

FINAL
Examination Paper

(COVER PAGE)

Session : April 2017

Programme : Diploma In Business Management (DBM)

Course : WACC1107: Accounting In Practice

Date of Examination : August 5, 2017 (Saturday)

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

Duration : 2Hours

Special Instructions :

Section A: Answer ALL Multiple Choice questions in the OMR sheet provided.

Section B: Answer ALL THREE (3) question.

IMPORTANT NOTE : THIS PAPER SHOULD NOT BE TAKEN OUT OF THE EXAMINATION HALL

Material permitted : Non-programmable Calculator

Materials provided : OMR

Examiner(s) : Mr Siew Chow Yuen, Mr Chang Yaw Yun, Mr Bernard Joseph

Moderator : Mr Cheah Kong Yong

This paper consists of 10 printed pages, including the cover page

DIPLOMA IN BUSINESS MANAGEMENT PROGRAMME (DBM)
WACC1107 : ACCOUNTING IN PRACTICE
FINAL EXAMINATION : APRIL 2017 SESSION

SECTION A: Multiple choice question (50 marks)

Instructions: This section consists of **TWENTY- FIVE (25)** questions. Answer **ALL** questions in the **OMR** sheet provided. All questions carry equal marks.

1. "The business entity will continue to operate indefinitely" refers to which of the following accounting concept/assumption?
 - A. Monetary
 - B. Going concern
 - C. Matching principle
 - D. Accounting period

2. Which of the following is an asset of a business?
 - A. Account Receivables
 - B. Loan to Tony
 - C. Mortgage
 - D. Bank overdraft

3. Which of the following is a liability of a business?
 - A. Premises
 - B. Trade Payables
 - C. Trade Receivables
 - D. Motor vehicles

4. When owner invests cash in the business, what is the effect?
 - A. Liability increases and capital increases
 - B. Both assets and liabilities increase
 - C. Both assets and capital decrease
 - D. Both assets and capital increase

5. Which of the following **BEST** describes non-current assets?
 - A. Fixed assets are purchased to be used in the business
 - B. Fixed assets are purchased for the purpose of resale
 - C. Fixed assets are expensive items purchased by the business
 - D. Fixed assets are items that last long in the business

6. All of the following are acceptable reasons for the charging of depreciation as an expense in the final accounts of a business, *except*:
- A. Physical wear and tear
 - B. Passage of time
 - C. Obsolescence
 - D. Accidents
7. Which of the following cost is normally fixed?
- A. Food cost
 - B. Wages
 - C. Rent
 - D. Sales commission
8. One of the qualitative characteristics of financial information that is capable of making a difference in decision making is
- A. Faithfully representative.
 - B. Relevant.
 - C. Convergent.
 - D. Generally accepted.
9. In Cost-Volume-Profit (CVP) , contribution margin equals to:
- A. Fixed costs minus variable costs
 - B. Revenues minus fixed costs
 - C. Revenues minus variable costs
 - D. Variable costs minus fixed costs
10. When three or more accounts are required in one journal entry, the entry is referred to as a
- A. Compound entry.
 - B. Triple entry.
 - C. Multiple entry.
 - D. Simple entry.
11. Cash management is **BEST** described as :
- A. Forecasting monthly net income to know how much cash the company will have from month to month
 - B. Managing all working capital accounts
 - C. Asking stockholders how much they should be paid in cash dividends
 - D. Selling goods and services on a cash basis only

12. Long-term creditors are usually most interested in evaluating

- A. Liquidity and solvency.
- B. Solvency and marketability.
- C. Liquidity and profitability.
- D. Profitability and solvency.

13. In recording an accounting transaction in a double-entry system

- A. The number of debit accounts must equal the number of credit accounts.
- B. There must always be entries made on both sides of the accounting equation.
- C. The amount of the debits must equal the amount of the credits.
- D. There must only be two accounts affected by any transaction.

14. The book value of a non-current asset is equal to

- A. Asset's fair value less its historical cost.
- B. Replacement cost of the asset.
- C. Asset's cost less accumulated depreciation.
- D. Asset's cost less fair value.

15. Depreciation is the process of allocating the cost of a plant asset over its service life in

- A. An equal and equitable manner.
- B. An accelerated and accurate manner.
- C. A systematic and rational manner.
- D. A conservative market-based manner.

16. Recording depreciation each period is necessary in accordance with the

- A. Going concern principle.
- B. Historical cost principle.
- C. Expense recognition principle.
- D. Asset valuation principle.

17. Under accrual-basis accounting

- A. Cash must be received before revenue is recognized.
- B. Net income is calculated by matching cash outflows against cash inflows.
- C. Events that change a company's financial statements are recognized in the period they occur rather than in the period in which cash is paid or received.
- D. The ledger accounts must be adjusted to reflect a cash basis of accounting before financial statements are prepared under generally accepted accounting principles.

18. The basic accounting equation **cannot** be restated as
- A. $\text{Assets} - \text{Liabilities} = \text{Owner's Equity}$.
 - B. $\text{Assets} - \text{Owner's Equity} = \text{Liabilities}$.
 - C. $\text{Owner's Equity} + \text{Liabilities} = \text{Assets}$.
 - D. $\text{Assets} + \text{Liabilities} = \text{Owner's Equity}$.
19. Owner's equity is decreased by all of the following **except**
- A. Owner's investments.
 - B. Owner's cash withdrawals.
 - C. Expenses.
 - D. Decreases in net income.
20. A net loss will result during a time period when
- A. Liabilities exceed assets.
 - B. Drawings exceed investments.
 - C. Expenses exceed revenues.
 - D. Revenues exceed expenses.
21. A credit is **not** the normal balance for which account listed below?
- A. Capital account
 - B. Revenue account
 - C. Liability account
 - D. Drawings account
22. Accrued revenues are
- A. Cash received and a liability recorded before services are performed.
 - B. Revenue for services performed and recorded as liabilities before they are received.
 - C. Revenue for services performed but not yet received in cash or recorded.
 - D. Revenue for services performed and already received in cash and recorded.
23. Prepaid expenses are
- A. Paid and recorded in an asset account before they are used or consumed.
 - B. Paid and recorded in an asset account after they are used or consumed.
 - C. Incurred but not yet paid or recorded.
 - D. Incurred and already paid or recorded.

24. Budgeting is usually most closely associated with which management function?
- A. Planning
 - B. Directing
 - C. Motivating
 - D. Controlling
25. Which of the following is the truth of budgets?
- A. They are voted on and approved by stockholders.
 - B. They are used in the planning, but not in the control, process.
 - C. There is a standard form and structure for budgets.
 - D. They are used in performance evaluation.

SECTION B: (50 marks)

Instructions : Answer all **THREE (3)** questions in the answer booklet provided.

Question 1

The following is a list of balances extracted from the ledger of Top Peak Traders as at 31st December 2016

	RM
Capital at 1 st January 2016	200,000
Inventory at 1 st January 2016	49,500
Drawings	38,000
Bank Overdraft	13,740
Trade payables	26,200
Short term loan	7,000
Mortgage	40,000
Cash in hand	21,210
Trade Receivables	98,400
Motor Vehicles	30,000
Office Equipment	160,000
Accumulated depreciation at 1 st January 2016 :	
- Motor Vehicles	12,000
- Office Equipment	32,000
Provision for doubtful debt	5,000
Sales	372,670
Purchases	266,000
Advertising expenses	26,000
Heating and lighting	14,700
Insurance	7,800
Discount Received	13,000
Discount Allowed	10,000

Additional information on 31st December 2016:

- (1) Advertising expenses still owing amounted to RM2,000
- (2) Depreciation is to be provided on Motor Vehicles at 5% straight line, and Office Equipment at 20% on reducing balance.
- (3) Provision for doubtful debts is to be provided at 5% of trade receivables
- (4) Insurance prepaid RM2,800
- (5) Closing inventory RM20,800

Required:

- (a) Prepare an Income Statement for the year ended 31st December 2016

(10 marks)

- (b) Prepare a Statement of financial position as at 31st December 2016.

(15 marks)

(Total : 25 marks)

Question 2

Dragon is a manufacturing business divided into three separate departments, machining, finishing and stores.

The total estimated costs for the three months ending 31 October 2016 are as follows:

	RM
Depreciation of plant	6 000
Lighting and heating	4 500
Plant insurance	4 800
Rent	18 000
Supervision	25 000

The following information is available for the three departments:

	Machining	Finishing	Stores
Floor area (sq metres)	5000	4500	500
Number of employees	12	8	5
Value of plant (\$000's)	86	8	2
Number of orders from Stores	3600	1480	-
Budgeted machine hours	4250	820	-
Budgeted direct labour hours	1200	4950	-

REQUIRED

- (a) Apportion the costs to the three departments using the most suitable basis. Clearly state the basis you have used.

(10 marks)

- (b) Re-apportion stores costs to each production department on the basis of the number of orders.

(5 marks)

(Total : 15 marks)

Question 3

Below are the Statement of Financial Performance and the Statement of Financial Position for Smart Ltd. for the last two years.

Statement of Financial Performance

	Year 2015 RM ('000)	Year 2016 RM ('000)
Sales	7,856	6,375
Less : Cost of Sales	<u>5,700</u>	<u>4,212</u>
Gross Profit	2,156	2,163
Less : Expenses		
Selling & Distribution	(1,120)	(840)
Depreciation	<u>(1,000)</u>	<u>(935)</u>
Operating Profit	36	388
Interest	<u>(25)</u>	<u>(20)</u>
Profit Before Tax	11	368
Taxation	<u>(5)</u>	<u>(85)</u>
Profit for the Year	<u>6</u>	<u>283</u>

Statement of Financial Position

	1.1.1 Year 2015		Year 2016	
	RM '000	RM '000	RM '000	RM '000
2 Non-current Assets		5,125		5,700
3 <u>Current Assets</u>				
Inventories	2,543		1,750	
Debtors	<u>3,784</u>		<u>2,714</u>	
		6,327		4,464
4 <u>Current Liabilities</u>				
Bank Overdraft	587		110	
Creditors	<u>3,852</u>		<u>3,420</u>	
		<u>4,439</u>		<u>3,530</u>
Net Current Assets		<u>1,888</u>		<u>934</u>
		<u>7,013</u>		<u>6,634</u>
Financed by :				
Ordinary Share Capital		5,000		5,000
Retained Profit		<u>2,013</u>		<u>1,634</u>
		<u>7,013</u>		<u>6,634</u>

Required:

(a) Calculate the following ratios for each year:

- (i) Gross Profit Margin
- (ii) Return on Capital Employed
- (iii) Current Ratio
- (iv) Quick Ratio
- (iv) Average Debtors Collection Period (in days)

(5 marks)

(b) Comment on the ratios that you have calculated for both the periods.

(5 marks)

(Total : 10 marks)

-THE END-

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