

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

COMMERCE DEPARTMENT

FINAL EXAMINATION

DECEMBER 2011 SESSION

PA101: FUNDAMENTALS OF ACCOUNTING

DATE: 24 APRIL 2012 (TUESDAY)
DURATION: 2 HOURS (11.15 AM – 1.15 PM)

This paper consists of **TEN (10)** pages including the front page.

Section A: Objective (25 questions – answer **ALL**)
Section B: Structured Essay (3 questions – answer **ALL**)

CONFIDENTIAL
DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED BY
THE CHIEF INVIGILATOR

(CLO stated at the end of each question is referring to the learning outcome of the topic assessed. The CLO stated is only for lectures' references.)

SECTION A**OBJECTIVES (25 marks)**

Instructions: This section consists of 25 objective questions. Answer **ALL** the questions.

1. The definition of accounting involves four stages. Which of the following stages are correctly in order? (CLO1)
 - A. Recording – Classifying – Interpreting – Summarising
 - B. Classifying – Recording – Summarising – Interpreting
 - C. Recording – Classifying – Summarising – Interpreting
 - D. Classifying –Recording - Interpreting – Summarising

2. What are the roles of an accountant? (CLO1)
 - 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 efficiently.
 - C. Accountants supervise others, who are collecting, recording and summarizing accounting data.
 - D. Accountants supply goods or services to the business to earn profit.

3. Which of the following statements are TRUE about an accountant? (CLO1)
 - A. Person who has the requisite skills and experience in establishing and maintaining accurate financial records for an individual or a business.
 - B. Person who is only doing bookkeeping and receiving payment for his/her service.
 - C. Person who cannot be sued for malpractice if performance of his/her duties falls below standards for the profession.
 - D. Person who is collecting money from sales, paying suppliers, salaries and wages.

4. Accounting has **THREE** branches which are (CLO1)
 - A. Financial Accounting, Management Accounting, Cost Accounting
 - B. Financial Accounting, Management Accounting, Forensic Accounting
 - C. Financial Accounting, Management Accounting, Auditing
 - D. Financial Accounting, Management Accounting, Taxing

5. Which of the following are characteristics of limited company? (CLO1)
- Manage and control by owner
 - Manage and control by partners
 - Manage and control by shareholder
 - Manage and control by Board of Director
6. Figure 1.0 shows an accounting cycle:

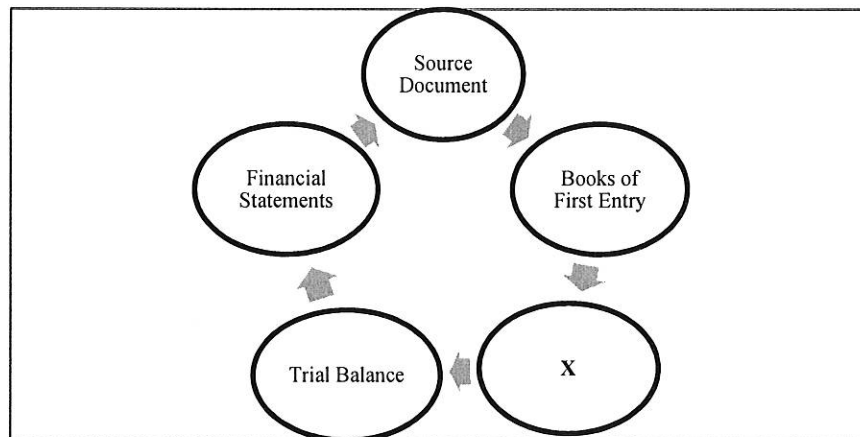


Figure 1.0

- From the above accounting cycle, what is X? (CLO1)
- Cashbook
 - Journals
 - Ledgers
 - Transactions
7. If you want to make sure that your money will be safe even if the cheques sent are lost in the post, you should (CLO1)
- Cross your cheques 'Account Payee only, Not Negotiable'
 - Not use the postal service in future
 - Always take the money in person
 - Always pay by cash
8. Special journal is an accounting record to record a specific type of routine transactions quickly and efficiently. Which of these transactions are not recorded in special journal? (CLO1)
- Bought goods on credit from Kuppusamy and Gang
 - Sold goods on credit to Kimball Lee and Magee
 - Bought machinery from Monsters Truck
 - Return defective goods to Kuppusamy and Gang

9. Which of the following is correct? (CLO2)

	Transactions	Debit	Credit
A	Bought machinery on credit from Ace Bhd	Ace Bhd	Machinery
B.	Sold computer for cash	Computer	Cash
C.	Owner took goods for personal used	Drawing	Purchase
D	Paid a creditor by cheque	Bank	Creditor

10. An accounting equation shows the relationship between (CLO2)
- Revenue and expenses
 - Profit and loss
 - Asset, liability and owner equity
 - Sales, purchase and drawing

11. Which of these accounting equation calculation is **incorrect**? (CLO2)

	Assets	Liabilities	Capital
A.	-RM5,000	+RM5,000	-RM10,000
B	+RM5,000	+RM5,000	No Changes
C.	+RM5,000	-RM5,000	+RM10,000
D.	-RM5,000	-RM5,000	-RM5,000

12. The following are some of the errors which do **not** affect the agreement of trial balance except (CLO2)
- Error of principle
 - Error of original entry
 - Error of first entry
 - Error of omission

13. ZaZa Company provided the following information about its balance sheet:

Cash	RM3,100
Debtors	RM500
Loans	RM1,000
Bank overdraft	RM200

Based on the information provided, how much is Zaza Company's equity?
(CLO3)

- A. RM 2,800
B. RM 2,400
C. RM 3,600
D. RM 1,200
14. A company received rental amounting to RM18,000 for a period of 12 months to 30 June 2011. The financial year ends on 31 March 2011. The rent received for the year ended will be recorded as: (CLO3)
- A. rental receivable RM4,500
B. unearned rental of RM4,500
C. rental accrued RM4,500
D. rent received RM4,500
15. What is the BEST statement that describes cash basis accounting? (CLO3)
- A. Recognizing revenue when it is earned and recognizing expenses in the period incurred, without regard to the time of receipt or payment of cash.
B. Revenue is recorded only when cash is received and expenses are recorded only when the cash is paid.
C. Expense is recorded only when cash is received and revenue is earned
D. Recognizing revenue when it is earned and cash is paid
16. The year-end trial balance includes those stated on the right. Another debt of RM12,400 should be written off and the Allowance adjusted to 4% of debts outstanding.

	Dr (RM)	Cr (RM)
Debtors	284,075	-
Provision for doubtful debts	-	16,240
Bad debts	11,600	
Bad debts recovered	-	5,800

Ascertain the amount to be written off as bad debts in the year.

- A. RM12,827
B. RM1,227
C. RM23,573
D. RM18,627

17. A firm bought a machine for RM 21,000. It is expected to be used for 5 years then it is going to be sold for RM 1,000. What is the annual amount of depreciation if the straight line method is used? (CLO3)
- A. RM 4,200
 - B. RM 5,250
 - C. RM 4,000
 - D. RM 3,200
18. Revenue expenditure and capital expenditure are different in below characteristics **EXCEPT**; (CLO3)
- A. Definition.
 - B. Depreciation
 - C. Effects on profit
 - D. Entry in trial balance.
19. A firm bought a machine for RM3,200. It is to be depreciated at a rate of 25 per cent using the Reducing Balance Method. What would be the remaining book value after 2 years? (CLO3)
- A. RM2,400
 - B. RM1,600
 - C. RM1,800
 - D. None of the above
20. Which of the following is the purpose of preparing control account? (CLO3)
- A. To detect purchase and sales transaction
 - B. To check the accuracy of sales and purchase account
 - C. To prepare financial statement
 - D. To calculate the total of sales and purchase
21. If creditors on 1st January 2010 were RM3,250, creditors on 31st December 2010 were RM4,750 and payments to creditors were RM35,800, then purchases for 2010 were (CLO3)
- A. RM 39,050
 - B. RM 34,300
 - C. RM 37,300
 - D. RM 31,050

22. What is the balance at the end of the year in the Receivable Control Account? (CLO3)
- | | |
|--|----------|
| Debtors at 1 January | RM11,500 |
| Credit Sales for the period 1 Jan – 31 Dec | 40,000 |
| Money received from debtors between 1 Jan and 31 Dec | 43,000 |
- A. RM8,500
B. RM14,500
C. RM18,500
D. RM83,500
23. An unpresented cheque is a cheque which has (CLO4)
- A. Been entered in a cash book but has not yet been deducted from bank account
B. Not yet been entered in a cash book but has been deducted from a bank account
C. Been entered in a cash book but has not yet been added to a bank account
D. Not yet been entered in a cash book but has been added to a bank account
24. The following statements are the steps for preparing a bank reconciliation statement **EXCEPT**; (CLO4)
- A. Compare entries in debit side of cash book with credit side of bank statement.
B. Compare entries in credit side of cash book with debit side of bank statement.
C. If any values are different for any items determine the correct entries.
D. If any values are different for any items cancel out the transaction
25. Which of the following items are found in bank statement and not in cash book? (CLO4)
- I Bank charges for commission and cheque book
II Credited interest of fixed deposit
III Payments by debtors via credit transfers
IV Issued cheques to creditors that has not been cashed
- A. I, II and III
B. I, II and IV
C. I, III and IV
D. II, III and IV

SECTION B

STRUCTURED ESSAY (75 marks)

Instruction: This section consists of **THREE (3)** questions. Answer **ALL** questions.

QUESTION 1

Zureen, an inexperienced book-keeper, prepared the following Trial Balance. It contained a number of errors.

Trial Balance as at 31 December 2010

	Debit(RM)	Credit(RM)
Stock 1 January 2010	9,800	
Purchases		8,765
Sales	12,345	
Return inwards		1,250
Return outwards	800	
Duty on purchases		875
Carriage inwards	900	
Carriage outwards		1,230
Commission Received	1,450	
Insurance		480
Advertising	3,450	
Debtors		2,345
Creditors	5,915	
Rent		6,000
Office Equipment		12,000
Discount Received	400	
Discount Allowed		265
Motor vehicles	25,000	
Wages		8,000
Cash	1150	
Overdraft		3,200
Loans	20,000	
Drawings	600	
Capital		38,000
	<u>81,810</u>	<u>82,410</u>

You are required to:

- Redraft the Trial Balance as at 31 December 2010. (CLO 2) (13 marks)
- Categorize each item in the Trial balance above into the account categories as below: (CLO2) (12 marks)

Assets	Liabilities	Owner's equity	Revenue	Expenses

QUESTION 2

The following trial balance was taken from the book of a sole trader Laura on 31 Aug 2010:

Particulars	Debit (RM)	Credit (RM)
Motor vehicles	48,400	
Provision for depreciation for motor vehicles		24,200
Fixtures and fittings	11,800	
Cash	3,500	
Bank	4,800	
Inventory 1/9/2010	30,240	
Loan – Farid		17,680
Debtors and Creditors	26,400	26,276
Capital		13,484
Provision for doubtful debts		1,500
Sales and Purchase	123,220	196,740
Discount	2,600	600
Returns	600	
Freight	1,008	
Electricity and water	1,492	
Salary expenses	24,140	
Drawings	1,340	
Insurance	420	
Motor vehicle repair expenses	520	
	280,480	280,480

Additional information:-

- Inventory on 31 August 2011 is RM20,952.
- The depreciation rate for motor vehicle is 25% on cost, while for fixtures and fittings is 10% on reducing balance.
- Bad debts of RM600 are written off and the provision for doubtful debts is 5% of debtors.
- 2/3 of freight charges are for freight outwards.
- Interest 5% per annum on loan: Farid is still outstanding.
- Insurance paid includes personal insurance of RM100.
- Electricity and water bill for the month of August of RM92 are still not paid.
- Advanced discount received of RM100.

Prepare:

- Income Statement and Balances Sheet for the year that ends on 31 August 2011. (CLO3) (20 marks)
- Give **TWO (2)** examples of prepaid expense? (CLO3) (2 marks)
- Explain and give an example of unearned revenue? (CLO3) (3 marks)

QUESTION 3

The information was taken from the book of Daddie Enterprise for the year ended 31 December 2010:

Date	Particulars	RM
Jan 1	Debit balance in sales ledger	25,360
	Credit balance in sales ledger	440
	Debit balance in purchase ledger	170
	Credit balance in purchase ledger	11,520

In the year 2010, the following transactions occurred :

	RM
Payments to creditors by cheque	15,200
Payments by debtors by cheque	5,360
Credit purchases	58,500
Cash purchases	14,750
Credit sales	48,300
Cash sales	8,230
Return inwards	320
Return outwards	260
Sales discounts	1,400
Purchase discounts	3,480
Debtors dishonoured cheques	2,260
Bad debts	790
Bad debts recovered	510
Interest charged on customers' overdue account	220
31 December : Credit balance in sales ledger	330
Debit balance in purchase ledger	120

- a) You are required to prepare:
- i. Debtors Control Account (CLO3) (13 marks)
 - ii. Creditors Control Account (CLO3) (10 marks)
- b) List 2 advantages of preparing control Accounts (CLO3) (2 marks)