \frac{275,000}{174,000}$$

$$= 1.6 : 1$$

Comfort Furnitures

$$= \frac{257,500}{101,000}$$

$$= 2.5 : 1$$

(b)

Comfort Furnitures products are sold at a more profitable level compared to Home Furnitures.

Comfort Furnitures achieves a higher net profit margin compared to Home Furnitures.

Both companies have enough current assets to cover their current liabilities. Therefore, both companies do not face liquidity problem.

(iv) Quick ratio = $\frac{\text{Current assets} - \text{inventories}}{\text{Current liabilities}}$

Home Furnitures

$= \frac{275{,}000 - 115{,}000}{174{,}000}$

$= 0.9 : 1$

Comfort Furnitures

$= \frac{257{,}500 - 95{,}000}{101{,}000}$

$= 1.6 : 1$

Home Furnitures face liquidity problem when excluding inventories, while Comfort Furnitures still liquid even when excluding inventories.

(v) Inventories turnover times = $\frac{\text{Cost of goods sold}}{\text{Average inventories}}$

Home Furnitures

$= \frac{\cancel{335{,}000}\ 335{,}000}{\left(\frac{150{,}000 + 115{,}000}{2}\right)}$

$= 2.5$ times

Comfort Furnitures

$= \frac{425{,}000}{\left(\frac{100{,}000 + 95{,}000}{2}\right)}$

$= 4.4$ times

Comfort Furnitures inventories move faster than Home Furnitures inventories. This means that Comfort Furnitures can sell its goods faster than Home Furnitures.

(vi) Trade receivables turnover days = $\frac{\text{Trade Receivables}}{\text{Sales}} \times 365$

Home Furnitures

$= \frac{135{,}000}{700{,}000} \times 365$

$= 13$ days

Comfort Furnitures

$= \frac{150{,}000}{950{,}000} \times 365$

$= 58$ days

Home Furnitures ~~trade~~ receivables pay a lot ~~faster~~ than Comfort Furnitures, probably due to Home Furnitures being more effective in collecting debts

(vii) Trade payables turnover days = $\frac{\text{Trade Payables}}{\text{Purchases}} \times 365$

Home Furnitures

$= \frac{174{,}000}{300{,}000} \times 365$

$= 212$ days

Comfort Furnitures

$= \frac{101{,}000}{420{,}000} \times 365$

$= 88$ days

Home Furnitures takes a longer time to pay trade receivables compared to Comfort Furnitures, but Home Furnitures has to be careful in case that these trade payables may become unhappy to continue business.

(45)