

## PAPER 2 SUBJECTIVE QUESTIONS

(Friday)

(180 minutes)

1. This subject comprises two papers:

- You are required to attempt **four** questions altogether.

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Checked and approved by:

T.F. Soo

**Section A: Compulsory Questions (60%)**  
Attempt all the questions in this section.

1. The following information was extracted from the book of Rainbow Trading as at 30 June 2022:

	Debit (RM)	Credit (RM)
Accounts Receivable and Accounts Payable	7,200	6,170
Purchases and Sales	20,120 ✓	53,700 ✓
Capital (1 July 2021)		45,510
Inventory (1 July 2021)	2,400 ✓	
Import duty	690 ✓	
5% Fixed Deposit (1 January 2022)	8,000	
Discounts	420 ✓	1,065 ✓
Bank	5,065	
Drawings	200 ✓	
Administrative Expenses	354 ✓	
Rent	1,500 ✓	
Insurance	480 ✓	
Carriage Outwards	530 ✓	
Office Equipment (cost RM10,000)	8,200 ✓	
Motor Van	54,000 ✓	8,400
Accumulated Depreciation of Motor Van	5,540 ✓	
Salary	1,050 ✓	940 ✓
Returns	156 ✓	
Bad Debts		120 ✓
Allowance for Doubtful Debts		
	<u>115,905</u>	<u>115,905</u>

Additional information:

- Inventory on 30 June 2022 was valued at cost RM3,290 and market value RM2,440.
- On 29 June 2022, a customers, Tan paid RM490 in respect of his debt written off in previous year. No records had been made in the books. *BDR*
- Allowance for doubtful debts to be increased to RM170. *50 ↑*
- Amongst the salaries paid, RM500 was actually advances to staffs. *Advance*
- Interest on fixed deposit still not yet received. *500*
- Annual insurance of RM480 paid on 1 January 2022, half of it was not expired yet. *240*
- Depreciation policy: office equipment 10% per annum on straight line method and motor van 20% per annum on reducing balance method.

(a) You are required to prepare Income Statement for the year ended 30 June 2022. (11%)



- (b) The following details relating to Rainbow Trading's outstanding Accounts Receivable as at 30 June 2022:

Period of debts owing	Accounts Receivable (RM)
Less than 30 days	4,800
30 – 59 days	1,400
Over 60 days	1,000
	<u>7,200</u>

The Allowance for Doubtful Debts of Rainbow Trading is calculated as follows:

Balances less than 30 days	Nil
Balances between 30 days and 59 days	5%
Balances of 60 days and over	10%.

You are required to:

- (I) calculate the amount which should be provided as Allowance for doubtful debts as at 30 June 2022. (Show your working in detail) (2%)
- (II) prepare the following ledger accounts by refer to the above Trial Balance and all the information given:
  - Bad Debts
  - Allowance for Doubtful Debts (3%)
- (III) explain the differences between Bad Debts and Allowance for Doubtful Debts? (2%)
- (IV) extract a Statement of Financial Position of Rainbow Trading at 30 June 2022 to show the net value of Accounts Receivable to be reported (2%)

(Total: 20%)

2. Bing, Qi and Lin were in partnership sharing profits and losses 2:3:1 respectively. Due to mutual agreement, they decided to dissolve their partnership on 31 August 2022. At that date, the partnership had the following assets and liabilities:

	RM
Machinery	16,000
Accumulated depreciation	4,200
Premises	38,000
Inventory	3,400
Bank overdraft	8,680
Accounts Payable	9,400
Accounts Receivable	2,580

There were no balances on the partners' current accounts, as these had been transferred to their capital accounts prior to dissolution.

On 31 August 2022, the capital account balances were:

	RM
Bing (Credit balance)	20,000
Qi (Credit balance)	20,000
Lin (Debit balance)	2,300

The following information is also available:

- One of the machinery was taken over by Bing at RM6,240. The remaining machinery were sold for RM7,400. ✓
- Premises was sold on credit to Walls Ltd for RM30,000. The amount was settled by the issue of 15,000 ordinary shares of RM2 each in Walls Ltd. The partners agreed to divide the shares between them equally. ✗
- Apart from the spoilt inventory of RM400 which can't be sold, all other inventory was sold for RM2,000. ✓
- Accounts Receivable paid in full except for a debt of RM180 which was irrecoverable. ✓
- Accounts Payable agreed to give the partnership a 10% discount because all debts were settled immediately. ✓
- During the course of dissolution, the partnership discovered that an electricity bill of RM150 for the month of August 2022 unpaid.
- The expenses of winding up amounted to RM250.

- You are required to show the closing of the partnership by preparing the following:
  - Realisation Account (7%)
  - Partners' Capital accounts in columnar form (4%)
  - Bank Account (8%)
- If Lin was unable to meet his liability to the partnership out of personal funds, his deficiency was to be apportioned between the remaining partners according to the rule in Garner v Murray. Calculate the deficiency to be borne by Bing and Qi. (1%)  
(Show your working in detail.) (Total: 20%)



3(a) The bank columns of Tom's cash book for the month of July 2022 were as follows:

Cash Book (Bank Columns Only)				
2022		RM	2022	Chq. No. RM
Jul. 1	Balance b/d	4,765	Jul. 1	Petty Cash 10054 346
3	Wong	653	8	Drawings 10055 520
8	Sales	5,566	12	Lim Company 10056 460
20	Hin Trading	1,270	19	Purchases 10057 3,790
28	Commission Income	165	22	Wages 10058 600
			26	Chin 10059 1,453
			31	Balance c/d 5,250
		12,419		12,419
Aug. 1	Balance b/d	5,250		

Debit +  
Balance

Upon receiving the Bank Statement showing a bank balance of RM5,838, which is different from his Cash Book balance. After comparing the Cash Book with the Bank Statement, Tom found that the balance at 1 July 2022 agreed, but the following discrepancies were found:

- (i) A standing order for rent paid RM425 appeared on the bank statement but not in the cash book. *Less:*
- (ii) Cheque numbers 10055 and 10059 did not appear on the bank statement. *Add: Unpresented Cheque*
- (iii) A direct transfer from a credit customer, Lee for RM3,268 did not appear in the cash book. *Add:*
- (iv) The cheque received from Wong appeared on the bank statement on 7 July but it was recorded there as a dishonoured cheque on 12 July 2022. *Less:*
- (v) The deposit on 28 July for RM165 did not appear on the bank statement. *Less: Unrecorded Deposit*
- (vi) Dividend of RM200 received from Jaya Bhd. were entered in the Bank Statement but not yet in the Cash Book. *Add:*
- (vii) A cheque of RM640 issued to supplier – Lim Company had been recorded wrongly as RM460 in the cash book. *Less: 180*

165

You are required to prepare a Bank Reconciliation Statement as at 31 July 2022.

(10%)

U credit presented  
Deposit  
9268

RM

- 07/01/21 Jerry
- 3 (b) Jerry, a sole trader, started business on 1 January 2021 with cash at bank RM5,000 and motor vehicles RM10,000. He did not keep proper books with the double-entry system but the valuations of his assets and liabilities as at 31 December 2021 were as follows:

	RM
Cash at Bank	14,300
Accounts Receivable	6,400
Inventory	9,780
Motor Vehicles	8,000
Accounts Payable	2,900
Prepaid Rent	250
6% Bank Loan	6,000

Additional information:

- (i) He withdrew RM60 monthly from the business bank account during the year for private use. 60 x 12 = 720
- (ii) During the year, cash sales of goods RM545 had been used to pay Jerry's personal expenditures. AC 545
- (iii) He brought in his own computer worth RM1,800 for office used on 1 October 2021. No record had been made on this matter. It is estimated that computer will be used for five years, after which time it will be sold at an estimated price of RM600. b 60 AC 1,800
- (iv) The change in the value of the motor vehicles was due to depreciation.
- (v) RM400 of debts was irrecoverable and Allowance for doubtful debts of 2% to be provided on net Accounts Receivable. 600 x 2% = 120
- (vi) Bank Loan interest still accrued. 6000 x 6% = 360

You are required to prepare:

- (a) A statement of calculation capital as at 31 December 2021 (6%)
- (b) A statement showing the net profit for the year ended 31 December 2021 (4%)

(Total: 20%)

OC  
+ NP

ACC



**Section B : Elective Questions (20%)***Attempt any one of the three questions in this section.*

4. The Valley Sports Club is located in Petaling Jaya, equipped with facilities such as function rooms, sports amenities, gymnasium and restaurant. Accounts are prepared annually to 31 March. The membership has been constant for some years at 250 members, paying an annual subscription of RM 300.

The following Receipts and Payments Account was prepared:

<u>Receipts</u>	RM	<u>Payments</u>	RM
Balance b/d – Cash in hand	5,110	Rent	12,200
Balance b/d – Cash at bank	24,000	Electricity	7,670
Subscriptions	75,300	Secretary's expenses	1,450
Donations	3,100	Restaurant suppliers	15,110
Restaurant takings	35,400	Restaurant wages	11,500
Sales of annual dinner ticket	8,800	Administrative expenses	9,960
Sales of all old office equipment (Sold on 1/4/2021)	9,300	Annual dinner door gift	500
		New cupboards for storage (Bought on 1/10/2021)	8,900

The following information is available for the year ended 31 March 2022:

(i)	1/4/2021	31/3/2022
	Number of members	Number of members
Subscriptions in arrears	5	3
Subscriptions in advance	9	?
	Amount (RM)	Amount (RM)
Office equipment	12,300	--
Inventory – restaurant	3,500	2,000
Accounts payable - restaurant	620	1,840
Prepaid administrative expenses	500	--
Accrued rent	--	170
Cash in hand	?	15,320
Cash at bank	?	?

- (ii) Donations was regarded as a capital receipts.  
 (iii) Full year depreciation was charged on all non-current assets at 10% per annum using straight line method.

You are required to prepare the followings:

- (a) Calculate the balance on the Accumulated Fund as at 1 April 2021; (2%)  
 (b) Subscriptions account; (4%)  
 (c) Restaurant Trading Account for the year ended 31 March 2022; (4%)  
 (d) Income and Expenditure Account for the year ended 31 March 2022; (8%)  
 (e) Calculate the bank balance at 31 March 2022. (2%)

(Total:20%)

5. Joe and Kay have agreed to form a joint venture to buy and sell ceramic products. Joe was mainly responsible for the purchase of goods from suppliers and Kay for the selling and distribution. They agreed to share the profit and losses equally.

Interest is to be allowed on initial capital at the rate of 10% per annum. Each venturer would receive 1% commission on their respective sales and to bear all losses from bad debts.

The following transactions took place:


- 2022
- July 1 Both venturers contributed RM 20,000 into the business to acquire inventory for resale.
- 2 Joe paid RM 1,500 for rental of a stall in Jaya Mart and incurred delivery fee RM 660.
- 3 Joe transferred 80% of the products to Kay for resale.
- 7 Joe made sales on credit to Ming RM 13,900 and Han RM 2,000.
- 12 Joe bought 1 unit of EPSON color printer RM 470 for business use by cheque.
- 18 Kay made sales costing RM 3,000 for RM 9,700, and paid selling expenses for RM 1,300.
- 25 Joe received a cheque RM 2,600 from Kay for running of business operations.
- 29 Joe made cash sales for RM 6,300 to Howard Co.
- August 3 Kay supplied some ceramic products costing RM 770 from her own existing business.
- 9 Joe purchased additional ceramic products costing RM 3,800 for cash but RM980 of these goods was broken in transit. Insurance company, MIA Berhad paid RM 640 to Joe on 22 August 2022 after conducting claims investigations.
- 10 Cost of hiring a part-time staff, Ann RM 95 paid by Joe.
- 11 Han became bankrupt and the debts he owed in previous month has to write off.
- 16 Joe took 2 units of ceramic products costing RM 550 for his own residential decoration.
- 24 Kay received cheque from sales proceeds of RM 14,900.
- 27 The printer (bought on 12 July 2022) was taken by Joe at cost less 10%.
- 28 Ming settled amount owing by cheque, less cash discount 5% for prompt payment.
- 30 Kay had sold the remaining goods for RM 15,300 with the exception of 3 items valued at RM 1,800 each which Joe took over.
- 31 Joint venture ended.
- Both venturers agreed to settle the debts between them by cash.

You are required to prepare:

- (a) "Joint Venture with Kay" in the books of Joe; (10%)
- (b) Memorandum Joint Venture. (10%)
- (Total:20%)



6. Domino Trading decided to purchase a second-hand truck from Isuzu Motors Limited under the following hire purchase agreement:

	<p>Date of Purchase : 1 October 2020</p> <p>Cash Price : RM 120,000</p> <p>Initial Deposit : 20% of the cash price</p> <p>Finance Charge : 10% per annum on the balance of the cash price</p> <p>Instalment : 24 equal instalments</p>
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It was provided that instalments were due on the last day of each month commencing from 31 October 2020. All instalments being paid on due dates. Hire purchase interest was to be spread equally over the period of hire purchase agreement.

On 1 May 2021, the truck was stolen. The insurance company paid RM 112,000 in settlement on 8 May 2021 and Isuzu Motors Limited accepted RM 68,000 in full satisfaction of the agreement on the same day.

The firm prepared accounts annually to 31 December and the truck was depreciated on a straight-line basis at a rate of 10% per annum.

Required:

(a) Calculate:

- (i) Total Hire Purchase Interest; (1%)
- (ii) Hire Purchase Price. (1%)

(b) Prepare the following ledger accounts in the books of Domino Trading:

- (i) Motor Vehicle; (2%)
- (ii) Hire Purchase Vendor; (6%)
- (iii) Hire Purchase Interest Suspense; (2%)
- (iv) Accumulated Depreciation of Motor Vehicle; (2%)
- (v) Disposal of Motor Vehicle Account. (4%)

(c) Prepare (extracted) Statement of Financial Position as at 31 December 2020. (2%)  
(Total:20%)