# KOLEJ UNIVERSITI TUNKU ABDUL RAHMAN

FACULTY OF ACCOUNTANCY, FINANCE AND BUSINESS

FACULTY OF COMPUTING AND INFORMATION TECHNOLOGY

ACADEMIC YEAR 2020/2021

APRIL/MAY EXAMINATION

#### **BBFA1043 PRINCIPLES OF ACCOUNTING**

FRIDAY, 7 MAY 2021 TIME: 9.00 AM – 11.00 AM (2 HOURS)

BACHELOR OF INFORMATION SYSTEMS (HONOURS) IN ENTERPRISE INFORMATION SYSTEMS

BACHELOR OF INFORMATION TECHNOLOGY (HONOURS) IN SOFTWARE SYSTEMS DEVELOPMENT

BACHELOR OF BUSINESS (HONOURS) ACCOUNTING AND FINANCE

BACHELOR OF BUSINESS (HONOURS) IN ENTREPRENEURSHIP

BACHELOR OF BUSINESS (HONOURS) IN HUMAN RESOURCE MANAGEMENT

BACHELOR OF BUSINESS (HONOURS) IN INTERNATIONAL BUSINESS

BACHELOR OF BUSINESS (HONOURS) INTERNATIONAL BUSINESS MANAGEMENT

BACHELOR OF BUSINESS (HONOURS) IN LOGISTICS AND SUPPLY CHAIN MANAGEMENT

BACHELOR OF BUSINESS (HONOURS) IN MARKETING

BACHELOR OF BANKING AND FINANCE (HONOURS)

BACHELOR OF BUSINESS ADMINISTRATION (HONOURS)

BACHELOR OF CORPORATE ADMINISTRATION (HONOURS)

BACHELOR OF ECONOMICS (HONOURS)

BACHELOR OF FINANCE AND INVESTMENT (HONOURS)

BACHELOR OF RETAIL MANAGEMENT (HONOURS)

**Instructions to Candidates:**

Answer **ALL FOUR (4)** questions. Each question carries 25 marks.

All workings that support the answers should be shown. Marks will be awarded for clarity in presentation and logical arguments.

* This is an open book final online assessment. You MUST answer the assessment questions on your own without any assistance from other persons.
* You must submit your answers within the following time frame allowed for this online assessment:
  + The deadline for the submission of your answers is **half an hour** from the end time of this online assessment.
* Penalty as below **WILL BE IMPOSED** on students who submit their answers late as follows:
  + - The final marks of this online assessment will be reduced by 10 marks for answer scripts that are submitted within 30 minutes after the deadline for the submission of answers for this online assessment.
    - The final marks of this online assessment will be downgraded to zero (0) mark for any answer scripts that are submitted after one hour from the end time of this online assessment.
* Extenuation Mitigating Circumstance (EMC) encountered, if any, must be submitted to the Faculty/Branch/Centre within 48 hours after the date of this online assessment. All EMC applications must be supported with valid reasons and evidence. The UC EMC Guidelines apply.

STUDENT’S DECLARATION OF ORIGINALITY

By submitting this online assessment, I declare that this submitted work is free from all forms of plagiarism and for all intents and purposes is my own properly derived work. I understand that I have to bear the consequences if I fail to do so.

Final Online Assessment Submission

Course Code:

Course Title:

Signature:

Name of Student:

Student ID:

Date:

Answer **ALL FOUR (4)** questions.

**Question 1**

Everyman Proprietorship is a trading business. The following is its trial balance for the year ended 31 March 2021:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Debit |  | Credit |
|  | RM |  | RM |
| Inventories as at 1 April 2020 | 50,000 |  |  |
|  |  |  |  |
| Sales |  |  | 450,000 |
| Purchases | 352,000 |  |  |
| Insurance | 2,500 |  |  |
| Salaries | 41,000 |  |  |
| Electricity | 4,500 |  |  |
| Buildings | 250,000 |  |  |
| Accumulated depreciation: buildings |  |  | 10,000 |
| Office equipment | 20,000 |  |  |
| Accumulated depreciation: office equipment |  |  | 2,000 |
| Trade receivables | 25,000 |  |  |
| Bad debts | 3,000 |  |  |
| Allowance for doubtful debts |  |  | 6,000 |
| Bank | 168,000 |  |  |
| Cash | 15,000 |  |  |
| Drawings | 9,000 |  |  |
| Capital |  |  | 373,000 |
| Bank loan |  |  | 75,000 |
| Trade payables |  |  | 25,000 |
| Return inwards | 1,000 |  |  |
|  | 941,000 |  | 941,000 |

Additional information:

1. Closing inventories are valued at cost of RM60,000.

2. The depreciation policy of the company is as follows:

Buildings : 2% on written-down value

Office equipment : 20% on cost

3. Electricity yet to be paid was RM650. Insurance expenses included an amount paid in advance of RM1,000.

4. The owner has taken RM2,000 of inventories for personal use, and these have not yet been recorded in the books.

5. Allowance for doubtful debts for the year ended 31 March 2021 is RM9,000. It was decided to write off further debts totalling RM4,000.

6. It was discovered that the trade payables figure needed to be adjusted. Return outwards of RM2,000, cash discount received of RM450 and cash payment of RM5,000 to trade suppliers have all not been recorded in the books. All these adjustments were not recorded for both sides of the double entry.

**Question 1 (Continued)**

**Required:**

(a) Prepare the trade payables control account to show the adjustments to trade payables. (3 marks)

(b) Prepare the statement of profit or loss for the year ended 31 March 2021. (12 marks)

(c) Prepare the statement of financial position as at 31 March 2021. (10 marks)

[Total: 25 marks]

**Question 2**

Beranda Sdn. Bhd., a large flour mill, has seen a rising trend in the cost of wheat over the last 5 years. The company processes wheat into flour. The company adopts a policy of first-in-first-out for inventory valuation.

|  |  |  |  |
| --- | --- | --- | --- |
| Month | Price of wheat  (RM per bushel) | Goods received for each month (in bushels) | Goods issued to the factory for production each month (in bushels) |
| December 2020 | 16 | 100 | 95 |
| January 2021 | 17 | 120 | 115 |
| February 2021 | 18 | 140 | 135 |
| March 2021 | 20 | 160 | 155 |

**Required:**

(a) Calculate the purchases, cost of goods sold, and closing inventory of Beranda Sdn. Bhd. for the last four months ending 31 March 2021 (there was no remaining flour at the end of November 2020). (18 marks)

(b) Explain **ANY THREE (3)** advantages of using a weighted average costing method. (3 marks)

(c) Explain the perpetual system of keeping inventory records. (4 marks)

[Total: 25 marks]

**Question 3**

(A)

At 1 March 2021, the financial position of R. Singh's business showed the following items:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | RM |
| Cash in hand | |  | 800 |
| Balance at bank | |  | 1,000 |
| Trade receivables: | | John | 200 |
|  |  | Petersen | 500 |
| Inventories as at 1 March 2021 | | | 1,004 |
| Trade payables: | | Goodman | 600 |
|  |  | Rusty | 1,400 |

**Question 3 (Continued)**

The following transactions took place during the month of March:

|  |  |
| --- | --- |
| March |  |
| 5 | The two customers settled their accounts by cheque and received a cash discount of 4%. |
| 10 | A cheque for RM115 was cashed for office use. |
| 15 | The amount owing to Goodman was paid by cheque less 7.5% cash discount. |
| 18 | Rusty's account was settled by cheque, subject to a discount of 5%. |
| 25 | Wages of RM165 were paid in cash. |

**Required:**

(a) Prepare the three-column cash book to record the above transactions for the month of March 2021. (10 marks)

(b) Prepare the trade receivables and trade payables accounts for the month of March 2021.

(6 marks)

(B)

1. Suppose a company has an existing allowance for doubtful debts. In the new financial year, they have an increase in trade receivables, and this means that more customers could end up as doubtful debts.

Explain the effect of increasing allowance for doubtful debts on the financial statements.

(3 marks)

(b) Suppose a company was choosing between the straight-line method of 20% and the reducing balance method of 20% for their depreciation policy.

Compare the above two methods over a period of five years. (3 marks)

(c) Compare cash transactions and credit transactions. (3 marks)

[Total: 25 marks]

**Question 4**

The following are the financial statements of Miso Lab Enterprise (Miso Lab) for the years 2020 and 2021:

Statement of profit or loss of Miso Lab Enterprise for the year ended 31 March:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2020 |  | 2021 |
|  | RM ‘000 |  | RM ‘000 |
| Sales | 434 |  | 596 |
| Less: Cost of goods sold | (335) |  | (467) |
| Gross profit | 99 |  | 129 |
| Less: Expenses | (71) |  | (106) |
| Net profit | 28 |  | 23 |

**Question 4 (Continued)**

Statement of financial position for Miso Lab Enterprise as at 31 March:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2020 | | | 2021 | | | | |
|  | RM  '000 | RM  '000 | | RM  '000 | | | RM  '000 | |
| Non-current assets |  | 162 | |  | | | 216 | |
|  |  |  | |  | | |  | |
| Current assets |  |  | |  | | |  | |
| Inventories as at 31 March | 70 |  | | 86 | | |  | |
| Trade receivables | 99 |  | | 110 | | |  | |
| Bank balance | 34 |  | | - | | |  | |
|  |  | 203 | |  | | | 196 | |
|  |  | 365 | |  | | | 412 | |
| Equity |  | |  | |  |  | |
| Share capital | 139 | |  | | 167 |  | |
| Reserves | 163 | |  | | 123 |  | |
|  |  | | 302 | |  | 290 | |
|  |  | |  | |  |  | |
| Current liabilities |  | |  | |  |  | |
| Trade payables | 63 | |  | | 75 |  | |
| Bank overdraft | - | |  | | 47 |  | |
|  |  | | 63 | |  | 122 | |
|  |  | | 365 | |  | 412 | |

Note: Inventories as at 31 March 2019 amounted to RM55,000.

**Required:**

(a) Calculate the following ratios for the years 2020 and 2021:

1. Gross profit margin; (2 marks)
2. Net profit margin; (2 marks)
3. Current ratio; (2 marks)
4. Quick ratio; (2 marks)
5. Inventories turnover days; (2 marks)
6. Trade receivables days; (2 marks)
7. Trade payables days. (2 marks)

(b) Interpret your ratios in part (a) above. Explain possible reasons for the changes in the ratios for the years 2020 to 2021. (11 marks)

[Total: 25 marks]