



**INTI**

INTERNATIONAL COLLEGE PENANG (507232-U)  
LAUREATE INTERNATIONAL UNIVERSITIES

FINAL  
Examination Paper

(COVER PAGE)

Session : AUGUST 2016

Programme : CERTIFICATE IN BUSINESS STUDIES

Course : ACC1001: BOOK KEEPING SKILLS

Date of Examination : 5 December 2016 (Monday)

Time : 11:00am - 1:00pm Reading Time : Nil

Duration : 2 Hours

Special Instructions :

This paper consists of **TWO (2)** sections. Answer **ALL** questions in **Section A** in the OMR sheet provided.

Answer any **THREE (3)** questions in **Section B** in the answer booklet provided.

All questions carry equal marks.

Materials permitted :

Nil

Materials provided :

Nil

Examiner(s) : Chan Eng Hong

Moderator : Lim Tan Chin

*This paper consists of 9 printed pages, including the cover page.*

**INTI INTERNATIONAL COLLEGE PENANG**  
**CERTIFICATE IN BUSINESS STUDIES PROGRAMME**  
**ACC 1001 : BOOKKEEPING SKILLS**  
**FINAL 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 the normal balance of revenue account?
  - A. Debit balance
  - B. Cash balance
  - C. Overdraft
  - D. Credit balance
  
2. Which of the following statements is incorrect regarding capital account?
  - A. Drawing decreases the capital account balance
  - B. Initial capital increases the capital account balance
  - C. Additional capital increases the capital account balance
  - D. Profits decreases the capital account balance
  
3. Assume business will continue its operation in the foreseeable future. This assumption justifies the use of historical cost in the recording of non-current assets. Which accounting principle applies?
  - A. Going concern
  - B. materiality
  - C. money measurement
  - D. prudence
  
4. The Basic accounting equation is
  - A.  $\text{Assets} = \text{Capital} - \text{Liabilities}$
  - B.  $\text{Assets} = \text{Cash} + \text{Capital}$
  - C.  $\text{Capital} = \text{Assets} - \text{Liabilities}$
  - D.  $\text{Liabilities} = \text{Capital} + \text{Assets}$
  
5. A firm bought a machine for RM21,000. It is expected to be used for 5 years then will be sold for RM1,000. What is the depreciation expense per year if the straight line method is used?
  - A. \$4,200
  - B. \$3,200
  - C. \$4,400
  - D. \$4,000
  
6. If the business's owner withdraws cash for personal use what will be the effect on accounting equation?
  - A. Increase in capital, increase in asset
  - B. Capital remain the same, decrease in asset
  - C. Decrease in capital; decrease in asset
  - D. Decrease in capital, increase in asset

7. Unearned revenues are:
- cash received and a liability recorded before services are performed.
  - revenue for services performed and recorded as liabilities before they are received.
  - revenue for services performed but not yet received in cash or recorded.
  - revenue for services performed and already received in cash and recorded.
8. From the following figures, calculate the profit made during the year.
- |                          |        |
|--------------------------|--------|
|                          | \$     |
| capital at start of year | 20,000 |
| owner's drawings         | 6,000  |
| capital at end of year   | 30,000 |
- A. \$4,000                      B. \$16,000                      C. \$26,000                      D. \$30,000
9. Which of the following best describes the meaning of Purchases?
- Goods bought for resale.
  - Goods bought on credit
  - Goods bought for cash
  - Goods paid for
10. The accounting activities are correctly sequenced as
- identification, communication, recording.
  - recording, communication, identification.
  - identification, recording, communication.
  - communication, recording, identification.
11. A Provision for Doubtful Debts is created
- when debtors become bankrupt
  - when debtors are no longer in business
  - to write off bad debts
  - to provide for possible bad debts
12. The double-entry system requires that each transaction must be recorded
- in at least two different accounts.
  - in two sets of books.
  - in a journal and in a ledger.
  - first as a revenue and then as an expense.
13. What is depreciation?
- Cost of a fixed asset
  - Cost of a fixed asset's repair
  - The residual value of a fixed asset
  - Portion of a fixed asset's cost consumed during the current accounting period

14. Which of the following is an asset of a firm?

- A. Money payable to Mr. Venu.
- B. Bank Overdraft.
- C. Loan to Mr. Ali.
- D. Owner contribute money into business.

15. The following is a list of the assets and liabilities of a firm at a particular date.

Premises owned by the firm	\$21,000
Money owed by the firm to its Accounts payable	\$3,000
Inventory owned by the firm	\$8,000
Loan received by the firm from a bank	\$4,000
Cash in the firm's safe	\$1,000

The firm's capital at that date is:

- A. \$13,000
- B. \$23,000
- C. \$29,000
- D. None of the above.

16. The following accounts are used to calculate the costs of goods sold except :

- A. Purchases
- B. Carriage inwards
- C. Carriage outwards
- D. Opening inventory

17. The following are the year end balances in Jibby's ledgers:

	\$
Sales	43,000
Purchases	16,000
Equipment	22,000
Bank Overdraft	8,000
Inventory	19,000
Capital	6,000

What is the trial balance' total debit balances?

- A. \$76,000
- B. \$57,000
- C. \$65,000
- D. \$63,000

18. Suppose Alibaba.com had sales revenue of \$5.5 billion and Returns inwards of \$0.5 billion. Cost of goods sold was \$3.0 billion. What is the gross profit of Amazon?

- A. \$2,0 billion
- B. \$1.0 billion
- C. \$3.0 billion
- D. Cannot be determined from the data given

19. Expenses incurred but not yet paid or recorded are called

- A. prepaid expenses.
- B. accrued expenses.
- C. interim expenses.
- D. unearned expenses.

20. On 1 January 2013, a company purchased machinery for RM26 000. It was decided to depreciate the asset using the reducing balance method at a rate of 20 % per annum. What is the depreciation expense for year end 31 December 2014?

- A. RM5,200                      B. RM4,160                      C. RM 3,328                      D. RM2,662

**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 Excel Trading as at 30 June 2016:

	Debit (RM)	Credit (RM)
Sales		257,165
Purchases	192,800	
Salaries	32,000	
Insurance Premium	600	
Rent	3,400	
Office furniture, purchase on 1 July 2015	3,000	
Delivery lorry, purchased on 1 July 2015	3,750	
Stock as at 1 July 2015	4,120	
Capital		11,500
Drawings	17,100	
Bank overdraft		700
Cash in hand	4,500	
Discounts	800	540
Debtors and Creditors	12,315	5,200
Bad debts written off	720	
	-----	-----
	<u>275,105</u>	<u>275,105</u>

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

- (a) Stock as at 30 June 2016 had been valued at RM3,000.
- (c) Depreciation for the year ended 30 June 2016 should be provided as follows:
- |                  |                                   |
|------------------|-----------------------------------|
| Office furniture | 20% on cost                       |
| Delivery lorry   | Depreciable over 3 year life span |

**Required:**

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

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

**Question 2****Total: 20 Marks**

The following opening balances were extracted from the books of Party Trading at 1 January 2015:

Debtors	RM30,000
Provision for doubtful debts	RM500

During 2015 the following took place:

1. Credit sales of RM200,000 were made
2. Collected RM160,000 cash from debtors
3. Wrote off debts amounting to RM2,000
4. Recovered debts of RM5,000 which was written off in 2012 (Not included in cash collected as stated in 2.)
5. At the end of 2015, Party decided to make a provision of 3% of outstanding debtors for doubtful debts.

**Required:**

- (a) Prepare the journal entries for the FIVE (5) transactions took placed during 2015. (10 marks)
- (b) Prepare the following ledger accounts for the year to 31 December 2015:
- (i) Debtors Account (4 marks)
- (ii) Provision for Doubtful Debts Account (4 marks)
- (b) Show the relevant extracts of Balance Sheet as at 31 December 2015. (2 marks)

**Question 3****Total: 20 marks**

- (a) Explain the following accounting concept with one illustrative example for each:
- (i) Accrual/Matching principle (3 marks)
- (ii) Historical cost concept (3 marks)
- (iii) Consistency concept (3 marks)
- (b) Explain the terms “capital expenditure” and “revenue expenditure”. Provide an example for each of the term. (6 marks)

(c) State whether the following events are capital or revenue expenditure:

- (i) To add on additional floor at head quarter office building
- (ii) Purchase and installation of 4 units of lift in the office building
- (iii) Re-paint the warehouse external walls
- (iv) Purchase of a second hand truck vehicle
- (v) Cost of replacing battery of a lorry

(5 marks)

**Question 4**

**Total: 20 Marks**

Fill in your answers in the table format as below (Construct the table format in the answer sheet):

- (a) Type of balance (Debit/Credit)
- (b) What are they (Assets/ Liabilities/Capital/Revenue/Expense/contra assets/contra equity)
- (c) Describe how they should appear in the final accounts (e.g. in balance sheet under: current/non-current assets/liabilities, contra assets/equity, equity categories or in Income Statement under Cost of Goods Sold/Revenue/Expense categories)

Items	(a)	(b)	(c)
Provision for doubtful debts			
Land & building			
Creditors			
Drawings			
Loan payable within 12 months			
Capital			
Accumulated depreciation			
Carriage outwards			
Debtors			
Commission received			

(20 marks)

**Question 5****Total: 20 Marks**

Mr. Smith owns a second hand car trading business. During the year, he has expanded his business by selling and repairing second hand cars. He has just received a copy of his financial statements for the year ended 31 December 2015. He does not understand some of the items in the financial statements. You are his newly appointed accountant and he required your help to explain those items:-

Required:

- a) What is the purpose of financial statements? What is the usage of statement of financial position? (4 marks)
- b) Define the term “Liabilities” and “Equity”. (4 marks)
- c) Mr. Smith’s technical expertise is an “asset” to the business but it does not seem to have been included in the statement of financial position. Explain why such “asset” is not recognized in the statement of financial position. (4 marks)
- d) Why a “second hand car” appears under non-current asset when all other such cars appear under current asset headings in the statement of financial position. Explain how is it possible? (4 marks)
- e) Explain why the salary expense recorded in the income statement can be different from the salary he actually paid to the workers during the year? The pay day is mid of every month. (4 marks)

(Total: 20 marks)

~ The End ~

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