

FINAL
Alternative Assessment

(COVER PAGE)

Session : August 2020

Programme : Foundation in Business Information Technology (CFPI)

Course : **ACC1201: Fundamentals of Accounting**

Date of Examination : 16 December 2020 (Wednesday)

Time : 2:00pm – 4:30pm Reading Time : Nil

Duration : 2 hours + 30 minutes (uploading time)

Special Instructions :

Answer **ALL** questions.

Materials permitted : Nil

Materials provided : Nil

Examiner(s) : **Mr. Henry Ooi**

Chief Moderator : Ms. Alicia Carol White

This paper consists of 5 printed pages, including the cover page.

FOUNDATION IN BUSINESS INFORMATION TECHNOLOGY (CFPI)
ACC 1201: FUNDAMENTALS OF ACCOUNTING
FINAL ALTERNATIVE ASSESSMENT: AUGUST 2020 SESSION

Question 1 (25 marks)

The following unadjusted trial balance of Harrison, a sole trader as at 31 December 2017 is as follows:

| Harrison | | |
|---|------------|-------------|
| Unadjusted Trial Balance as at 31 December 2017 | | |
| | Debit (RM) | Credit (RM) |
| Bank | | 13,000 |
| Trade Payables | | 3,000 |
| Trade Receivables | 120,000 | |
| Inventory | 20,700 | |
| Capital | | 38,200 |
| Motor vehicles, at cost | 55,800 | |
| Accumulated Depreciation-Office Equipment | | 9,000 |
| Sales | | 400,000 |
| Purchases | 240,000 | |
| Returns Inwards & Returns Outwards | 5,500 | 2,000 |
| Provision for Doubtful Debts | | 1,000 |
| Salary Expense | 14,000 | |
| Rent Expense | 7,000 | |
| Carriage inwards | 2,600 | |
| Carriage outwards | 600 | |
| | 466,200 | 466,200 |

The following additional information were provided as at 31 December 2017:

- Closing inventory was RM18,000.
- January 2018 rental of RM1,000 was included in the rent expense.
- Salaries of RM2,000 remained outstanding.
- Motor vehicles current year's depreciation of 25% per annum based on reducing balance method, was not provided for yet.
- Provision for doubtful debts was to be increased by RM2,000.

Required:

- a) Prepare the Statement of Profit or Loss for the year ended 31 December 2017. (13 marks)
- b) Prepare the Statement of Financial Position as at 31 December 2017. (12 marks)

Question 2 (25 marks)

James started his business on 1 January 2013 and prepares his financial statements to 31 December every year. For the year ended 31 December 2013, bad debts written-off amounted to RM1,400. It was also found necessary to create an allowance for doubtful debts for RM2,600. The outstanding balance for debtors as at 31 Dec 2013 were RM83,000.

In 2014, debts amounting to RM2,200 were proved to be bad and was written-off. As at 31 December 2014, total debts outstanding were RM92,000. It was decided to bring the allowance for doubtful debts up to 4% of this figure on that date.

In 2015, RM3,800 of debts were written-off during the year. As at 31 December 2015, total debts outstanding were RM72,000. The allowance for doubtful debts is to be changed to 5% of this figure.

Required :

Prepare the following accounts for the years ended 31 December 2013, 2014 and 2015

1. Bad Debt A/C (3 marks)
2. Allowance For Doubtful Debts A/C (6 marks)
3. Statement of Profit or Loss (Extract) (7 marks)
4. Statement of Financial Position (Extract) (9 marks)

Question 3 (25 marks)

- a) Match each of the following statements with the appropriate accounting concepts. Some concepts may be used more than once, while others may not be used at all. Use the notations shown to indicate the appropriate accounting concepts.

| Accounting Concepts | Notations |
|---------------------------|-----------|
| Accounting Period | A |
| Adequate Disclosure | B |
| Business Entity | C |
| Historical Cost | D |
| Going Concern | E |
| Matching Concept | F |
| Objectivity concept | G |
| Money Measurement Concept | H |
| Reliability concept | I |

Statements

1. Land worth RM8,000,000 is reported at its original cost of RM220,000.
2. Personal transactions of owners are kept separate from the business.
3. Monthly utilities costs are reported as expense along with the monthly revenues.

4. This concept justifies recording only transactions that are expressed in dollars.
5. Assume that a business will continue forever.
6. Changes in the use of accounting methods from one period to the next are described in the notes of the financial statements.
7. Financial information should be neutral.
8. Financial information needs to be trusted by the users.
9. Assets are recorded at the purchase price
10. Business have indefinite lives.

(10 marks)

- b) Mickey's Shoe Repair had the following transactions for the month of August 2020.
- (i) Received RM3,000 for shoe repairs in the month of August 2020.
 - (ii) Paid RM650 rent expense for August 2020.
 - (iii) Purchased a 6-month insurance policy for RM1,200 which covers the months September 2020 to March 2021.
 - (iv) Purchased supplies to be use in shoe repair work for RM310.
 - (v) Received RM500 from customers for payment on account for shoe repairs in July 2020.
 - (vi) Received a utility bill for RM120 in the month of August 2020; the bill is due in September 2020.

Required:

For each transaction above, prepare the appropriate journal entry. (12 marks)

- c) Explain what is mean by 'depreciation' (3 marks)

Question 4 (25 marks)

(a) Ernie's Bicycle Shop uses a perpetual inventory system and had the following sales transactions during the month of June:

June 2nd: Sold merchandise to customers on credit for RM1,300 with credit terms of 2/10, n/30. The items sold had a cost of RM850.

June 5th: Customers returned merchandise originally sold for RM120. The cost of the merchandise returned was RM80.

June 9th: The customer paid for the merchandise sold on June 2nd, and earned the appropriate discount.

Required:

Prepare the journal entries that Ernie should record for these transactions. (11 marks)

(b) Rahimah Sdn. Bhd. uses a perpetual inventory system and provided the following inventory transactions for the month of June:

| | Units | Cost per Unit (RM) | |
|----------------------------------|-------|--------------------|---|
| Beginning inventory | 200 | 20 | |
| June 3 rd : Purchase | 60 | 22 | |
| June 10 th : Sale | | 90 | - |
| June 18 th : Purchase | 120 | 23 | |
| June 25 th : Sale | | 70 | - |

Required:

Based on the information provided:

(i) Calculate ending inventory and cost of goods sold for Rahimah Sdn. Bhd. using the FIFO inventory valuation method. (4 marks)

(ii) Calculate ending inventory and cost of goods sold for Rahimah Sdn. Bhd. using the Weighted Average inventory valuation method. Round intermediate calculations to two decimals. Round final answers to two decimals. (5 marks)

(c) What effect does the choice of inventory valuation method have on the cost of ending inventory, cost of goods sold and net income? (5 marks)

--THE END--