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**UNIVERSITI TUN HUSSEIN ONN
MALAYSIA**

**FINAL EXAMINATION
SEMESTER I
SESSION 2011/2012**

COURSE NAME : PRINCIPLES OF ACCOUNTING
COURSE CODE : BPA 11403
PROGRAMME : 1 BPA
EXAMINATION DATE : JANUARY 2012
DURATION : 3 HOURS
INSTRUCTION : ANSWER ALL QUESTIONS

THIS QUESTION PAPER CONSISTS OF SIX (6) PAGES

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Q1 BP Plastics Holdings is one of the leading producers of industrial plastic packaging bags by supplying polyethylene (PE) bags to the garment and textile industries. The company's accounts balances for the financial year ended 31 December 2010 are as follows:

	RM
Sales revenue	1,250,000
Sales commission	28,750
Insurance expense	8,700
General expense	110,000
Advertising expense	70,000
Directors' salary	90,000
Salaries expense	157,000
Beginning finished goods inventory	240,000
Cash	288,000
Account receivable	150,000
Account payable	96,000
Direct labour	180,000
Factory depreciation	9,000
Beginning direct materials inventory	10,500
Raw material purchased	263,000
Beginning work in process	24,900
Factory utilities expense	40,200
Factory supplies used	11,700
Taxes on factory	5,350

Additional information:

1. Ending inventories:

Finished goods RM188,000
 Work in process RM15,300
 Direct materials RM12,600

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

	<u>Factory</u>	<u>Office</u>
Salary expense	55%	45%
Insurance expense	60%	40%
General expense	45%	55%

(a) Prepare the statement of cost of goods manufactured of BP Plastics Holdings for the year ended 31 December 2010.

(10 marks)

- (b) Prepare the income statement of BP Plastics Holdings for the year ended 31 December 2010.

(8 marks)

- (c) Define and calculate the following cost:

- (i) Prime cost

(3.5 marks)

- (ii) Conversion cost

(3.5 marks)

Q2 In July 2011, Encik Zakaria 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:

1. Balance shown in the bank statement, RM 42,340
2. Company's Cash Book balance, RM 45,800
3. Deposit in transit for three cheques:
Cheque No. 00348 RM3,500
Cheque No. 00345 RM6,700
Cheque No. 00789 RM 10,340
4. Bank error: The bank has mistakenly deducted RM 2,500 for a cheque issued by other company.
5. The company has issued outstanding cheques to pay various suppliers as follows:
Cheque No. 00245 RM 3, 000
Cheque No. 00246 RM 5,500
Cheque No. 00247 RM 4,500
6. The company has received payment through E.F. T from customer amounting to RM3,500
7. Bank has collected account receivable on behalf of the company amounting RM5,300
8. Interest earned on bank balance RM 135
9. Book errors: Cheque No. 00688 amounting RM 3,500 to paid to Company ABC, was recorded as RM 5,300
10. Bank Charges, RM 55 was debited from the account by the bank.
11. Cheque No. 555 from Food OK Sdn Bhd amounting to RM2,300 was actually a Non-Sufficient Fund Check (NSF)
12. E.F. T payment of rental for office premises, RM 1,800 was made during the month by the company.

- (a) Prepare the Ledger (T-Account) to update the company's cash book.

(8 marks)

- (b) Prepare Bank Reconciliation Statement for the month of July 2011
(10 marks)
- (c) Explain TWO (2) reasons for differences between the cash book balance and the bank statement balance.
(5 marks)
- (d) State TWO (2) purposes of the Statement of Cash Flows.
(2 marks)

Q3 Syarikat ABC has assembled the following data for the second quarter of 2011:

1. Sales in March were 25,000 units. On 31 March, the following balance are Given as below:
 - Account Receivables RM40,000
 - Account Payable RM10,000
 - Inventory 4,000 units.
 2. The company expected sales to increase 20% in April and 25% in May, June and July.
 3. 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.
 4. The management wants ending inventory equal to 20% of the following month's budgeted sales in unit.
 5. 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.
- (a) Prepare the Sales and Cash Collection Budget for the months of April – June 2011.
(10 marks)
- (b) Prepare the Purchase and Cash Payment Budget for the months of April – June 2011.
(10 marks)

- (c) Explain **TWO (2)** objectives of preparing budget to a firm. (5 marks)

Q4 Cendana Sdn Bhd manufactures special design furniture under the brand name *Shorea*. *Shorea* sells for RM800 per unit. This furniture relies heavily on direct labour. Thus, variable cost is high, which is RM450 per furniture. 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	<u>1,800,000</u>
Less: Fixed expenses	(1,280,000)
Net operating income	<u><u>520,000</u></u>

- (a) Compute the contribution margin ratio, the break-even point and the degree of operating leverage from the information. (6 marks)

- (b) If the company estimates that the variable cost will increase by RM70 per furniture next year,

Calculate how many *Shorea* furniture will have to be sold next year to earn the same net operating income as last year's.

(2 marks)

- (c) Since the variable cost increase by RM70, the management to increase the *Shorea* selling price. If the company maintains the same contribution margin ratio as per last year's,

Calculate, at what price per unit must a *Shorea* furniture be sold.

(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 how many *Shorea* furniture will 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) Base on the analysis, will you set up this new machine? Explain.

(3 marks)

END OF QUESTION PAPER