



STAMFORD COLLEGE
SCHOOL OF BUSINESS, MARKETING AND ACCOUNTING

DIPLOMA IN BUSINESS ADMINISTRATION
(SEMESTER 2)

DBA 107: FINANCIAL ACCOUNTING

Date : 25 April 2007

Time : 2.00pm-5.00pm

Duration:3 hours

Instructions to candidates

Candidates are required to attempt Section A question ONE and Section B any THREE out of FOUR questions.

Please ensure that this examination paper contains FIVE questions on SEVEN 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.

SECTION A: COMPULSORY QUESTION

Question 1

The following is the trial balance of RF Ltd as at 30 June 19X8:

	<u>Dr</u> <u>RM</u>	<u>Cr</u> <u>RM</u>
Share capital: authorised and issued		50,000
Stock as at 30 June 19X7	38,295	
Debtors	26,890	
Creditors		12,310
10% Debentures		20,000
Fixed assets replacement reserve		10,000
General reserve		6,000
Profit and loss account as at 30 June 19X7		3,964
Debenture interest	1,000	
Equipment at cost	35,000	
Motor vehicles at cost	28,500	
Bank	3,643	
Cash	180	
Sales		99,500
Purchases	66,350	
Returns inwards	1,150	
Carriage inwards	240	
Wages and salaries	10,360	
Rent, rates and insurance	5,170	
Discount allowed	1,246	
Directors' remuneration	2,500	
Provision for depreciation at 30 June 19X7		
Equipment		8,400
Motor Vehicles		10,350
	<u>220,524</u>	<u>220,524</u>

The following information as at 30 June 19X8, is provided :

- (i) **Stock at 30 June 19X8 was RM49,371**
- (ii) The share capital consisted of 25,000 ordinary shares of RM1 each and 25,000 10 per cent preference shares of RM1 each. The dividend on the preference shares was proposed to be paid as well as dividend of 20 per cent on the ordinary shares.
- (iii) Accrued rent was RM700; Directors' remuneration was RM2,500.
- (iv) Debenture interest ½ year's interest was owing.
- (v) Depreciation on cost: Equipment 10 per cent; Motor Vehicles 20 per cent.
- (vi) Transfers to reserves: General reserve RM2,000; Fixed assets replacement reserve RM1,000.

Required:

a) Prepare the trading, profit and Loss Account for the year ended 30 June 19X8.
(20 marks)

b) Prepare the Balance Sheet, as at 30 June 19X8.
(20 marks)

(Total = 40 marks)

SECTION B

Answer any THREE out of FOUR questions.

Question 2

Menzies, Whitlam and Gough share profits and losses in the ratios 5:3:2 respectively. Their trial balance as at 30 September 19X9 was as follows:

	<u>Dr</u> <u>RM</u>	<u>Cr</u> <u>RM</u>
Sales		210,500
Returns inwards	6,800	
Purchases	137,190	
Carriage inwards	1,500	
Stock 30 September 19X8	42,850	
Discounts allowed	110	
Salaries and Wages	18,296	
Bad debts	1,234	
Provision for bad debts 30.9.19X8		800
General expenses	945	
Rent and rates	2,565	
Postages	2,450	
Motor expenses	3,940	
Motor vans at cost	12,500	
Office equipment at cost	8,400	
Provision for depreciation at 30.9.19X 8:		
Motor vans		4,200
Office equipment		2,700
Creditors		24,356
Debtors	37,178	
Cash at bank	666	
Drawings:		
Menzies	12,610	
Whitlam	8,417	
Gough	6,216	
Current accounts:		
Menzies		1,390
Whitlam	153	
Gough		2,074
Capital accounts:		
Menzies		30,000
Whitlam		16,000
Gough		12,000
	<u>304,020</u>	<u>304,020</u>

Required:

The following notes are relevant at 30 September 19X9:

- (i) **Stock at 30 September 19X9 was RM51,060**
- (ii) Rates paid in advance were RM120; Stock of postage stamps was RM190.
- (iii) Increase provision for bad debts to RM870.
- (iv) Salaries: Whitlam RM1,200; Gough RM700. Not yet recorded.
- (v) Interest on Drawings: Menzies RM170; Whitlam RM110; Gough RM120.
- (vi) Interest on Capital at 10 per cent.
- (vii) Depreciate Motor vans RM2,500, Office equipment RM1,680.

Required:

- a) Prepare the Trading, Profit and Loss Appropriation Account for year ended 30 September 19X9.

(12 marks)

- b) Prepare the Current Account for the partners as at 30 September 19X9.

(8 marks)

(Total = 20 marks)

Question 3

- (a) Give **three** reasons why depreciation may occur. (3 marks)
- (b) Name **two** methods of depreciation. (2 marks)
- (c) In what way do you think the concept of consistency applies to depreciation? (3 marks)
- (d) A business whose financial year ends at 31 December, purchased on 1 January 19X7 a machine for RM 5,000. The machine was to be depreciated by ten equal instalments. On 4 January 19X9 the machine was sold for RM 3,760. Ignoring any depreciation in the year of sale, show the relevant entries for each of the following accounts for the years ended 31 December 19X7, 19X8 and 19X9:
 - (i) Machinery
 - (ii) Provision for depreciation of machinery
 - (iii) Machinery disposals
 - (iv) Profit and loss

(12 marks)

(Total = 20 marks)

Question 4

Briefly explain

- (a) Called-up capital (2 marks)
- (b) Calls in arrears (2 marks)
- (c) Authorised share capital (2 marks)
- (d) Paid up capital (2 marks)
- (e) Materiality concept (4 marks)
- (f) Business entity concept (4 marks)
- (g) Prudence concept (4 marks)

(Total = 20 marks)

QUESTION 5

The following summarised information relates to Bernama Berhad for the two years ended 30.6.2000 and 2001 respectively:

Profit & Loss Account

	2000	2001
	<u>RM 000's</u>	<u>RM 000's</u>
Sales (all credit)	16,700	17,400
Cost of Sales	<u>9,200</u>	<u>8,400</u>
	7,500	9,000
Expenses	5,000	5,200
	2,500	3,800
Taxation	(600)	(1,200)
	1,900	2,600
Dividends	(300)	(300)
Retained Profit	1,600	2,300

Balance Sheet

Fixed Assets (at Book Value)	3,500	4,000
<u>Current Assets</u>		
Stock	1,500	1,100
Trade Debtors	3,200	3,000
Other Debtors	300	300
Bank	<u>2,000</u>	<u>5,400</u>
	7,000	9,800
Creditors: Amount falling due within 1 year		
Trade Creditors	1,900	1,800
Taxation	1,500	2,500
Proposed Dividends	<u>200</u>	<u>300</u>
	3,600	4,600
Net Current Assets	3,400	5,200
Total Assets – Current Liabilities	<u>6,900</u>	<u>9,200</u>
<u>Less</u> Creditors: Amount falling due ≥ 1 year		
15% Debentures (redeemable 2005)	1,500	1,500
	<u>5,400</u>	<u>7,700</u>
<u>Share Capital and Reserves</u>		
Issued Share Capital	2,500	2,500
<u>Other Reserves</u>		
Profit & Loss Account	<u>2,900</u>	<u>5,200</u>
	<u>5,400</u>	<u>7,700</u>

Required:

(a) Calculate the following accounting ratios for each of the 2 years to 30.6.2000 and 2001 respectively (show the formula and detailed workings for each ratio)

- i) Gross Profit to Sales
- ii) Net Profit before tax to sales
- iii) Return on Capital Employed (ROCE)
- iv) Debtors collection period
- v) Current Ratio
- vi) Acid-Test Ratio

(6 X 2 marks = 12 marks)

(b) Explain briefly how has Bernama Ltd performed over the 2 years.

(8 marks)

(Total: 20 marks)

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