



STAMFORD COLLEGE

SCHOOL OF BUSINESS AND MARKETING

FOUNDATION STUDIES IN BUSINESS (SEMESTER 2)

FSBN 110 : FINANCIAL ACCOUNTING 2

Date : 22 May 2007 (Monday)

Time : 9.30AM – 11.30AM

Duration : 2 Hours

Instructions to Candidates

There are TWO sections in this paper. The question in section A is compulsory. Answer any TWO out of THREE questions from Section B.

Please ensure that this examination paper contains FOUR questions on SIX 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)

ABC Berhad completed their financial year on 31 March 2006, and the following Trial Balance was extracted after the preparation of their Trading Account:

	DEBIT	CREDIT
	RM	RM
Gross profit for year		578,000
Issued share capital (500,000 Ordinary Shares of RM 4 each)		2,000,000
Freeholds premises at cost	1,670,000	
Motor vehicles at cost	600,000	
Furniture, fixtures & fittings at cost	120,000	
Stock at 31 March 2006	18,000	
Wages and salaries	120,000	
Rates	6,000	
General business expenses	24,000	
Directors' fees	28,000	
10% Debentures (90/95)		100,000
Provision for depreciation:		
Motor vehicles at 31 March 2006		120,000
Furniture, fixtures and fittings at 31 March 2006		36,000
Sundry debtors and sundry creditors	36,000	11,000
Bad debts	2,000	
Interim ordinary dividend	100,000	
Debenture interest (1/2 year to 30 September 2006)	5,000	
Balance at bank	154,000	
Cash	2,000	
Profit and Loss Account – Balance brought forward		30,000
Share Premium Account		10,000
	<u>2,885,000</u>	<u>2,885,000</u>

Additional information:

- (1) Wages and salaries accrued due at 31 March 2006 amounted to RM 2,000.
- (2) Rates prepayment at 31 March 2006 amounted to RM 1,000.
- (3) Provide for additional depreciation of fixed assets as follows:
 - Motor vehicles at rate of 20% on cost per annum.
 - Furniture, fixtures and fittings at rate of 10% on cost per annum.
- (4) The Directors recommend a provision for a final dividend of 5%. This would make an overall distribution of 10% for the year.
- (5) The Authorised Share Capital of the Company is 1,000,000 Ordinary Shares of RM 4 each.

Required:

- (a) Prepare the Profit and Lost Account for the year ended 31 March 2006.
(20 marks)
- (b) Prepare the Balance Sheet as at 31 March 2006
(20 marks)
(Total 40 marks)

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SECTION B

Answer TWO out of THREE questions.

Question 2

Study the following financial statements for two similar types of retail store, A and B, and then answer the questions which follow:

Summary of Financial Statements		A		B	
Trading and Profit and Loss Account	RM	RM	RM	RM	RM
Sales			80,000		120,000
<i>Less: Cost of goods sold</i>					
Opening stock	25,000			22,500	
Add purchases	<u>50,000</u>			<u>91,000</u>	
	75,000			113,500	
<i>Less: Closing stock</i>	(15,000)	(60,000)		(17,500)	(96,000)
Gross profit		20,000			24,000
<i>Less: Depreciation</i>	1,000			3,000	
Other expenses	<u>9,000</u>	<u>(10,000)</u>		<u>6,000</u>	<u>(9,000)</u>
Net profit		10,000			15,000
		A		B	
Balance Sheet	RM	RM	RM	RM	RM
Fixed Assets					
Equipment at cost	10,000			20,000	
<i>Less: Depreciation (to date)</i>	<u>(8,000)</u>			<u>(6,000)</u>	
		2,000			14,000
Current assets					
Stock	15,000			17,500	
Debtors	25,000			20,000	
Bank	<u>5,000</u>			<u>2,500</u>	
	45,000			40,000	
<i>Less: Current liabilities</i>					
Creditors	<u>(5,000)</u>			<u>(10,000)</u>	
		40,000			30,000
		42,000			44,000
Financed by :					
<i>Capital: Balance at start of year</i>	38,000			36,000	
<i>Capital: Add net profit</i>	<u>10,000</u>			<u>15,000</u>	
		48,000			51,000
<i>Less: Drawings</i>		<u>(6,000)</u>		<u>(7,000)</u>	
		42,000			44,000

Required:

- (a) Calculate the following ratios:
- (i) gross profit percentage
 - (ii) net profit percentage
 - (iii) expenses as a percentage of sales
 - (iv) stock turnover
 - (v) rate of return on capital employed
 - (vi) current ratio
 - (vii) acid test ratio
 - (viii) debtor days
 - (ix) creditor days

(18 marks)

- (b) Comment on the ratios you have calculated and indicate their significance to the two organisations.

(12 marks)

(Total 30 marks)

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Question 3

TNT Berhad extracted the following balances from the books of account at the end of their financial year, 31 December 2006:

	RM
Stocks at 1 January 2006:	
Raw materials	75,000
Work-in-progress (at prime cost)	21,000
Finished goods	28,600
Indirect factory expenses	4,800
Salaries and wages	60,000
Purchases of raw materials	520,000
Provision for depreciation – plant and machinery (31 December 2005)	60,000
Return inwards	1,200
Purchases of finished goods	18,800
Provision for bad and doubtful debts (31 December 2005)	9,600
Carriage inwards on raw materials	4,200
Manufacturing wages	360,000
Light and heat	16,000
Direct factory expenses	3,900
Insurances	6,800
Carriage outwards	3,000
Power (factory)	18,600
Rent and rates	52,000
Bad debts	2,400
Plant and machinery at cost	200,000
Sales	1,318,300

Additional information available at 31 December 2006 was as follows:

- (1) TNT Berhad transfers goods to warehouse at factory cost.
- (2) Rent and rates, light and heat, and insurances are to be apportioned between Factory and office as 3/4 and 1/4 respectively.
- (3) Salaries and wages are to be split to Factory 1/3 and Office 2/3.
- (4) Wages accrued due - manufacturing RM8,000.
- (5) Rates prepaid – RM 2,000.
- (6) Depreciate plant & machinery at the rate of 20% per annum on cost.
- (7) Value of stocks at 31 December 2006 were:

Raw materials	RM 68,000
Work-in-progress at prime cost	RM 25,000
Finished goods	RM 30,800

Required:

Prepare the Manufacturing, Trading and Profit and Loss Account for the year ended 31 December 2006. Appropriation Account and a Balance Sheet are not required.

(Total 30 marks)

Question 4

- (a) (i) What are the advantages of preparing sales and purchases ledger control accounts?

(5 marks)

- (ii) Your organisation, Dalton Berhad, has the following information about its creditors control account for the month of April 2006.

	RM
Balance at 1 April 2006	12,675
Balance at 30 April 2006	8,658
Cash payments to creditors	16,345

(5 marks)

- (iii) What is the purchases figure for the month, which will be included in the organisation's trading account?

(5 marks)

- (b) (i) What do you understand by the term 'trade discount'?

(5 marks)

- (ii) How is a trade discount dealt with in the accounts of a company?

(5 marks)

- (iii) What is the difference between carriage inwards and carriage outwards?

(5 marks)

- (iv) What is a credit note?

(5 marks)

(Total 30 marks)

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