

CONFUCIAN PRIVATE SECONDARY SCHOOL

2022 FINAL EXAMINATION

Senior Middle Three Arts

BOOKKEEPING AND ACCOUNTS

(SE15)

PAPER 2 SUBJECTIVE QUESTIONS

Date: 5 October 2022

Time: 9.15 a.m. – 12.15 p.m. (3 hours)

Answer Sheet: 11 Sheets

Set by: Jeff Lim, Alex Mok and Wang MK

INSTRUCTIONS TO CANDIDATES

1. This subject comprises two papers:
Paper 1: Multiple-choice Questions (20%),
Paper 2: Subjective Questions (80%).
2. Paper 2 consists of two sections:
Section A (Compulsory): Attempt **all** the three questions (60%),
Section B (Elective) : Attempt any **one**, but not more than one from the three questions (20%),
You are required to attempt a total of **four** questions.
3. **Begin each answer on a fresh page.**
4. Use only **blue** or **black** ink to write your answers.
5. Do not copy the questions, but the question numbers should be clearly written.
6. **Working must be shown.**
7. Unless otherwise specified, the prescribed electronic calculators may be used.
8. Before attempting the questions, fill in your index number on the **marking-sheet** (computer card) and blacken the corresponding letters/numbers with a **5B** pencil. After answering all the questions, blacken the numbers of the questions you have chosen in the **question number** column and also indicate the total number of questions answered.
9. Arrange the answer scripts in numerical order with the provided **marking-sheet** (computer card) on top and tie them together.
10. Paper 2 consists of seven printed pages and a blank page at the end.

| |
|---|
| DO NOT TURN OVER THIS PAGE UNTIL YOU ARE TOLD TO DO SO |
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(Candidate's Name: _____ Index Number: _____)

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

1. CPSS Limited had an authorised share capital of 300,000 6% preferred shares of RM 2 each and 300,000 ordinary shares of RM 1 each.

On 1 January 2022, CPSS Limited decided to acquire business of Julia Enterprise, a sole trader, based on the following Statement of Financial Position as at 31 December 2021:

| Non-current Assets | RM | RM | Owner's Equity | RM | RM |
|--------------------|---------------|----------------|---------------------|--------------|----------------|
| Premises | 300,000 | | Capital | | 479,300 |
| Motor Vehicles | <u>80,000</u> | | Current Liabilities | | |
| | | 380,000 | Trade Payables | 6,030 | |
| Current Assets | | | Rent Due | <u>2,320</u> | 8,350 |
| Inventory | 11,030 | | | | |
| Trade Receivables | 7,400 | | | | |
| Cash at Bank | <u>89,220</u> | | | | |
| | | 107,650 | | | |
| | | <u>487,650</u> | | | <u>487,650</u> |

The following information was available:

- (i) CPSS Limited took over all the assets and liabilities of Julia Enterprise (excluding bank balance and rent due) according to the revalued amounts as follows:

| | RM |
|-------------------|--------|
| Motor Vehicles | 50,000 |
| Inventory | 9,000 |
| Trade Receivables | ? |

(at carrying value with a doubtful debt allowance of 5%)

- (ii) The purchase consideration was agreed at RM 500,000. CPSS Limited paid for the above business purchase by the following combination payments:

| | RM |
|--|---------|
| Cash | 180,000 |
| 6% Preference Shares @ RM 2 | 200,000 |
| Balance paid by 100,000 new ordinary shares at premium | ? |

- (iii) Immediate after completion of the business purchase, CPSS Limited revalued the total premises to RM 1,000,000. Carrying amount of CPSS Limited's premises is RM 500,000 as per extracted Statement of Financial Statement as at 31 Dec 2021.

You are required to prepare:

- (a) in the books of CPSS Limited (buyer):
Journal entries to record the above transactions. (Narration are not (8%) required)
- (b) the following accounts in the books of Julia Enterprise (seller):
- (i) Realisation; (3.5%)
 - (ii) Buyer - CPSS Limited, (2%)
 - (iii) Bank, and (2%)
 - (iv) Capital. (2.5%)
- (c) Explain briefly the term of "Goodwill" **OR** "Gain on Bargain Purchase". (2%)
(Total: 20%)

2. Mitsui Enterprise prepares its year end accounts on 31 December annually. The Statement of Financial Position extracted as at 31 December 2020 as below:

| Mitsui Enterprise Statement of Financial Position (extract) as at 31 December 2020 | | |
|---|--------|--------|
| Non-current Assets | RM | RM |
| Machinery | 61,000 | |
| Less: Accumulated Depreciation of Machinery | 25,400 | 35,600 |

Below is the additional information related to the assets above:

- (i) The machinery consists of three units of machine, which were acquired on:
 - 10 April 2018 (Machine A, cost RM 15,000),
 - 5 November 2018 (Machine B, cost RM 24,000), and
 - 6 March 2020 (Machine C, cost RM 22,000).
- (ii) The company depreciates its machinery at the rate of 20% per annum assuming no scrap value after the lapse of the period, and no depreciation is provided for in the year of disposal.
- (iii) When the machine is purchased in the first-half of a financial year, then a full year's depreciation is provided for that year.
- (iv) When the machine is purchased in the second-half of a financial year, then a half year's depreciation is provided for that year.

During the year ended 31 December 2021, the following transactions took place:

- (i) On 10 February 2021,
Mitsui Enterprise bought a new machine (D) for RM 19,000 on credit from Honda Trading. Transportation costs and installation costs for the machine incurred on 10 February 2021 amounted to RM 300 and RM 700 respectively.
- (ii) On 31 March 2021,
Machine (A) was destroyed by fire and had to be written off. Toko Insurance Company agreed to compensate 80% of the carrying value of the machinery.
- (iii) On 14 May 2021,
Machine (B) was sold at the price of 20% below its carrying amount. The transaction was settled by cheque.
- (iv) On 10 September 2021,
Machine (C) was considered not suitable for the company and was exchanged for machine (E) costing RM 32,000. The trade-in value of the old machine (C) was RM 18,000 and the balance paid by cheque at the date of purchase.
- (v) On 1 December 2021,
Due to the increase in demand, proprietor agreed to bring in personal machine (F) RM 15,000 for business use.

You are required to:

- (a) Prepare the following accounts for year 2021:
 - (i) Machinery; (5%)
 - (ii) Accumulated Depreciation of Machinery; and (3%)
 - (iii) Disposal of Machinery. (6%)
 - (b) Show the non-current assets section of the Statement of Financial Position (extract) as at 31 December 2021. (3%)
 - (c) Give any three causes of depreciation and any three factors affecting calculation of depreciation. (3%)
- (Total: 20%)

3. Soho Berhad has an authorized capital of 300,000 Ordinary Shares of RM 2.00 each. Prior to the issue, the following balances were extracted from the company's books for the year ended 31 December 2020:

| Statement of Financial Position (extract) 31 December 2020 | |
|--|---------|
| Equity: | RM |
| Issued and Paid-Up Capital | |
| - 100,000 Ordinary Share of RM 2.00 each | 200,000 |
| Share Premium | 30,000 |

On 1 January 2021, the directors decided to increase the issued share capital of the company in accordance with the Company's Articles by offering the remaining 200,000 Ordinary Shares of RM 2.00 each at a premium of RM 0.10 per share, payable as follows:

| | |
|---------------------------------|-------------------|
| On application | RM 0.60 per share |
| On allotment, including premium | RM 1.00 per share |
| On first and final call | ? |

On 15 January 2021, applications had been received for 335,000 shares and the company decided to deal with them as follows:

- To return cheques to applicants for 35,000 shares;
- To accept in full applications for 100,000 shares;
- To allot the remaining shares pro rata on the basis of 1 shares for every 2 shares applied for. The excess application monies by the successful applicants were not refunded, but to be used as part payment of amounts due on allotment.

The shares were allotted on 31 January 2021 and the unsuccessful applicants were repaid their cash at this date. The balance of the allotment monies was received on 10 Feb 2021.

The first and final calls were made on 1 March 2021 and the monies were fully received on 31 March 2021 except for a shareholder who failed to pay the call money on 5,000 shares allotted to him.

After the completion of the issue of ordinary shares, the company also made an issue of RM 300,000 7% loan notes at a discount of 1%, payable in full on application.

On 15 May 2021, applications were received for RM 380,000 of loan notes. Allotment was made on 31 May 2021 and the excess application monies refunded on the same date.

On 30 June 2021, an interim dividend of RM 0.08 per ordinary share was declared and approved. This dividend subsequently paid on 1 August 2021.

You are required to:

- Calculate
 - excess application monies; (1%)
 - first and final call per share, which is mark as “ ? ” above; and (1%)
 - the interim dividend on Ordinary Shares. (1%)
- Prepare Journal entries (without narrations), to record the above issue of shares and loan notes; (9%)
- Prepare Ordinary Share Capital account; (4%)
- Show “Equity and Liabilities section” as it would appear on the company's extracted Statement of Financial Position as at 30 June 2021. (4%)

(Total: 20%)

Section B: Elective Questions (20%)

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

4. Summer Ltd consigned, as a sales trial, 100 cases of goods, costing RM 160 per case, from their warehouse in Penang, to their agents KK Trading in Kuantan, on 1 July 2021. The consignor paid insurance of RM 140 and freight of RM 260 on 5 July 2021.

On receiving the goods, KK trading found that the contents of 8 cases were completely broken; KK Trading advised Summer Ltd of this loss on 8 July 2021. A claim of RM 900 was made on Manulife Insurance on the same date.

The agreement between Summer Ltd and his agent provided for a commission on sales of 10% plus 2.5% del credere commission.

On 31 December 2021, the date of the financial year end of both Summer Ltd and KK Trading where KK Trading sent an Account Sales setting out the following items:

| Account Sales | | |
|---|-----------|-----------|
| Consignment of goods sold on behalf of Summer Ltd | | |
| | RM | RM |
| Sales on credit (80 cases x RM 240 per case) | | 19,200 |
| Less: Expenses Incurred | | |
| Storage Expenses (in respect of 92 cases) | 275 | |
| Packaging (in respect of 92 cases) | 185 | |
| Selling Expenses (in respect of 80 cases) | 240 | |
| 10% Selling Commission (10% x RM 19,200) | 1,920 | |
| 2.5% Del Credere Commission (2.5% x RM 19,200) | 480 | 3,100 |
| Net proceeds | | 16,100 |
| KK Trading | | |
| 31 December 2021 | | |

On 31 December 2021, in part settlement of the amount due, KK Trading accepted a Bill of Exchange for RM 9,000 drawn on them by Summer Ltd and the balance due was paid by cheque. On the same date, the bill was discounted by consignor at a charge of RM 190. The discounting charge was to be set off against the profit on consignment.

KK Trading received RM 15,600 from the consignment accounts receivable on 31 December 2021, and wrote off one bad debt of RM 3,600 as irrecoverable.

Prepare the following accounts on 31 December 2021:

- (a) In the Ledger of Summer Limited (Consignor)
- (i) Consignment; (7%)
 - (ii) Consignee – KK Trading; and (4%)
 - (iii) Bill Receivable. (1.5%)
- (b) In the Ledger of KK Trading (Consignee)
- (i) Consignor – Summer Ltd; (3.5%)
 - (ii) Commission Received; and (1.5%)
 - (iii) Consignment Accounts Receivable. (1.5%)
- (c) Define the term “Del Credere Commission”. (1%)
- (Total: 20%)

5. Carefree Bhd. acquired a motor van on a hire purchase basis from Carsome Bhd.

The terms of the hire purchase contract were as follows:

- (i) Date of purchase: 1 January 2020
- (ii) Cash price: RM 38,000;
- (iii) Initial Deposit: RM 200 plus 10% of cash price;
- (iv) Payments: 8 quarterly instalments, commencing on 31 March 2020; payable at the end of each quarter.
- (v) Interest was charged at 10% per annum on the balance of cash price outstanding at the beginning of 2020.

On 1 October 2021, the motor van was totally damaged in an accident. The van was then dealt with as follows:

- (i) The insurance company agreed to compensate RM 30,000 under the comprehensive policy covered;
- (ii) The hire purchase vendor Carsome Bhd. accepted a lump sum of RM 4,500 from Carefree Bhd. to terminate the agreement.

Carefree Bhd. closes its accounts on 31 December annually and provide depreciation on a reducing balance method at 10% per annum. No depreciation should be charged in the year of disposal.

All instalments were paid on the due dates during 2020 and 2021.

In the books of Carefree Bhd, you are required to:

- (a) Calculate
 - (i) hire purchase price (1%)
 - (ii) total hire purchase interest; (1%)
 - (iii) quarterly hire purchase interest. (1%)
- (b) Show the following ledger accounts for year 2020 and 2021
 - (i) Motor Van; (2.5%)
 - (ii) Hire Purchase Vendor – Carsome Bhd.; (7.5%)
 - (iii) Hire Purchase Interest Suspense; (3%)
 - (iv) Accumulated Depreciation of Motor Van; (2%)
 - (v) Disposal of Motor Van. (2%)

(Total: 20%)

6. Star Company of Kuala Lumpur has a Branch in Penang, where a full set of books are kept. All goods are purchased by the Head Office in Kuala Lumpur and sent to the branch at cost price. The followings balance were extracted from the ledgers as at 30 June 2022:

| | <u>Head Office</u> | | <u>Branch</u> | |
|---------------------------------------|--------------------|----------------|---------------|---------------|
| | Debit | Credit | Debit | Credit |
| | RM | RM | RM | RM |
| Capital | | 38,860 | | |
| Inventory, 1 July 2021 | 4,667 | | 5,390 | |
| Sales | | 82,941 | | 48,345 |
| Purchases | 75,000 | | | |
| Goods sent to branch | | 30,000 | | |
| Goods received from Head Office | | | 28,350 | |
| Motor Van, at cost | 39,000 | | | |
| Accumulated Depreciation of Motor Van | | 14,040 | | |
| Staff Salaries | 10,000 | | 8,250 | |
| Rental | 7,800 | | 4,600 | |
| General Expenses | 2,405 | | 1,218 | |
| Insurance | 500 | | | |
| Accounts Receivables | 3,950 | | 6,475 | |
| Accounts Payable | | 14,350 | | |
| Branch and Head Office Current | 18,763 | | | 15,163 |
| Cash at Bank | 18,106 | | 9,225 | |
| | <u>180,191</u> | <u>180,191</u> | <u>63,508</u> | <u>63,508</u> |

Additional information was available as follows:

- (i) The inventory in hand at 30 June 2022 were valued as follows:

| | |
|-------------|--------|
| Head Office | RM 600 |
| Branch | RM 900 |
- (ii) Depreciation motor van at the rate of 10% on book value.
- (iii) A branch debtor has made payment to head office amounting to RM 650. The appropriate entry has been made in the head office's books but not in the branch's books.
- (iv) Three-quarter of the premium insurance paid by head office was for the branch's fire insurance.
- (v) On 30 June 2022, the goods in transit to the branch cost is RM 1,650 and cash in transit to the Head Office is RM 2,600.

You are required to prepared:

- (a) A columnar Income Statement for the Head Office and Branch for the year ended 30 June 2022; (including a "combined" column); (11.5%)
 - (b) Branch Current Account in Head Office's books; (1.5%)
 - (c) a columnar Statement of Financial Position as at 30 June 2022. (7%)
- (Total: 20%)