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FINAL
Examination Paper

(COVER PAGE)

Session : August 2018

Programme : Diploma In Hotel Management (DHMN)
Diploma In Culinary Arts (DCAN)

Course : ACC1103 : Business Accounting

Date of Examination : December 12, 2018 (Wednesday)

Time : 11:00 am – 1:00 pm

Duration : 2 hrs Reading Time : Nil

Special Instructions :

This paper consists of TWO (2) sections. Answer THREE (3) questions in SECTION A and ONE (1) question in SECTION B in the answer booklet provided. All questions carry equal marks.

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

Materials Permitted : Calculator

Materials Provided : Nil

Examiner(s) : Chang Yaw Yun, Chong Chit Min and Alex Aung Moe

Moderator : Ms Chou Chee Ling

This paper consists of 8 printed pages, including the cover page.

DIPLOMA IN HOTEL MANAGEMENT PROGRAMME (DHMN)
 DIPLOMA IN CULINARY ARTS PROGRAMME ((DCAN)
 ACC1103: BUSINESS ACCOUNTING
 FINAL EXAMINATION: AUGUST 2018 SESSION

SECTION A : Answer any **THREE (3)** out of **FOUR (4)** questions in the answer booklet provided.

Question 1

The following trial balance was extracted from the books of MSK Grocer as at 30 April 2018.

	Debit RM	Credit RM
Fixtures & fittings	200 000	
Provision for depreciation – shop fittings		40 000
Shop equipment	150 000	
Provision for depreciation – shop equipment		54 000
Sales		527 060
Purchases	298 540	
Inventory (1 May 2017)	26 760	
Rent	28 000	
General expenses	17 280	
Trade receivables	26 700	
Trade payables		30 400
Bank	15 890	
Bad debts	900	
10% bank loan (repayable 2020)		50 000
Cash in hand	850	
Loan interest	3 750	
Carriage inwards	5 230	
Carriage outwards	8 160	
Provision for doubtful debts		1 340
Returns outwards		6 520
Returns inwards	7 100	
Capital (1 May 2017)		135 000
Discount allowed	6 340	
Discount received		5 680
Insurance	3 500	
Drawings	12 800	
Wages and salaries	28 500	
Heating & lighting	9 700	
	<u>850 000</u>	<u>850 000</u>

The following information is also available:

1. The closing inventory at 30 April 2018 was RM30 250.
2. A debt of \$500 owed by a customer was to be written off at year end but no entry had yet been made in the accounts. A provision for doubtful debts is to be made at 4% per annum on the remaining debtors.

3. Other payables (accruals) at 30 April 2018:

Heating & lighting	RM650
Wages and salaries	RM900
Loan interest	RM1250

4. Other receivables (prepayments) at 30 April 2018:

Insurance	RM500
Rent prepaid	RM4000

5. Depreciation is to be provided for as follows:

Fixtures & fittings	10% p.a. on cost
Shop equipment	20% reducing balance method

REQUIRED :

- (a) Prepare an income statement for the year ended 30 April 2018. (13 marks)
- (b) Prepare a statement of financial position as at 30 April 2018. (12 marks)

(Total: 25 marks)**Question 2**

- (a) Describe the difference between bad debts and doubtful debts with examples. (6 marks)
- (b) A business started trading on 1 January 2016. During the two years ended 31 December 2016 and 2017 the following debts were written off to the bad debts account on the dates stated:

28 February 2016	Chiang	RM325
30 June 2016	Joseph	RM896
30 November 2016	Pamela	RM267
31 January 2017	Michelle	RM448
31 May 2017	Rosli	RM1,523
31 October 2017	Krishnan	RM739

On 31 December 2016 the total trade receivables were RM62,400. It was decided to make an allowance for doubtful debts of 1.5%.

On 31 December 2017 the total trade receivables were RM72,400. It was decided that the allowance for doubtful debts to increase to 2%.

Required:

- (i) Prepare the bad debts account and the allowance for doubtful debts account for the years 2016 and 2017.

(12 marks)

- (ii) Prepare the following extracts;

- Income Statement for the year ended 31 December 2016 and 2017.
- Statement of financial position as at 31 December 2016 and 2017.

(7 marks)

(Total: 25 marks)

Question 3

- (a) What is Depreciation? Briefly explain three reasons why businesses provide for depreciation on their non-current assets. (5 marks)

- (b) William runs a haulage company. An extract from his statement of financial position as at 31 December 2016 shows:

Motor vehicles at cost	RM650 000
Motor vehicle accumulated depreciation	RM390 000

During the financial year ended 31 December 2017 the following transactions took place.

- (i) A motor vehicle purchased on 1 January 2014 at a cost of RM350 000 was sold on 30 June 2017 for RM95 000.
- (ii) A new motor vehicle was purchased on 1 July 2017 for RM400 000.

Depreciation is charged at 20% per annum on cost. The firm's policy is to charge a full year's depreciation in the year of purchase and none in the year of sale.

All motor vehicles held by the company as at 31 December 2017 had been purchased within the previous five years.

All transactions are by cheque.

You are required to prepare the following ledger accounts for the year ended 31 December 2017:

(i) Motor vehicle account (5 marks)

(ii) Provision for motor vehicle account (7 marks)

(iii) Motor vehicle disposal account (5 marks)

(iv) Prepare an extract of the statement of financial position for non-current asset. (3 marks)

(Total: 25 marks)

Question 4

Chocolotte Limited manufactures cocoa products. The company uses absorption costing. The business operates two production departments and two service departments.

The budgeted overhead costs for the year ended 31 August 2018 are as follow.

Overhead	RM
Depreciation of machinery	36 000
Lighting and heating	15 450
Machinery maintenance	27 600
Factory rent	60 000
Supervision	42 000
Power	30 740

The following information is available:

	Total	Production departments		Service departments	
		Machining	Assembly	Stores	Canteen
Floor area (square meters)	1 500	800	500	150	50
Kilowatt hours	7 250	3 750	2 500	750	250
Machinery at cost (RM'000)	1 800	1 200	400	120	80
Number of employees	400	100	296	4	-
Store requisitions	225	150	75	-	-
Direct labour hours	16 500	2 300	14 200	-	-
Machine hours	18 000	15 300	2 700	-	-

REQUIRED

- (a) Apportion the overheads to the four departments and re-apportion the service departments' overheads to production departments using a suitable basis. (16 marks)
- (b) Calculate, correct to two decimal places, appropriate overhead absorption rate for each of the production department. (4 marks)

Additional information

The following budgeted information is also available.

	Product A	Product B
Direct cost per unit	RM18.95	RM28.65
Machine hours per unit	2.00	1.00
Assembly hours per unit	1.00	2.50

REQUIRED

- (c) Calculate the selling price per unit of Product A and Product B if the business wants a profit margin of 20%. (5 marks)

(Total: 25 marks)

SECTION B : Answer any **ONE (1)** out of **TWO (2)** questions in the answer booklet provided.

Question 5

- (a) Define and explain the following accounting concepts/ principles supported with suitable examples.
- (i) Business entity (3 marks)
- (ii) Prudence (3 marks)
- (iii) Historical cost (3 marks)
- (iv) Consistency (3 marks)

- (b) In addition to the accounting concept, the accounting profession is also guided by the international framework for the preparation and presentation of financial reports. The four qualitative characteristics are as follows:
- (i) Relevance (4 marks)
 - (ii) Reliability (3 marks)
 - (iii) Comparability (3 marks)
 - (iv) Understandability (3 marks)

Define and explain each of the qualitative characteristic with suitable examples.

(Total: 25 marks)

Question 6

- (a) A company manufactures and retails clothing. You are required to group the costs which are listed below and numbered (1) – (16) into the following classifications (each cost is intended to belong to only one classification):

(i) Direct materials
(ii) Direct labour
(iii) Direct expenses
(iv) Indirect production overhead
(v) Research and development costs
(vi) Selling and distribution costs
(vii) administration costs
(viii) finance costs

1. Lubricant for sewing machines
2. Hard disks for general office computer
3. Maintenance contract for general office photocopying machine
4. Telephone rental plus metered calls
5. Interest on bank overdraft
6. Performing Rights Society charge for music broadcast throughout the factory
7. Market research undertaken prior to a new product launch
8. Wages of security guards for factory
9. Carriage on purchase of basic raw material
10. Royalty payable for product produced
11. Road fund licences for delivery vehicles

12. Parcels sent to customers
13. Cost of advertising products
14. Audit fees
15. Chief accountant's salary
16. Wages of operatives (16 marks)

- (b) Costs can be classified in a variety of ways. Discuss how costs can be classified based on cost behaviour. (9 marks)

(Total: 25 marks)

-THE END-

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