



## Section A: Compulsory Questions (60%)

Attempt *all* the questions in this section.

### Question 1

Hefa Bhd was incorporated with a registered capital of RM 600,000 ordinary shares and 200,000 6% preferred shares of RM 1 each. Prior to the issue, the following balances were extracted from the company's books:

	RM
Preferred Share Capital	100,000
Ordinary Share Capital	200,000
Share Premium	50,000
General Reserve	8,000
Retained Profits	30,000

On 1 March 2020, the company offered to public for subscription 100,000 ordinary shares of RM 2 each at a premium of RM 1 per share, payable as follows:

2020

Mar 10	RM 1 per share on application
Apr 20	RM 1 per share on allotment, including premium
May 30	Balance on first and final call

The issuance was oversubscribed for 2.05 times and dealt with as follows:

- ① Application for 50,000 shares — Full allotment
- ② Application for 5,000 shares — No allotment
- ③ The remaining shares were allotted on the following pro-rata basis:
  - Application for 30,000 shares — 2 shares for every 3 shares applied for
  - Application for 120,000 shares — 1 share for every 4 shares applied for

The monies due on allotment were retained by the company, the excess being returned to the applicants.

On 20 April 2020 allotment was made and the excess application monies were refunded.

The remaining monies were received when the first and final call were made on that day.

On 31 May 2020 the company paid a half year's preferred shares dividend and an interim dividend of RM 0.07 per ordinary share, for which the newly issued shares did not qualify.

Profit for the year was amounted to RM 40,000. On 31 October 2020 the board of directors recommended:

- ① increase the general reserve to RM 13,000;
- ② creation of assets replacement reserve RM 4,000;
- ③ proposed the remaining dividend for preferred shares;
- ④ proposed a dividend of RM 0.08 per ordinary share.

**You are required to:**

- (a) prepare Journal entries, including cash transactions, to record the issuance of ordinary shares (Narrations are **not** required);
- (b) show the company's Statement Of Changes In Equity for the year ended 31 October 2020;
- (c) calculate the final dividends on preferred shares and ordinary shares respectively.

**Question 2**

X, Y and Z were partners in a trading firm sharing profits and losses in the ratio 2 : 2 : 1 respectively. On 1 July 2021 they agreed to sell their business to Q Berhad as going concern. The partnership financial status was shown below:

	RM	RM
Land And Leasehold Property (cost of land RM 300,000)	770,000	
Less: Accumulated Depreciation	20,000	750,000
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Motor Vehicles	56,000	
Less: Accumulated Depreciation	19,600	36,400
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Office Equipment		4,500
Inventory		18,200
Trade Receivables	34,000	
Less: Allowance For Doubtful Debts	1,000	33,000
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Petty Cash		900
Loan From Y		10,000
Trade Payables		20,000
Bank Overdraft		3,000
Accruals		500
Capital — X	300,000	
— Y	300,000	
— Z	200,000	800,000
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Current — X	10,500	
— Y	(6,000)	
— Z	5,000	9,500
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According to the agreement, the partnership retained the current assets, land and motor vehicles, and paid off the liabilities other than trade payables.

Land was disposed of at above its cost price of RM 20,000. It was agreed to give **X** a delivery van of carrying amount RM 4,400 as a gift, and the others were taken over by **Y** at a loss of RM 2,000. **Y** also took over some inventory to settle 80% of the loan from him and the rest were realised for its market price RM 3,000 less 20%. All the debts from credit customers,

except for RM 4,000 as irrecoverable, were collected by a debt-collecting agency, and the partnership required to pay a commission of 1% on the amount collected.

Dissolution fees of RM 300 was incurred and paid by **Z** on behalf of the partnership.

However, Q Berhad will acquire the remaining sundry assets and trade payables at an agreed price of RM 437,300. The purchase price was partly satisfied by the issuance of 64,000 RM 2 ordinary shares at a premium of 25% over its par value and 60,000 8% RM 1 preferred shares at par, and the balance in cash.

The settlement between the partners subject to the following condition:

- ① Ordinary shares should be distributed in the capital ratio;
- ② Half of preferred shares should be first distributed to **X**, and the rest to the three partners equally;
- ③ The balances on partners' capital account were finally settled by cash.

**You are required to:**

- (a) prepare the following accounts to close the partnership:
  - (i) Realisation;
  - (ii) Capital in columnar form;
  - (iii) Bank.
- (b) Do you agree “a sum of gain on realisation was generally resulted from Q Berhad in which paid more the exact amount on purchase price under normal circumstance”? Justify your opinion.

### Question 3A

Pang sold goods at a uniform profit of  $33\frac{1}{3}\%$  on cost to obtain the selling price. On 10 March 2021, there was a fire which damaged a quantity of his inventory.

Pang needs to identify the amount of the inventory loss for an insurance claim.

The following information relating to the date was as follows:

	RM
Sales (all items despatched)	21,000
Goods returned by customers	600
Closing inventory, 28 February 2021	3,300
Trade Payables, 1 March 2021	1,500
Trade Payables, 10 March 2021	1,100
Goods returned to suppliers	400
Payments to creditors (originally made by cheque)	18,000

Certain inventory was saved from the fire and could be sold for RM 600.

#### You are required to:

- (a) show a statement of claim for inventory destroyed in the fire to date;
- (b) Based on the above inventory loss, how do you interpret by receiving an amount of RM 2,000 as compensation. Explain briefly.

### Question 3B

Tan, a retailer, does not keep his accounting records on a double entry basis. The following information was extracted from his company's books:

	<u>1 June 2020</u>	<u>31 May 2021</u>
	RM	RM
Motor Vehicles	16,600	15,500
Furniture And Fittings	3,300	4,100
Investment	—	5,000
Inventory	2,000	900
Accounts Receivable	4,900	6,600
Accounts Payable	3,500	3,000
Loan From Qin (repayable on 31 March 2022)	—	5,000
Bank Balance	700	2,500

Additional information:

- ① RM 600 of debts was irrecoverable and doubtful debts allowance of 5% was provided.
- ② During the year, Tan sold part of his own property for RM 8,100 and the proceeds were banked into the business current account.
- ③ No record for the trader's own sofa valued at RM 900 was transferred from his residence to the business during the year.
- ④ Tan withdrew cash RM 50 per week to pay the household expenses.
- ⑤ The proprietor decided to dispose of an old motor car for RM 500 at the end of the reporting period. The car cost RM 4,000 and its depreciation up to this date was RM 3,500.
- ⑥ Shop rental included an amount of RM 300 deposit and RM 400 of outstanding dividend from investment was to be received before 30 June 2021.
- ⑦ An invoice of rates for May 2021 amounted to RM 200 and unearned commission income for the reporting period was RM 100.
- ⑧ All the non-current tangible assets were to be depreciated by 10% per annum.

**You are required to prepare:**

- (a) Statement Of Profit Or Loss for the year ended 31 May 2021;
- (b) Statement Of Affairs as at 31 May 2021.

## Section B: Elective Questions (20%)

*Attempt any **one** of the three questions in this section.*

### Question 4

Eugene and Hugo entered into a joint venture for three months to deal with second hand office supplies. They agreed to share profits and losses in the ratio 3 : 2 and allowed the venture business to bear any losses.

The transactions were as follows:

2021

- Apr    1    Hugo drew a one-month sight bill of RM 8,000 on Eugene, and was duly accepted on that day. The bill was then discounted at bank for RM 7,900.
- 3    Hugo purchased goods of cost RM 12,000 for resale, and paid RM 800 to have the inventory transported to him.
- 4    Half of the above goods of cost RM 6,800 were transferred to Eugene.
- 5    Hugo bought an equipment for RM 3,000.
- 10    Eugene sold partial goods that received from Hugo for RM 23,000. On delivery, the customer rejected goods worth RM 13,000 and these goods were taken over by Hugo who sold them to Ben for RM 12,000 on 20 April.
- May    1    Eugene's bill was met on due date.
- 5    Eugene supplied goods at cost RM 8,000 from his own existing business.
- 20    Hugo collected the debt from Ben, except for RM 100 cash discount was allowed to him and RM 400 of debt was irrecoverable.
- 21    Hugo remitted RM 2,000 to Eugene to assist in financing the venture.
- 22    Eugene paid sundry expenses in respect of the joint venture for RM 500.
- 28    Eugene received cash from sales proceeds of RM 6,000 and sent the supplying goods of cost RM 4,000 to Hugo. Eugene paid selling expenses for RM 200.
- Jun    5    Hugo sold goods for RM 12,300 by cheque.
- 25    Eugene sold the remaining goods for RM 2,500 except one item of cost RM 480, but valued at RM 500, was taken over by him for personal use.
- 30    The equipment was sold for RM 1,800 and the proceeds was kept by Hugo.
- 30    A cash settlement was made between the venturers, and the venture was ended.

No separate books were opened for the venture and all transactions involving cash were met from the venturers' own business bank account.

**You are required to prepare** the following accounts:

- (a) Joint Venture With Hugo in the books of Eugene;
- (b) Joint Venture With Eugene in the books of Hugo;
- (c) Memorandum Joint Venture.

### Question 5

Neo Fishing Club was established for years and its reporting period ends on 31 December. The treasurer of the club provided you the following information:

- ① Assets and liabilities balances on 1 January 2020:

	RM		RM
Furniture And Fixtures	8,000	Bank Loan	5,000
Inventory Of Fishing Tackle	9,000	Other Payables (Fishing Tackle)	3,000
Cash At Bank	4,210	Subscriptions In Advance	?
Subscriptions In Arrears	?		

- ② Cash receipts and payments for the year:

<i>Receipts:</i>	RM	<i>Payments:</i>	RM
Subscriptions	?	Other Payables	4,930
Fishing Tackle Takings	7,200	Fishing Competition Expenses	3,800
Receipts From Fishing Competition	3,000	Ground Rental	4,000
		Postage And Stationery	260
		General Expenses	1,000
		Interest On Bank Loan	500

- ③ Condition of member subscriptions:

Year

2019	8 members	in arrears
	5 members	paid in advance for year 2020
2020	6 members	paid for year 2019

There were 120 members in the club for year 2019.

25 new members are admitted for the current year and 10 existing members decided to withdraw from the club since year 2020.

Unpaid subscriptions are written off when they have been outstanding for the year.

The annual subscription for each member:	2019	RM 80
	2020	RM 90

No outstanding or prepaid subscriptions at the end of year 2020.

- ④ Unpaid ground rental amounted to RM 800.
- ⑤ Depreciation is charged on furniture and fixtures at 10% per annum.
- ⑥ The balance of other payables as at 31 December 2020 was RM 2,400 and the inventory of fishing tackle was valued at RM 8,000 on the reporting period.

**You are required to prepare** the following financial reports at the end-of-period:

- (a) Fishing Tackle Trading Account;
- (b) Income And Expenditure Account;
- (c) Statement Of Financial Position.



### Question 6

Nigel Enterprise set up a branch in Ipoh which keeps its own books. All goods are purchased by the head office and distributed to its branch at cost price. The Trial Balances as at 31 December 2020 were as follows:

	Head Office		Branch	
	Debit RM	Credit RM	Debit RM	Credit RM
Motor Vehicles	180,000		60,000	
Office Equipment	30,000		10,000	
Inventory, 1 January 2020	12,000		8,500	
Trade Receivables and Trade Payables	27,600	40,420	6,000	—
Cash At Bank	24,000		14,900	
Water And Electricity	9,400		3,600	
Salaries	30,000		12,000	
Accumulated Depreciation Of Motor Vehicles		36,000		5,850
Accumulated Depreciation Of Office Equipment		11,000		1,600
Allowance For Doubtful Debts		1,180		550
Goods Sent To Branch		32,000		—
Goods Received From Head Office	—		30,000	
Current	38,500			35,000
Drawings	4,400		—	
Capital		152,900		—
Returns Inwards	1,400		—	
Purchases and Sales	78,600	162,400	—	102,000
	435,900	435,900	145,000	145,000

Additional information:

- ① The inventory was valued at 31 December 2020: Head Office RM 10,000; Branch RM 7,100.
- ② Motor vehicles and office equipment are charged at a depreciation of 10% per annum on equal instalment basis. The scrap values of office equipment were RM 2,000 and RM 500 for the head office and the branch respectively.
- ③ Allowance for doubtful debts is calculated at 5% on the balance of trade receivables.
- ④ Head office makes carriage charges of RM 300 against the branch.
- ⑤ Goods sent to the branch costing RM 2,000 were still in transit and any discrepancy in current account should be treated as a cash remittance from the branch had not been received at the end of the reporting period.

**You are required to prepare:**

- (a) Branch Current account in the books of head office;
- (b) Head Office Current account in the books of branch;
- (c) a columnar Income Statement for the year ended 31 December 2020, separately for the head office, the branch and including a “combined” column.