

**POLITEKNIK**  
Jabatan Pengajian Politeknik

EXAMINATION AND EVALUATION DIVISION  
DEPARTMENT OF POLYTECHNIC EDUCATION  
(MINISTRY OF HIGHER EDUCATION)

COMMERCE DEPARTMENT

FINAL EXAMINATION  
JUNE 2012 SESSION

**PK503: BUSINESS ACCOUNTING**

**DATE : 24 NOVEMBER 2012 (SATURDAY)**  
**DURATION : 2 HOURS (2.30 PM - 4.30 PM)**

This paper consists of **TWELVE(12)** pages including the front page.  
Section A: Objective (25 questions – answer all)  
Section B: Structured (5 questions – answer all)

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**THE CHIEF INVIGILATOR**

(The CLO stated is for reference only)





**SECTION A****OBJECTIVES (25 marks)****INSTRUCTION:**

This section consists of **TWENTY (25)** objective questions. Write your answers in the answer booklet.

1. Which of the following stages refer to the definition of accounting?  
[CLO1 : C1]
  - A. Classifying, recording, interpreting and summarizing
  - B. Classifying, interpreting, recording and summarizing
  - C. Classifying, recording, summarizing and interpreting
  - D. Classifying, summarizing, recording and interpreting
  
2. The proprietor of an enterprise is always considered to be separate and distinct from the business which he controls or owns. Identify the best concept of accounting regarding the statement.  
[CLO 1 : C1]
  - A. Historical cost concept
  - B. Matching concept
  - C. Accounting entity concept
  - D. Going concern concept
  
3. Choose the best statements that describe the concept of consistency?  
[CLO 1 : C1]
  - A. The accounting rule that requires assets and services plus any resulting liabilities to be taken into the accounting records at cost.
  - B. The accounting rule requiring a persistent application of a selected accounting method or procedure period after period.
  - C. Accounting rule requiring that whenever possible the amounts used in recording transactions be based on objective evidence rather than on subjective judgments.
  - D. The recording of assets and liabilities require a strict adherence to any of the accounting principles if it is difficult or expensive as long as it does not materially or significantly affect the reported net income of the business.

4. Under which form of business are the owners directly responsible for the debts of the business?
- [CLO1 : C2]
- A. Sole proprietorship
  - B. Partnership
  - C. Corporation
  - D. Sole proprietorship and partnership
5. One purpose of accounting information is to help certain users make decision and plan for the business and to exercise control so that the plans come to fruition. Which of the following user groups are most likely to use accounting information for this purpose?
- [CLO1 : C2]
- A. Managers
  - B. Community representatives
  - C. Owners
  - D. Employees
6. "Amin has an idea for a new business. He wants to start with the minimum amount of capital. He also wants to be his own boss and wants to keep all of the profits he expects to earn for himself".
- These goals suggest that Amin would prefer setting up a?
- [CLO1 : C2]
- A. Sole proprietorship
  - B. Partnership
  - C. Corporation
  - D. Limited liability company
7. What are the roles of an accountant?
- [CLO1 : C2]
- A. Accountants draw up sets of financial records and show an operating result to the company.
  - B. Accountants manage the business to ensure that the business is operated efficiency.
  - C. Accountants supervise others, who are collecting, recording and summarizing accounting data.
  - D. Accountants supply goods or services to the business to earn profit.

8. The purposes of recording and analyzing the accounting information are: [CLO1:C3]

- i. If the transactions were being recorded, it would be easier to refer.
- ii. Human task is becoming more complex especially in large organizations and it would prevent from misleading.
- iii. To know the financial status of the organization whether the business is making profit or running at a loss and what are the corrective actions to be taken.

- A. Only i
- B. Only ii
- C. i and ii
- D. i, ii and iii

9. Cost accounting information can be used for \_\_\_\_\_. [CLO1 : C2]

- A. Budget control and evaluation.
- B. Determining standard costs and variances.
- C. Pricing and inventory valuation decisions.
- D. All of the above.

10. The following accounting information are true regarding types of users of accounting information EXCEPT \_\_\_\_\_. [CLO1 : C3]

- A. A director is an internal user
- B. An investor is an internal user
- C. A customer is an external user
- D. A tax authority is an external user

11. "The use of accounting and costing principles, method and techniques in the determination of cost and analysis of savings. It is also a method to determine cost in order to plan and control business operation"

This is the definition of \_\_\_\_\_.

[CLO1 : C1]

- A. Management Accounting
- B. Cost Accounting
- C. Financial Accounting
- D. Business Accounting

12. Choose of the most suitable formula for Gross Profit Margin.

[CLO2: C3]

- A.  $\frac{\text{Gross Profits}}{\text{Total Non-current Asset}} \times 100\%$
- B.  $\frac{\text{Gross Profits}}{\text{Sales}} \times 100\%$
- C.  $\frac{\text{Gross Profits}}{\text{Total current liabilities}} \times 100\%$
- D.  $\frac{\text{Gross Profits}}{\text{Equity}} \times 100\%$

13. “ To evaluate the efficiency of the firm’s activities in generating income or earning from the use of assets, sales or investments”

[CLO2:C1]

The statement refer to:

- A. Liquidity ratios
- B. Activity ratios
- C. Solvency ratios
- D. Profitability ratios

14. The financial ratio which are used to analyze a business ability to repay its debts:

[CLO2:C1]

- i. Quick ratio
- ii. Current ratio
- iii. Gross profit margin
- iv. Inventory turnover ratio

- A. i and ii
- B. iii and iv
- C. i and iii
- D. ii and iv



15. Given the following information, calculate the gross profit ratio

[CLO2: C3]

Sales	RM8,000
Opening stock	RM1,200
Purchases	RM5,800
Return Outwards	RM580
Carriage Inward	RM700
Closing stock	RM720

- A. 20%
- B. 18%
- C. 25%
- D. 40%
16. A stock turnover of 5 times means:
- [CLO2:C3]
- A. On average the business is able to increase its stock 5 times higher than the last accounting period.
- B. On average the business is able to replace its stocks 5 times in that accounting period.
- C. On average the business is able to reduce its stock 5 times higher than the last accounting period.
- D. On average the business is able to collect debt from debtors 5 times in that accounting period.
17. Choose the correct statements.
- [CLO2:C2]
- A. When the rate of inventory turnover is falling, it can be due to causes such as an increase in the sales activity, or to keeping the higher figures of inventory than is really necessary.
- B. Average inventory is calculated by taking the opening inventory plus the closing inventory and the answer is divided by twelve.
- C. The turnover of profit of investment gives an overall picture of liquidity.
- D. Gross profit as a percentage of sales is used as a test of the profitability of the business.

18. The analysis of financial statement is very important EXCEPT :

[CLO2:C1]

- A. In response to the organization's activities and decision making.
- B. As the planning for the organization's possible future and events.
- C. As an attraction for new investors about the prospects of the organization.
- D. As a key indicators of the future performance of the organization from its operations.

19. Which ratio would be the most useful in order to measure the overall effectiveness of management?

[ CLO 3 : C2 ]

- A. Leverage ratio.
- B. Return on assets.
- C. Current ratio.
- D. Inventory turnover.

20. An inventory turnover ratio 4.0 compared to an industry average of 5.2 indicates that\_\_\_\_\_.

[ CLO 3 : C3 ]

- A. The firm has sales that are lower than the industry average.
- B. The firm is investing more for inventory in term of per dollar of sales than the industry average.
- C. The firm is more efficient in selling its goods.
- D. The firm keeps lesser inventories causing their average to be lower than the industry's

21. A firm has a return on assets of 10%, sales of RM 20,000 and total assets of RM 16,000. What is its net income?

[ CLO 3 : C3 ]

- A. RM 4,000
- B. RM 2,000
- C. RM 1,600
- D. None of the above

22. Which of the following statement is true about the cash book? [ CLO 3 : C1 ]
- i It is a book of prime entry
  - ii It records both cash and credit sales
  - iii It records both cash and credit purchases
  - iv It records both receipts and payments of money
- A. i and ii  
B. i and iv  
C. i, ii and iii  
D. ii, iii and iv
23. Calculate the amount to record for purchases amounting to RM30, 000 (list price) if a trade discount of 15% is given by the seller to the buyer. [ CLO3: C3 ]
- A. RM21,500  
B. RM23,500  
C. RM25,500  
D. RM27,500
24. In a double entry system, a debit is used to record. [ CLO 3 : C1 ]
- A. An increase in asset and expense, decrease in liability, revenue and capital.  
B. An increase in asset and revenue, decrease in liability, expense and capital.  
C. A decrease in asset, increase in capital, liability, revenue and expense.  
D. A decrease in asset and capital, decrease in liability, revenue and expense
25. A trial balance shows the total debit is more than the total credit by RM 6,300. The differences might be due to \_\_\_\_\_. [ CLO 3 : C2 ]
- A. Sales account is overstated by RM 6,300.  
B. Sales return account is understated by RM 6,300.  
C. Debtors account balance of RM 700 is stated as RM 7,000 on the debit side.  
D. Debtors account balance of RM 47,000 is stated in trial balance as RM 40,700.



**SECTION B****STRUCTURED (75 marks)****INSTRUCTION:**

This section consists of **FIVE (5)** structured questions.

Answer **all** the questions.

**QUESTION 1**

- (a) One of the basic accounting concepts is accounting principles. State and explain four accounting principles.

[CLO1:C1]  
(12 marks)

- (b) Financial information users comprise of internal and external users

List three internal users of accounting.

[CLO1:C1]  
(3 marks)

**QUESTION 2**

“Kamar is a fresh graduate with a limited amount of capital to start his own business. He intends to gain all profits from the business but limit him with business risks”

- a. List option that Kamar has and explain two (2) types of business entities can be open.

[CLO1:C1]  
(8 marks)

- b. List down and briefly explain THREE (3) advantages and disadvantages of business or entity purpose above.

[CLO1:C1]  
(7 marks)

**QUESTION 3**

You are given summarized information about Statement of Financial Position from a business.

- a. Calculate the Liquidity ratios and Solvency ratios.

	RM	RM	RM
<b>Fixed assets</b>			40,000
<b>Current assets</b>			
Stock	30,000		
Debtors	45,000		
Bank	<u>15,000</u>	90,000	
<b>Current Liabilities</b>			
Creditors		<u>(30,000)</u>	<u>60,000</u>
			<b><u>100,000</u></b>
<b>Capital</b>			
Capital			80,000
Add: Net Profit			36,000
Less: Drawing			<u>(16,000)</u>
			<b><u>100,000</u></b>

[CLO2 : C3]  
(11 marks)

- b. List two categories of ratios that are discussed in the Financial Analysis.

[CLO2 :C2]  
(2 marks)

- c. Explain your answers from the above analysis.

[CLO2: C2]  
(2 marks)



**QUESTION 4**

The summarized Statement of Comprehensive Income for the year ended 31 December 2011 and the Statement of Position as at 31 December 2011 for Bagus Trading and Baik Trading were as follow:

Statement of Comprehensive Income for the year ended 31 December 2011

	<b>Bagus Trading</b>		<b>Baik Trading</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Sales		180,000		160,000
Less: <u>Cost of sales</u>				
Opening stock	24,000		14,000	
Add: Purchases	<u>147,000</u>		<u>134,000</u>	
	171,000		148,000	
Less: Closing stock	<u>13,000</u>		<u>8,000</u>	
		158,000		140,000
Gross profit		22,000		20,000
Less: Expenses		<u>8,000</u>		<u>12,000</u>
Net Profit		<u>14,000</u>		<u>8,000</u>

Statement of Financial Position as at 31 December 2011

	<b>Bagus Trading</b>		<b>Baik Trading</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Capital		50,000		50,000
Add: Net profit		<u>14,000</u>		<u>7,000</u>
		64,000		57,000
Non-current Assets		40,000		50,000
Current Assets				
Stock	13,000		8,000	
Debtors	10,000		6,000	
Cash	<u>21,000</u>		<u>9,000</u>	
	44,000		23,000	
Less: Current Liabilities				
Creditors	<u>20,000</u>		<u>16,000</u>	
		24,000		7,000
		<u>64,000</u>		<u>57,000</u>

Required:

- a. Compute the following ratios for Bagus Trading and Baik Trading as at 31 December 2011.

[CLO 2: C3]

- i. Gross profit margin
- ii. Net profit margin
- iii. Current ratio

(12 marks)

- b. Based on the result obtained in (a) above, which of the two companies performance is better? Explain?

[CLO2: C2]

(3 marks)

### QUESTION 5

The Trial Balance of Nadzri Bersaudara as at 31 January 2012 is shown below:

Trial Balance as at 31 January 2012

	Dr	Cr
Motor vehicles	17 455	
Cash	3 500	
Alimah	5 545	
Iera Syazira		1 700
Capital		23 500
Drawings	3 000	
Wages	1 000	
Discount Received		500
Commission Received		1 100
Purchases and Sales	35 000	46 000
Return Inwards	300	
Salaries	1 500	
Water and Electricity	200	
Insurances	300	
Inventory	5 000	
	<b>72 800</b>	<b>72 800</b>

Closing inventory: RM 3,000

Prepare Income Statement for the year ended 31 January 2012.

[CLO3:C3]

(15 marks)