Universiti Tun Hussein Onn Malaysia

UNIVERSITI TUN HUSSEIN ONN MALAYSIA

FINAL EXAMINATION
SEMESTER I
SESSION 2019/2020

COURSE NAME	:	PRINCIPLES OF ACCOUNTING
COURSE CODE	:	BPA 11403
PROGRAMME	:	BPA
EXAMINATION DATE	:	DECEMBER 2019 / JANUARY 2020
DURATION	:	3 HOURS
INSTRUCTION	:	ANSWER **ALL** QUESTIONS

THIS QUESTION PAPER CONSISTS OF **EIGHT (8)** PAGES

Q1 Hakita Manufacturing sales slumped badly in 2018. For the first time in history, it operated a loss. The company's income showed the following results from selling 610,000 units of products in **Table Q1(a)** :

Table Q1(a): Cost information

Item	**Total (RM)**
Net sales	2,440,000
Total cost and expenses	2,490,000
Net Loss	**(50,000)**

Costs and expenses consisted of the following as per **Table Q1(b)** below:

Table Q1(b): Cost information

Item	**Total (RM)**	**Variable (RM)**	**Fixed (RM)**
Cost of goods sold	1,980,000	1,320,000	660,000
Selling expenses	310,000	72,000	238,000
Administrative expenses	200,000	48,000	152,000
Total Costs	**2,490,000**	**1,440,000**	**1,050,000**

The management of Hakita Manufacturing are considering two alternatives to boost up the profit. However each alternative will have different effects on the costs.

Alternative 1 : Purchasing a new automated equipment that will change the proportion between variable and fixed cost of goods sold to 75 percent variable and 25 percent fixed. It will also caused the fixed cost of administrative expenses to be reduced to RM82,000 and its variable cost remains the same. Selling expenses cost reduced to RM62,000 for variable and to RM193,000 for fixed cost and unit selling price remains at RM4 per unit.

Alternative 2 : Increasing the unit selling price by 8 percent to receive total net sales of RM 2,635,200 and changing the compensation of salespersons from fixed annual salaries totaling RM210,000 to total salaries of RM70,000 in selling expenses fixed cost. The total selling expenses fixed cost are inclusive of RM18,000 apart from the salesperson fixed annual salaries cost. Whilst total variable selling expenses cost will be added with a 12% commission on net sales. Fixed administrative expenses reduces to RM137,000 whilst other costs (variable administrative cost and costs of goods sold) remain unchanged.

(a) Calculate the break even point in dollars for :

(i) Alternative 1.

(8 marks)

(ii) Alternative 2.

(8 marks)

(b) Compute the sales in dollars to be achieved for both alternatives assuming that the management targets a net profit of RM40,000.

(3 marks)

(c) Determine the margin of safety ratio for both alternatives.

(4 marks)

(d) Identify the best alternative that the management of Hakita Manufacturing should take based on the answers of **Q1 a(i),Q1(a)(ii)** and **Q1(b)**

(2 marks)

Q2 Aufa Trading's comparative balance sheets and income statement for year 2017 and 2018 are as follow :

AUFA TRADING
Balance Sheets
As at December 31, 2018 and 2017

	2018 (RM)	**2017 (RM)**
Assets		
Cash	43,050	23,925
Account Receivable	34,125	39,825
Merchandise Inventory	156,000	146,475
Prepaid Expenses	3,600	1,650
Equipment	135,825	146,700
Accumulated Depreciation- Equipment	(61,950)	(47,550)
Total Assets	**310,650**	**311,025**
Liabilities and Equity		
Account Payable	28,880	33,750
Income Taxes Payable	5,100	4,425
Dividends Payable	0	4,500
Bonds Payable	0	37,500

Share Capital-Ordinary, RM10 par value	168,750	168,750
Retained Earnings	108,000	62,100
Total liabilities and equity	**310,650**	**311,025**

AUFA TRADING
Income Statement
For the month ending December 31, 2018

	RM	**RM**
Sales		446,100
Cost of goods sold	222,300	
Other operating expenses	120,300	
Depreciation expenses	25,500	(368,100)
		78,000
Other gains (losses)		
Loss on sale of equipment	3,300	
Loss on retirement of bonds	825	(4,125)
Income before taxes		73,875
Income taxes expenses		(13,725)
Net income		**60,150**

Other additional information:

- Equipment costing RM21, 375 with accumulated depreciation of RM11, 000 is sold for cash.
- A new equipment was purchased for cash.
- Accumulated depreciation is affected by depreciation expenses and the sale of equipment.
- The balance of retained earnings is affected by dividend declaration and net income. Dividends have been declared and payment have been made for the declared dividend together with the previous dividend payable.
- All sales are made on credit.
- All merchandise inventory purchases are on credit.
- Accounts payable balances results from merchandise inventory purchases.
- Prepaid expenses relate to "other operating expenses".

(a) Prepare the Statement of Cash Flow for year 2018 using the Indirect Method. (Show calculations).

(23 marks)

(b) Give **TWO (2)** advantages in preparing statement of cash flow using the Indirect Method.

(2 marks)

Q3 Box and Squares Company is a manufacturer of toys. Due to the resignation of the previous Financial Controller, an inexperienced assisstant accountant has prepared the following income statement for the month of October 2019.

BOX AND SQUARES COMPANY
Income Statement
For the month ended 31 October 2019

	(RM)	**(RM)**
Sales(net)		**780,000**
Less : **Operating Expenses**		
Raw material purchased	260,000	
Direct labour cost	190,000	
Advertising expense	90,000	
Selling and administrative salaries	75,000	
Rent on factory facilities	60,000	
Depreciation on sales equipment	45,000	
Depreciation on factory equipment	30,000	
Indirect labour cost	25,000	
Factory utilities	12,000	
Factory insurance	8,000	
Total Expenses		**795,000**
Net Loss		**(15,000)**

You have been appointed as the new Financial Controller and are required to review the income statement, making necessary corrections. After examining the manufacturing cost data, you have acquired additional information as follow:

- Inventory balances at the beginning and ending of October were as per **Table Q3**:

Table Q3 : Cost information

	October 1, 2019 (RM)	**October 31, 2019 (RM)**
Raw materials	15,000	31,000
Work in process	16,000	14,000
Finished goods	30,000	48,000

- Only 80 percent of the utilities expense and 70 percent of the insurance expense apply to the factory operations, the remaining amount should be charged to selling and administrative activities.
- RM6,000 of selling and administrative salaries should be allocated to factory supervisor salary.

TERBUKA

(a) Prepare :

(i) A cost of goods manufactured schedule for Box and Square Company for the month ended October 31, 2019 with calculations.

(14 marks)

(ii) A correct income statement for Box and Square Company for the month ended October 31, 2019.

(8 marks)

(b) Discuss the types of inventories a manufacturing company has.

(3 marks)

Q4. Terjun Tinggi Parachute Company has a quarterly budgeted income statement as per **Table Q4** :

Table Q4 : Terjun Tinggi Quarterly Budgeted Income Statement

	Quarter 1 (RM)	**Quarter 2 (RM)**	**Quarter 3 (RM)**	**Quarter 4 (RM)**
Budgeted sales revenue	40,000,000	35,000,000	45,000,000	50,000,000
Budgeted cost of goods sold	15,600,000	13,650,000	17,550,000	19,500,000
Budgeted gross margin	24,400,000	21,350,000	27,450,000	30,500,000
Budgeted selling and administrative expenses	4,500,000	4,000,000	5,000,000	5,500,000
Budgeted income from operation	19,900,000	17,350,000	5,000,000	5,500,000

Additional information are as given below:

- Materials purchases represent 70 percent of cost of goods sold. The company pays for 40 percent of materials during the quarter of purchase and the remainder the next quarter.
- The remaining 30 percent of cost of goods sold is made up of direct labor and manufacturing overhead including RM400,000 in depreciation (a noncash expense).
- All of the cash disbursements for direct labor and overhead are paid during the quarter incurred.
- Selling and administrative expenses are paid in the next quarter.

(a) Prepare the cash disbursement budget for quarters 2, 3, and 4 with calculations.
(21 marks)

(b) Describe **FOUR(4)** benefits of budgeting.
(4 marks)

- END OF QUESTIONS -

FINAL EXAMINATION

SEMESTER / SESSION : SEMESTER I / 2019/2020 PROGRAMME CODE : BPA
COURSE NAME : PRINCIPLES OF ACCOUNTING COURSE CODE : BPA 11403

ITEM	FORMULAE
CONTRIBUTION MARGIN	SALES- VARIABLE COST
CONTRIBUTION MARGIN RATIO	$\frac{\text{CONTRIBUTION MARGIN}}{\text{SALES}}$
BREAK EVEN POINT(DOLLARS)	$\frac{\text{FIXED COST}}{\text{CONTRIBUTION MARGIN RATIO}}$
BREAK EVEN POINT(UNITS)	$\frac{\text{FIXED COST}}{\text{UNIT CONTRIBUTION MARGIN}}$
SALES TARGET(DOLLARS)	$\frac{\text{FIXED COST} + \text{TARGET PROFIT}}{\text{CONTRIBUTION MARGIN RATIO}}$
SALES TARGET(UNITS)	$\frac{\text{FIXED COST} + \text{TARGET PROFIT}}{\text{UNIT CONTRIBUTION MARGIN}}$
MARGIN OF SAFETY (DOLLARS)	ACTUAL SALES – SALES AT BEP
MARGIN OF SAFETY (UNITS)	UNIT SALES – UNIT SALES AT BEP
MARGIN OF SAFETY RATIO	$\frac{\text{MARGIN OF SAFETY DOLLARS}}{\text{ACTUAL SALES}}$
OPERATING LEVERAGE	$\frac{\text{CONTRIBUTION MARGIN}}{\text{INCOME FROM OPERATION}}$