

FINAL
Examination Paper

(COVER PAGE)

Session : January 2016

Programme : Diploma In Business (DIB)

Course : ACC1102: Business Accounting

Date of Examination : March 11, 2016 (Friday)

Time : 11.00am – 1.00pm Reading Time : Nil

Duration : 2 Hours

Special Instructions :

Section A: Answer any **THREE (3)** questions.

Section B: Answer any **ONE (1)** question.

Materials permitted : Non-Programmable Calculator

Materials provided : Nil

Examiner(s) : Mr. Tirukumar Thiagarajah

Moderator : Dr. Chee Hong Kok

This paper consists of 11 printed pages, including the cover page

DIPLOMA IN BUSINESS (DIB)
ACC1102: BUSINESS ACCOUNTING
FINAL EXAMINATION: JANUARY 2016 SESSION

Instructions:

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

SECTION A

Answer any **THREE (3)** questions.

Question 1

Robert owns and operates a consulting business, Robert Consulting. On November 1, 2015 an extract from his trial balance showed the following account balances.

	RM		RM
Cash	24,000	Accounts Payable	13,000
Prepaid Rent	35,000	Mortgage	35,000
Supplies	12,000	Robert, Capital	57,000
Accounts Receivable	34,000	Robert, Drawings	-
Motor Vehicle	-	Consulting Service Revenue	-
Land	-	Electricity Expense	-
Rent Expense	-	Supplies Expense	-
Salaries Expense	-	Interest Revenue	-
Advertising Expense	-	Loan	-
	105,000		105,000
	105,000		105,000

The following transactions occurred in November:

1. Robert contributed land worth RM21,000 to the business.
2. Collected RM5,000 from a customer for consulting services provided in October.
3. Billed customer for consulting services in November RM4,000.
4. Carried out consulting services for a customer, receiving cash RM10,000.
5. Purchased supplies on credit RM8,000.
6. Received RM3000 interest revenue.
7. Paid RM9,000 to creditor (accounts payable).
8. Paid November salaries RM6,000.
9. Received an invoice for November's advertising expense to be paid in December RM2,000.
10. Sold supplies that cost RM4,000 to a friend at a cost of RM4,000.
11. Withdrew RM3,000 from the business for personal use.
12. Received electricity bill for electricity used in November RM2,000 **and paid it**.
13. Purchased a motor vehicle RM35,000 by arranging a loan.
14. Recorded rent expense for November is RM5,000 (note - on November 1, five months' rent of RM35,000 had been paid in advance).
15. Counted supplies on hand November 30, RM6,000 remained (remember transactions '5' and '10' above as well as the opening balance).

Required

- (a) Record the above transactions in a general journal using only the ledger accounts given.
(15 marks)
- (b) Prepare the Income Statement for the period ended 30 November 2015 for Robert Consulting.
(10 marks)
- (25 marks)**

Question 2

Busybusy Sdn. Bhd. 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 January	Office equipment 1	RM70,000
1 May	Motor vehicle 1	RM120,000
1 September	Motor vehicle 2	RM90,000

Additional Office equipment was purchased on 1 March 2015 for RM 30,000.

Depreciation on the office equipment is to be calculated at a rate of 25% p.a. on the reducing balance. Full depreciation on the motor vehicle is to be calculated on a straight-line basis on year of purchase. The trader intends to use the motor vehicle for 5 years and at the end of this time, the residual values of each vehicles are estimated to be as follows:

Motor vehicle 1	RM5,000
Motor vehicle 2	RM10,000

Required:

- (a) Prepare the ledger accounts for 2014 and 2015:
- (i) Office equipment account
 - (ii) Motor vehicle account
 - (iii) Accumulated depreciation account – office equipment
 - (iv) Accumulated depreciation account – motor vehicle
- (15 marks)

- (b) Statement of Financial Position (extract) as at 31 December 2015. (4 marks)
- (c) Explain briefly **THREE (3)** reasons why a company depreciates its fixed assets. (6 marks)
- (25 marks)**

Question 3

- (a) For each of the following **independent** situations and from the information below record the adjusting entries in the General Journal, being as precise with your account titles as possible, e.g. not using “supplies” but “supplies expense” or “supplies on hand”.
- i. When supplies are purchased they are recorded as an **expense**. Calculations after an end of period stock-take revealed a closing stock (balance) of RM5,000. There was an opening balance of RM3,000 and during the period RM8,000 of supplies were purchased. Record the adjusting entry.
 - ii. At Kai Enterprises, salaries are paid fortnightly on Friday afternoon. The fortnightly salary bill is RM40,000 for the ten-day working fortnight. This accounting period ends on the Wednesday evening in the week in which the salaries are **not** paid. Record the adjusting entry.
 - iii. On January 1, 2014 the Jim’s Sweets purchased a computer. The computer cost RM5,000. It is expected to have a useful life of five years and a scrap or residual value of RM1,000. The company calculates and records depreciation on a straight-line basis. Record the adjusting entry for the financial year ending 31 December 2015.
 - iv. Rent was paid on the first day of March. It is paid in advance for the ten months commencing on that day and recorded as an **asset**. **Monthly** rent is RM12,000. Record the adjusting entry for the financial year ending on June 30 for the **tenant** (person paying rent).
 - v. Matthew C.A. is conducting the audit on Swan Productions Limited. It is normal practice not to submit your account/bill/invoice until the audit is completed but by the end of the financial year 127 hours had been spent on the audit. The average hourly rate is RM200. Record the adjusting entry for **Matthew C.A.**

- vi. James pays his car insurance of RM3,000 annually in early October. The insurance policy covers all the company's car fleet from 12.01 a.m. on October 1. Insurance is recorded as an **expense** when paid and the financial year ends on March 31 2011. Record the adjusting entry on March 31.
- vii. TRC is involved in a law suit with a former employee. Legal fees incurred so far on their behalf but not yet billed to TRC are estimated at RM300,000 at the end of the financial year. Record the adjusting entry for the **Lawyers**.
- viii. Of the RM40,000 unearned subscription revenue shown in the pre-adjusting trial balance, RM7,500 has been **earned** this year. Record the adjusting entry.
- ix. The Pay TV provider offered a special rate for pre-connection subscribers. If they paid their first 9 months' fees in advance, they would only have to pay RM900 (for the entire 9 months' of pay TV). The provider recorded these connection fees as "**connection fee revenue**" and 60 people signed up. At the end of the first financial year the provider had only been providing connections for 4 months. Record the adjusting entry for the **provider**.
- x. Tom Investments invested RM2,500,000 in a term deposit on January 1, 2015. Interest is paid after one year and interest rates are 8%. Record the adjusting entry for Tom Investments on 31 July 2015.
- xi. Gabriel purchased a textbook for RM200 (**asset**) at the commencement of the semester and expects to sell the textbook at the end of the semester for RM100. The semester lasts a total of 10 weeks and Gabriel uses the straight-line depreciation method. Gabriel, being an accountant, wishes to prepare his financial statements at the end of week 6 of semester. Record his depreciation entry.
- xii. Robert owns an island and leased it for 20 years receiving RM15 Million (the entire lease amount) at the commencement of the lease. Robert recorded the receipt of the money as **Unearned Rent Revenue**. Record the adjusting entry after **seven months**.
- xiii. The balance in **Unearned Transporting Fees** account includes RM1050 received last month for removal work that was carried out last week. If the financial period ends today record the adjusting entry.

- xiv. NBK Advertising provided RM450,000 in promotional services to Organisation ZPM. NBK Advertising recorded this amount as Accounts Receivable. Organisation ZPM suffered a crushing defeat in a recent election. It is revealed that Organisation ZPM may only pay for 60% of the promotional services provided. Keeping in mind the conservatism principle record the **adjusting entry** for **Organisation NBK**.
- xv. When supplies are purchased they are recorded as an **asset**. An end of period stock-take (count) revealed a closing balance of RM12,000. There was no opening balance and during the period RM22,000 of supplies were purchased. Record the **adjusting entry**.
(15 marks)
- (b) Prepare the General Ledgers for transactions i to v (one to five) only from above.
(10 marks)
(25 marks)

Question 4

Springfield Canes
Adjusted Trial Balance
as at 31 October 2015

	Dr RM	Cr RM
Accounts Payable		21,000
Accounts Receivable	14,000	
Accumulated Depreciation – Buildings		11,000
Buildings	404,000	
Capital – Jim Springfield		111,000
Cash	77,000	
Depreciation Expense - Buildings (Administration)	15,000	
Drawings – Jim Springfield	16,000	
Electricity Expense	17,000	
Electricity Payable		6,000
Freight (transport) in	5,000	
Interest Receivable	4,000	
Interest Revenue		7,000
Inventory – November 1, 2014	73,000	
Land	123,000	
Mortgage		610,000
Office Supplies	18,000	
Office Supplies Expense	19,000	
Prepaid Insurance	8,000	
Purchases	100,000	
Purchase Discount		12,000
Purchase Returns and Allowances		22,000
Salaries Expense	84,000	
Salaries Payable		12,000
Sales		175,000
Sales Commission	1,000	
Sales Discount	2,000	
Sales Returns and Allowances	20,000	
Unearned Sales Revenue		13,000
	<u>1,000,000</u>	<u>1,000,000</u>

Additional Information

Inventory at October 31, 2015 is valued at RM52,000.

Required

- (a) Prepare the Income Statement for Springfield Canes to be as **informative** for decision makers as the above information allows.

(13 marks)

- (b) Prepare the statement of Financial Position for Springfield Canes to be as **informative** for decision makers as the above information allows.

(12 marks)

(25 marks)

SECTION B

Answer any **ONE (1)** question.

Question 5

Part 1: How is the Statement of Financial Position different from the Income Statement with regards to the information it reports?

Part 2: Fill in the following table as to:

- (a) The type of usual balance (Debit or Credit).
- (b) Are they Assets, Liabilities, Owner's Equity, Revenue or Expense.
- (c) Which Statement is the account listed in (Statement of Financial Position or Income Statement)

Items	(a)	(b)	(c)
Unearned Revenue			
Buildings			
Creditors			
Drawings			
Long-term loan			
Capital			
Bad debts			
Accrued Expense			

(25 marks)

Question 6

- (a) Explain the following accounting concept and why they are necessary. Give an example for each:
- (i) Business entity concept (3 marks)
 - (ii) Historical cost concept (3 marks)
 - (iii) Conservatism concept (3 marks)
 - (iv) Going concern concept (3 marks)
- (b) Define and compare the terms “capital expenditure” and “revenue expenditure”. (Provide an example each) (8 marks)
- (c) State which of the following are capital or revenue expenditure items :
- (i) Purchase of a new truck
 - (ii) Cost of escalator in the buildings
 - (iii) Building extension to the warehouse
 - (iv) Fire insurance premium for the warehouse
 - (v) Cost of purchasing raw materials
- (5 marks)

