

**INTI INTERNATIONAL COLLEGE PENANG  
CERTIFICATE IN BUSINESS STUDIES PROGRAMME**

**ACC 1001: BOOKKEEPING SKILLS  
RESIT EXAMINATION: AUGUST 2016 SESSION**

**Section A: 40 marks**

**Instructions:** This section consists of **TWENTY (20)** questions. Answer **ALL** questions in the OMR sheet provided. All questions carry equal marks.

1. Which of the following is classified as current assets?
  - A. Accounts payable
  - B. Equipment
  - C. Loan from bank
  - D. Accounts receivable
  
2. Which of the following statements is correct regarding capital account?
  - A. Drawing increases the capital account balance
  - B. Initial capital reduces the capital account balance
  - C. Additional capital reduces the capital account balance
  - D. Losses decreases the capital account balance
  
3. The assumption that assumes a company will continue in operation long enough to carry out its existing objectives is the:
  - A. business entity assumption.
  - B. monetary unit assumption.
  - C. time period assumption.
  - D. going concern assumption.
  
4. The extended accounting equation is:
  - A.  $\text{Assets} + \text{Revenue} = \text{Capital} - \text{Liabilities} - \text{Expenses}$
  - B.  $\text{Assets} - \text{Liability} = \text{Cash} + \text{Capital} - \text{Drawing} - \text{Expenses}$
  - C.  $\text{Assets} + \text{Expenses} - \text{Revenue} = \text{Capital} + \text{Liabilities} - \text{Drawing}$
  - D.  $\text{Liabilities} + \text{Revenue} - \text{Drawing} = \text{Capital} + \text{Assets} + \text{Expenses}$
  
5. A firm bought a machine for RM21,000. It is expected to be used for 8 years then sold for RM1,000. What is the depreciation expense per year if the straight line method is used?
  - A. \$2,750
  - B. \$2,625
  - C. \$1,500
  - D. \$2,500

6. If the business's owner added in more money from his/her personal saving account into the business's bank account, what will be the effect on capital?
- Increase in capital
  - Remain the same
  - Decrease in capital
  - No effect on capital
7. Prepaid expenses are
- paid and recorded in an asset account before they are used or consumed.
  - paid and recorded in an asset account after they are used or consumed.
  - incurred but not yet paid or recorded.
  - incurred and already paid or recorded.
8. From the following figures, calculate the profit/(loss) made during the year.
- |                          |        |
|--------------------------|--------|
|                          | \$     |
| capital at start of year | 30 000 |
| owner's drawings         | 7 000  |
| capital at end of year   | 10 000 |
- A. (\$23 000)      B. (\$13 000)      C. \$27 000      D. \$10 000
9. Accrued expenses are
- paid and recorded in an asset account before they are used or consumed.
  - paid and recorded in an asset account after they are used or consumed.
  - incurred but not yet paid.
  - incurred and already paid.
10. Which of the following is NOT true about a trial balance
- total debit must equal with total credit.
  - trial balance is a list of all account balances at a given time period.
  - every transaction has at least 2 impacts on trial balance.
  - trial balance shows the amount to be recorded in T accounts (i.e. ledger accounts).
11. The expense recognition principle matches
- customers with businesses.
  - expenses with revenues.
  - assets with liabilities.
  - creditors with businesses.
12. The typical account balance for expenses
- credit balance.
  - debit balance.
  - both debit and credit balances.
  - none of the above.

13. Which of the following best describe “depreciation”?
- Cost of a fixed asset
  - Cost to upkeep and maintain a fixed asset that charge to income statement
  - The residual value of a fixed asset
  - Portion of a fixed asset’s cost consumed that charge to income statement
14. Anderson Company provided consulting services to client and billed the client \$5,000. As a result of this event,
- assets remained unchanged.
  - assets increased by \$5,000.
  - owner’s equity increased by \$5,000.
  - assets and owner's equity both increased by \$5,000.
15. The following is a list of the assets and liabilities of a firm at a particular date.
- |                                  |         |
|----------------------------------|---------|
| Premises owned by the firm       | \$3,000 |
| Money owed to supplier           | \$1,000 |
| Inventory owned by the firm      | \$5,000 |
| Money owed by customers          | \$5,000 |
| Cash in the firm’s bank accounts | \$1,000 |
- The firm's capital at that date is:
- \$15,000
  - \$13,000
  - \$5,000
  - None of the above.
16. Which of the following best describe the accounting process
- Process that tracks the cash and bank balances.
  - Process that communication non-financial information to shareholders and all other users.
  - Process that identify, record, communicate business transactions for better decision making.
  - Process that identify, record, communicate business transactions for internal users decision making purposes.
17. On January 1, 2015, X Inc. purchased equipment for \$45,000. The company is depreciating the equipment at the rate of \$500 per month. At January 31, 2016, the balance in Accumulated Depreciation is:
- \$39,000.
  - \$6,000.
  - \$6,500.
  - \$38,500.
18. Suppose Jim Ltd had sales revenue of \$6.0 billion and Returns inwards of \$0.5 billion. Cost of goods sold was \$3.0 billion. What is the gross profit of Jim Ltd?
- \$3.5 billion
  - \$2.5 billion
  - \$8.5 billion
  - Cannot be determined from the data given

19. Users required accounting information to:
- A. manage.
  - B. invest.
  - C. give loan.
  - D. all the above.
20. Management could determine the amounts due from customers by examining which ledger account?
- A. Service Revenue
  - B. Accounts Payable
  - C. Accounts Receivable
  - D. Supplies

**Section B: 60 marks**

**Instructions:** This section consists of **FIVE (5)** questions. Answer any **THREE (3)** questions in the answer booklet provided. All questions carry equal marks.

**Question 1****Total: 20 Marks**

The trial balance of BOX Trading as at 30 June 2016:

|   | Debit (RM)     | Credit (RM)    |
|---|----------------|----------------|
| Sales                                     |                | 270,000        |
| Purchases                                 | 202,000        |                |
| Salaries                                  | 32,000         |                |
| Insurance Premium                         | 800            |                |
| Rent                                      | 3,500          |                |
| Office furniture, purchase on 1 July 2015 | 5,000          |                |
| Delivery Van, purchased on 1 July 2015    | 6,000          |                |
| Stock as at 1 July 2016                   | 4,000          |                |
| Capital                                   |                | 13,600         |
| Drawings                                  | 15,000         |                |
| Bank overdraft                            |                | 1,250          |
| Cash in hand                              | 4,600          |                |
| Discounts                                 | 900            | 200            |
| Provision for bad debts                   |                | 420            |
| Debtors and Creditors                     | 16,820         | 5,650          |
| Bad debts written off                     | 500            |                |
|   | -----          | -----          |
|   | <u>291,120</u> | <u>291,120</u> |

Additional information as at 30 June 2016 (not yet comprehended in the above trial balance):

- Salaries are to be accrued by RM500.
- Stock as at 30 June 2016 had been valued at RM5,000
- Provision for bad debts should be adjusted to 5% of the closing debtor balances.
- Depreciation for the year ended 30 June 2016 should be provided as follows:

|                  |                                   |
|------------------|-----------------------------------|
| Office furniture | 10% on cost                       |
| Delivery Van     | Depreciable over 5 year life span |

**Required:**

**Prepare the following financial statements for BOX Trading:**

- Income Statement (Profit and loss statement) for the year ended 30 June 2016. (10 marks)
- Statement of Financial Position (Balance Sheet) as at 30 June 2016. (10 marks)

**Question 2****Total: 20 marks**

- (a) Explain the following accounting concepts. Provide an example for each of the term:
- (i) Going concern (3 marks)
  - (ii) Business Entity (3 marks)
  - (iii) Materiality (3 marks)
- (b) Explain the difference between the two accounting concepts: “Uniformity” and “consistency”. Provide an example for each of the term. (6 marks)
- (c) State whether the following events are capital or revenue expenditure:
- (i) Change of commercial lorry’s battery
  - (ii) Purchase and installation of alarm system in the warehouse
  - (iii) Fire insurance expenses for the factory
  - (iv) Purchase of a photocopy machine and two printers for office usage
  - (v) Cost of purchasing production raw materials
- (5 marks)

**Question 3****Total: 20 Marks**

The following balances were extracted from the books of Ross Trading at 31 December 2013:

|                              |          |
|------------------------------|----------|
| Accounts Receivable          | RM40,000 |
| Provision for doubtful debts | RM500    |

During 2014 the following took place:

1. Credit sales of RM520,000 were made
2. Collected RM500,000 cash from debtors
3. Write off debts amounting to RM1,000
4. Recovered debts of RM2,000 which was written off in 2011 (Not included in amount stated in 2.)
5. At the end of 2014, Patsy decided to make a provision of 1% of outstanding debtors for doubtful debts.

**Required:**

- (a) Prepare the journal entries for the **FIVE (5)** transactions took placed during 2014. (10 marks)
- (b) What are the **THREE (3)** key characteristics of good accounting information, as expected by the users? (3 marks)
- (c) List **SEVEN (7)** parties who would be interested in the accounting information. Give examples on how the information will be used by them respectively. (7 marks)

**Question 4****Total: 20 Marks**

Sam started business on 1 January 2014 and intends to prepare accounts to 31 December each year. During the year ended 31 December 2014, the following fixed assets were purchased.

|            |               |           |
|------------|---------------|-----------|
| 1 February | Equipment     | RM60,000  |
| 1 June     | Truck Vehicle | RM100,000 |

Depreciation on the Equipment is calculated at 20% per annum using the reducing balance method, proportionate to the closest month. Depreciation on the vehicles is calculated on a straight-line basis on year of purchase, proportionate to the closest month. The trader intends to use the truck vehicle for 5 years and at the end of this time, the residual values are estimated to be RM10,000.

**Required:**

- (a) Prepare the ledger accounts for 2014:
- (i) Equipment account (3 marks)
  - (ii) Motor vehicles account (3 marks)
  - (iii) Accumulated depreciation account – Equipment (4 marks)
  - (iv) Accumulated depreciation account – Motor vehicles (4 marks)
- (b) Balance Sheet (extract) as at 31 December 2014. (4 marks)
- (c) Explain the factor/consideration in determining the depreciation method (straight line or reducing balance method) for a given fixed asset. (2 marks)

**Question 5**

**Total: 20 Marks**

Fill in your answers in the table format as below (Please construct the table format in the answer booklet):

- (a) Type of balance (Debit/Credit)
- (b) What are they (assets/ liabilities/capital/revenue/expense/contra equity/contra asset)
- (c) Describe how they should appear in the Final Accounts Reporting (e.g. in balance sheet under: current/non-current assets/liabilities, contra asset/equity, equity categories or in income statement under cost of goods sold/revenue/expense categories)

| Items                            | (a) | (b) | (c) |
|----------------------------------|-----|-----|-----|
| Provision for doubtful debts     |     |     |     |
| Equipment purchased              |     |     |     |
| Long-term loan                   |     |     |     |
| Retained Earning                 |     |     |     |
| Discount received from suppliers |     |     |     |

(15 marks)

- (d) What is “asset”? (2 marks)

- (e) Can we account for worker’s technical expertise and knowledge as asset in the balance sheet? Why or why not?

(3 marks)

**~ The End ~**