



**STAMFORD COLLEGE**  
**SCHOOL OF BUSINESS, MARKETING AND ACCOUNTING**

**DIPLOMA IN BUSINESS ADMINISTRATION**  
**(SEMESTER 1)**

**DBA 103: INTRODUCTION TO ACCOUNTING**

**Date : 26 July 2007**

**Time : 9.30 am – 12.30 pm**

**Duration: 3 hours**

**Instructions to Candidates**

You are required to answer all parts of the question from SECTION A and ANY THREE questions from SECTION B.

Please ensure that this examination paper contains FIVE questions on FOUR printed pages before you start the examination.

Books, papers and other written materials are not allowed to be brought into the examination hall. A candidate who violates the examination rules of Stamford College or commits a malpractice will be disqualified from the examination.

Write your Examination Index Number on each page of your answer booklet.

## SECTION A

### Question 1 (Compulsory)

The following balances have been extracted from the books of Kulana Enterprise, a famous wholesaler of dairy products, for the year ended 31.12.2005.

	<u>Trial Balance as at 31 December 2005</u>	
	<u>DR</u>	<u>CR</u>
	<u>RM</u>	<u>RM</u>
Discount allowed	25,000	
Discount received		28,000
Purchases	335,459	
Sales		688,650
Carriage inwards	18,444	
Carriage outwards	12,475	
Drawings	32,800	
Rent, rates and insurance	26,000	
Postage and stationery	18,500	
Advertising	17,880	
Wages and salaries	96,720	
Bad debts	28,866	
Provision for bad debts		2,830
Debtors/Creditors	42,120	25,474
Cash	22,580	
Bank	47,737	
Capital		143,027
Land and building	80,000	
Equipment (at cost)	120,000	
Accumulated depreciation		70,200
Stock (1.1.2005)	35,500	
Return inwards	12,800	
Return outwards		14,700
	<u>972,881</u>	<u>972,881</u>

The following information is available for the year ended 31 December 2005.

- Rent is prepaid by RM 18,000 and rates is outstanding by RM 25,000.
- Stock at 31.12.2005 is valued at RM 55,000.
- The provision for bad-debts is to be adjusted to RM 2,200.
- Equipment is to be depreciated at 20% per annum using the straight line method.  
Depreciation is to be provided for land and building at 15 % using reducing balance method.

### Required :

- Prepare the trading, profit & loss account for the year ended 31 December 2005. (15 marks)

(ii) Prepare the balance sheet as at 31 December 2005.

(10 marks)  
(Total 25 marks)

## SECTION B

Answer any THREE out of FOUR questions.

### Question 2

Stamford Trading Centre keeps control accounts for the purchases and sales ledgers. The following balances were extracted from the books of accounts for the month of June Year 2005:

1 June	Purchases Ledger balances		<u>RM</u>
		Dr	2,186
		Cr	27,960
	Sales Ledger balances	Dr	55,240
		Cr	2,235
30 June	Purchases on credit		59,216
	Cash purchases		4,820
	Sales on credit		63,800
	Cash sales		16,280
	Bad debts written off		5,190
	Return outwards		2,024
	Return inwards		2,642
	Cash received from credit customers		57,930
	Discount received		2,045
	Dishonoured cheque recharged to credit customer		5,215
	Legal fees charged to customers		2,150
	Payments to suppliers		47,310
	Discount allowed		2,820
	Sales ledger debit balances transferred to purchases ledger per contra		650
	Purchases ledger debit balances at 30 June		512
	Sales ledger credit balances at 30 June		287
	Provision for bad and doubtful debts		2,320

### Required :

(a) Open the purchases ledger and sales ledger control accounts and post the entries for the month of June 2005.

(20 marks)

(b) Show how the debtors and creditors should appear in the Balance Sheet as at 30 June 2005.

(5 marks)

(Total 25 marks)

### Question 3

A business started trading on 1 January 2002. The business adjusts its provision for bad debts accounts at the end of each year, on a percentage basis.

The following details are available for the three years ended 31 December 2004, 2005 and 2006.

Year	Year end Debtors	Bad debts	Provision for bad debts (in percentage)
	RM	RM	
2004	30,000	5,700	5%
2005	50,000	9,500	7%
2006	40,000	6,400	3%

The business prepares its accounts at 31 December each year.

**Required :**

- a) Define bad debts and Provision for bad debts. (6 marks)
  - b) State the double-entry for an increase and decrease in provision for bad debts. (4 marks)
  - c) Prepare the bad debts account for the relevant years. (6 marks)
  - d) Prepare the provision for bad debts account for the relevant years. (9 marks)
- (Total 25 marks)

**Question 4**

A business purchased a machine for RM 85,000 on 1 January 2004. The scrap value of the machine is estimated to be RM 8,500 and the machine is to be used for 5 years.

On the 30 June 2004, the business bought a computer for RM 50,000 and is expected to be used for 4 years. The management has decided to use the reducing balance method of depreciation at the rate of 45%.

The business prepares the accounts as at 31 December annually.

- a) State four causes of depreciation. (8 marks)
  - b) Show the depreciation calculations for the years 2004-2006 for the machine. (4 marks)
  - c) Show the depreciation calculations for the years 2004-2006 for the computer. (8 marks)
  - d) Show the balance sheet extract for the machine as at 31 December 2006. (5 marks)
- (Total 25 marks)

### Question 5

The final accounts that was submitted recently was found to have some errors in it.

a) List the six types of errors that can take place. (9 marks)

b) The following transactions are found to have some errors. Correct the errors using journal entries.

- i) Purchases for RM 2,774 from Jammy was entered on both sides as RM 2,747.
- ii) Sales to Ai Ching for RM 3,600 was entered into Ay Cheng account.
- iii) The purchase of security camera for RM 5,400 was entered into office expenses account.
- iv) Sales to Ah Chong for RM2,380 was completely omitted from the books.
- v) The wages and the interest received account was understated by RM 6,500.
- vi) Rental received for RM 5,000 was entered into office rental account on the credit side.

(12 Marks)

c) If the trial balance does not balance, how do we make it balance temporarily , until the mistake is found?

(4 Marks)

(Total 25 Marks)

**- END OF PAPER -**