



UNIVERSITI
TEKNOLOGI
PETRONAS

FINAL EXAMINATION SEPTEMBER 2023 SEMESTER

COURSE : GEB2013 - BUSINESS ACCOUNTING
DATE : 13 DECEMBER 2023 (WEDNESDAY)
TIME : 9:00 AM - 12:00 NOON (3 HOURS)

INSTRUCTIONS TO CANDIDATES

1. Answer **ALL** questions in the Answer Booklet.
2. Begin **EACH** answer on a new page in the Answer Booklet.
3. Indicate clearly answers that are cancelled, if any.
4. Where applicable, show clearly steps taken in arriving at the solutions and indicate **ALL** assumptions, if any.
5. **DO NOT** open this Question Booklet until instructed.

Note :

- i. There are **SEVEN (7)** pages in this Question Booklet including the cover page .
- ii. **DOUBLE-SIDED** Question Booklet.

Universiti Teknologi PETRONAS

1. Omar established his sole proprietorship business on April 1st, 2023, specializing in the trade of food and beverage products. A financial consultant has configured his accounting software, which includes the accounts chart, opening balance sheet, and all necessary accounting principles. At the end of the 2023 business year, he reviewed the financial statements to evaluate his business's performance. Together with his finance team, they affirmed that the business is thriving and has promising venture opportunities in the future.

- a. The opening balance sheet should incorporate the elements of the accounting equation. Outline the fundamental and the extended accounting equation.

[4 marks]

- b. At the end of each year, it is imperative to close the accounting cycle. Illustrate (with a brief discussion) the accounting cycle in a figure.

[4 marks]

- c. On April 1st, 2023, Omar paid RM60,000 for one year's rent for his company, and this amount was recorded as an expense for the year. The external auditor identified an error in recording this transaction in compliance with accounting principles.

- i. Show the error (the violation of accounting principles) in the above transaction.

[4 marks]

- ii. Assuming the amount was recorded as an asset (prepaid rent) instead of an expense, as stated in **Q1c**, show the adjusting entry at the end of the year.

[4 marks]

- d. Identify the financial statement/s Omar should rely on when evaluating his business's profitability.

[4 marks]

2. Kathi Enterprise, a limited liability company, has an accounting year end of December 31st, 2023. **TABLE Q2** below provides a list of accounts balances extracted from the general ledger:

TABLE Q2: List of Accounts Balances – 31/12/2023

Accounts	Balance (RM)
Accounts payable	17,200
Accounts receivable	21,500
Common stock	115,000
Cash at bank	55,200
Notes payable	85,000
Net purchases	153,000
Retained earnings	64,900
Gain on sale of PP&E	4,800
Interest expenses	3,000
Inventory as January 1 st 2023	32,000
Loan from MayBank	48,000
PP&E	250,000
Accumulated depreciation	85,500
Other operating expenses	11,100
Salaries expenses	42,600
Net sales	238,000
Prepaid insurance	90,000

Additional information:

- The closing inventory has been counted and is valued at RM75,000.
- PP&E (Property, Plant, and Equipment) is depreciated at 20% per annum based on their original cost.
- The insurance policy covers a two-year period starting from September 1st, 2023.
- The tax rate is 30%.

Based on the information available:

- a. Develop the Income Statement for Kathi Enterprise for the year ended December 31st, 2023.

[10 marks]

- b. Develop the Balance Sheet for Kathi Enterprise as of December 31st, 2023.

[10 marks]

3. HSA Group of Companies, a home improvement store chain, has reported the summarized information as shown in **TABLE Q3** below:

TABLE Q3: Summary of HSA Group of Companies Accounts – 2022/2023

Details	Year 2022 (RM)	Year 2023 (RM)
Net sales	75,300	65,700
Cost of goods sold	42,600	43,950
Interest expenses	750	210
Other expenses	8,700	12,600
Cash	3,000	1,350
Short-term investments	42,000	13,500
Accounts receivable	11,100	7,950
Inventory	10,350	12,300
Other current assets	15,000	2,700
Non-current assets	51,000	39,000
Short-term liabilities	49,500	19,650
Long-term liabilities	18,450	15,900
Common stock	16,500	16,500
Retained earnings	48,000	24,750

At a tax rate of 30%, answer the following questions:

- a. Calculate the following ratios for the years 2022 and 2023:

i. profit margin.

[4 marks]

ii. inventory turnover.

[4 marks]

iii. return on assets.

[4 marks]

- b. Using vertical analysis of the income statement, compare the performance of the HSA Group of Companies in 2022 and 2023.

[8 marks]

4. KOOH Enterprises is a food trading company. **TABLE Q4** below presents a summary of the extracted information for the past two years:

TABLE Q4: Summary Information for KOOH Enterprise – Years 2022-2023

Details	Year 2022 (RM)	Year 2023 (RM)
Net income	124,000	150,000
Depreciation	40,000	40,000
Accounts receivable	146,000	180,000
Accounts payable	100,000	180,000
Inventory	290,000	286,000
Accrued expenses	20,000	10,000
Prepaid expenses	35,000	5,000

- a. Calculate the cash flow from operating activities for the year ending December 31st, 2023, using the indirect method.

[10 marks]

- b. The cash flow statement includes cash inflow and outflow from three primary activities: operating activities, investing activities, and financing activities.

- i. Cash flow from operating activities stands as the most crucial category within the cash flow statement. Briefly justify.

[5 marks]

- ii. Should KOOH Enterprises' decision makers focus on the cash flow statement to evaluate their performance? Briefly explain.

[5 marks]

5. Rowland Enterprises manufactures the product R1 and sells each unit for RM120. **TABLE Q5** below outlines the planned production and estimated costs for the second half of year 2023:

TABLE Q5: Monthly Estimated Units Produced and Total Costs

Month	Units Produced	Total Costs (RM)
July	1,200	200,000
August	1,400	220,000
September	1,600	240,000
October	2,000	280,000
November	1,800	260,000
December	2,200	300,000

- a. Using high-low method, classify the Rowland's total costs into variable and fixed costs. [8 marks]
- b. Estimate the number of units that should be produced to achieve a net income of RM55,000. [6 marks]
- c. Explain the key differences between absorption costs and variable costs. [6 marks]

-END OF PAPER-

