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UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
SEMESTER I
SESSION 2014/2015**

COURSE NAME : PRINCIPLES OF ACCOUNTING
COURSE CODE : BPA11403
PROGRAMME : 1 BPA
EXAMINATION DATE : DECEMBER 2014/JANUARY 2015
DURATION : 3 HOURS
INSTRUCTION : ANSWER ALL QUESTIONS

THIS QUESTION PAPER CONSISTS OF SIX (6) PAGES

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- Q1** Anova Vehicle Sdn. Bhd. is a supplier for national car manufacturer. The company's accounts balances for the financial year ended 31 December 2013 are as follows:

	<u>RM</u>
Advertising expense	80,000
Depreciation on factory machine	165,000
Direct labour	742,500
Factory supplies used	8,970
Factory utilities expense	30,820
Indirect labour	297,000
Insurance expense	52,800
Purchase of direct materials	585,000
Rent expense	475,200
Salaries expense	103,500
Sales	4,220,000
Taxes on factory	41,400
Utilities expense	92,400

Additional information:

1. Beginning and ending inventories are as follows:

	<u>Beginning</u>	<u>Ending</u>
	(RM)	(RM)
Direct material	74,800	125,400
Work in process	26,400	33,000
Finished goods	297,000	364,320

2. The allocation of expenses for the factory and office is as follows:

	<u>Factory</u>	<u>Office</u>
Insurance expense	55%	45%
Rent expense	60%	40%
Utilities expense	75%	25%

- (a) Prepare the statement of cost of goods manufactured of Anova Vehicle Sdn Bhd for the year ended 31 December 2013.

(12 marks)

- (b) Prepare the income statement of Anova Vehicle Sdn Bhd for the year ended 31 December 2013.

(8 marks)

- (c) Define the following types of cost.
- (i) Manufacturing cost (1 mark)
 - (ii) Administrative cost (1 mark)
 - (iii) Selling cost (1 mark)
 - (iv) Direct cost (1 mark)
 - (v) Indirect cost (1 mark)

Q2 Cendana Sdn. Bhd. manufactures special design furniture under the brand name *Shorea*. Last year 10,000 *Shorea* furniture were sold. The management is eager to boost *Shorea* sales and improve its present level of income. The net operating income for *Shorea* as follows:

	RM
Sales	5,000,000
Less: Variable expenses	(3,200,000)
Contribution margin	1,800,000
Less: Fixed expenses	(1,280,000)
Net operating income	520,000

- (a) Compute the followings:
- (i) Contribution margin ratio (2 marks)
 - (ii) Break-even point (2 marks)
 - (iii) Degree of operating leverage (2 marks)
- (b) Determine the quantity of *Shorea* furniture that have to be sold next year to earn the same net operating income as last year's if the company estimates that the variable cost will increase by RM70 per furniture next year. (2 marks)
- (c) Calculate the new selling price if the company maintains the same contribution margin ratio and considering that the variable cost will increase by RM70. (4 marks)

- (d) The management is currently considering using an automated machine to produce the furniture. It is expected that this machine would reduce variable cost by 40%. However, at the same time, it will increase the fixed cost by 65%.
- (i) Calculate the company's new contribution margin ratio and the new break-even point. (4 marks)
- (ii) Calculate the number of *Shorea* furniture that have to be sold next year to earn the same net operating income as last year's? (2 marks)
- (iii) Compute the net operating income and degree of operating leverage if the company sells 10,000 *Shorea* furniture (same as last year). (4 marks)
- (iv) Explain whether the new machine is recommended. (3 marks)

Q3 In October 2014, Miss Ruqiah the owner of Fresh & Delicious Sdn Bhd, a company of frozen food, received the bank statement from Bank Muamalat (M) Bhd for the transactions made in the month. The cash balance stated in the bank statement has shown some discrepancies as compared to the cash balance in the company's cash book due to the following items:

- Balance shown in the bank statement, RM42,340
- Company's Cash Book balance, RM45,800
- Deposit in transit for three cheques:
 - Cheque No. 00348 RM3,500
 - Cheque No. 00345 RM6,700
 - Cheque No. 00789 RM10,340
- Bank error: The bank has mistakenly deducted RM2,500 for a cheque issued by other company.
- The company has issued outstanding cheques to pay various suppliers as follows:
 - Cheque No. 00245 RM3,000
 - Cheque No. 00246 RM5,500
 - Cheque No. 00247 RM4,500
- The company has received payment through E.F.T from customer amounting to RM3,500
- Bank has collected account receivable on behalf of the company amounting RM5,300
- Interest earned on bank balance RM135

- Book errors: Cheque No. 00688 amounting RM 3,500 to paid to Company ABC, was recorded as RM 5,300
- Bank Charges, RM 55 was debited from the account by the bank.
- Cheque No. 555 from Food OK Sdn Bhd amounting to RM2,300 was actually a Non-Sufficient Fund Check (NSF)
- E.F.T payment of rental for office premises, RM1,800 was made during the month by the company.

Based on the given information,

- Prepare the Ledger (T-Account) to update the company's cash book.
(8 marks)
- Prepare Bank Reconciliation Statement for the month of October 2014.
(10 marks)
- Explain **TWO (2)** reasons for differences between the cash book balance and the bank statement balance.
(5 marks)
- State **TWO (2)** purposes of the Statement of Cash Flows.
(2 marks)

Q4 A wholesaler of cosmetic products provides the following information for the third quarter of 2014:

- Sales in June were 25,000 units. On 30 June 2014, the following balance are given as below:
 - Account Receivables RM40,000
 - Account Payable RM10,000
- The company expected sales to increase 20% in July, 25% in August, 20% in September and October.
- The selling price is RM10 per unit and sales are 30% cash and 70% credit. The collection procedure of the company are 70% of credit sales collected in the month of sale and 30% collected in the month following sale.
- The management wants ending inventory equal to 20% of the following month's budgeted sales in unit.
- Average purchase cost was RM0.50 per unit. 50% of a month's purchase is paid for in the month of purchase and the balance is paid in the following month.

Based on the above information,

- (a) Prepare the Sales and Cash Collection Budget for the months of July, August and September, 2014.
(10 marks)
- (b) Prepare the Purchase and Cash Payment Budget for the months of July, August and September, 2014.
(10 marks)
- (c) Explain the difference between operating budget and financial budget.
(5 marks)

-END OF QUESTION-