FUKIEN SECONDARY SCHOOL

S5 First Term Uniform Test (2020-2021)

Business, Accounting and Financial Studies

(1 hour 30 minutes)

Date: 21st October 2020 Name: ____________________

Time: 10:15a.m. – 11:45a.m. Class: _________ No.: _____

INSTRUCTION

(1) This paper must be answered in English.

(2) There are 4 questions. All questions are compulsory.

(3) Write your answers in the answer book. Start each question (not part of a question) on a new page.

(4) Supplementary answer sheets will be supplied on request. Write your name, class and class number on each sheet.

1. Alprin Company runs a grocery store. It provided the following information for the year ended 31 December 2019:

	$
Cost of goods sold	6 500
Total assets	15 450
Capital, 1 January 2019	16 800
Non-current assets	11 200
Net profit for the year	2 600
Sales	22 000
Inventory, 31 December 2019	1 980
Trade payables	2 040
Bank overdraft	600

In 2019, additional capital was not introduced and there were no drawings.

REQUIRED:

(a) Calculate (to two decimal places) the following ratios for the year 2019 for Alprin Company:

(i) Net profit ratio (1 mark)

(ii) Gross profit ratio (1 mark)

(iii) Return on capital employed (2 marks)

(iv) Working capital ratio (1 mark)

(v) Liquid ratio (1 mark)

(b) Briefly comment on the liquidity of Alprin Company as at 31 December 2019. (2 marks)

Mazy Company is another small grocery store in the same district. Its gross profit ratio and net profit ratio for the year 2019 are 60% and 20% respectively.

(c) Briefly comment on the profitability of Alprin Company as compared with Mazy Company. (2 marks)

(Total: 10 marks)

2. Jess and Cece have been in the partnership sharing profits and losses in the ratio of 1:3. The statement of financial position as at 31 December 2018 was drafted as follows:

		$
Equipment, net		340 000
Motor vehicles, net		260 000
Inventory		63 000
Trade receivables, net		237 500
Bank		120 000
		1 020 500
Capital	- Jess	495 000
	- Cece	366 000
Trade payables		105 000
Accrued expenses		54 500
		1 020 500

On 1 January 2019, Nick was admitted as a new partner on the following terms:

(i) An item of inventory costing $6 000 was considered as worthless.

(ii) The allowance for doubtful debts, which had been provided at 5% on trade receivables, would be decreased to 2% after a review of the economic environment.

(iii) The motor vehicles were to be revalued at $230 000 and the equipment was to be revalued upward by $69 500. Professional fee of $12 000 was paid by cheque for the revaluation of assets.

(iv) The goodwill of the old partnership was estimated to be worth $160 000, but no goodwill account was to be maintained.

(v) Jess, Cece and Nick were to share profits and losses in the ratio of 1:3:1 respectively. Jess is guaranteed a share of profits of not less than $50 000 per annum.

(vi) Nick brought in a piece of equipment valued at $60 000 together with additional fund so that his capital account would have a balance of $260 000.

(vii) Interest of 10% per annum was allowed on the opening capital account balances of the new partnership.

(viii) The new partnership uses fixed capital system.

REQUIRED:

(a) Prepare the following accounts showing the admission of Nick:

(i) revaluation account (4 marks)

(ii) capital accounts of the partners in columnar form (6 marks)

(b) If net profit for the year 2019 was $340 000, prepare the appropriation account of the partnership for the year ended 31 December 2019. (3 marks)

(Total: 13 marks)

3. Dean and Eric were partners sharing profits and losses in the ratio of 3:2 respectively. The statement of financial position of the business as at 31 December 2019 was as follows:

	$
Capital accounts:	
- Dean	58 500
- Eric	26 000
Current accounts:	
- Dean	3 500
- Eric	(9 800)
Machinery	71 300
Inventory	18 000
Trade payables	35 000
Cash at bank	3 900
2% Loan from Eric	20 000
Trade receivables	44 000
Accrued loan interest [note (iii)]	4 000

On 1 January 2020, the partners decided to dissolve the partnership on the following terms:

(i) The machinery was sold at a profit of $20 000.

(ii) Eric took over all trade receivables at $35 000 and he collected $42 000 in the end.

(iii) The accrued loan interest was related to the 2% loan from Eric. Eric agreed to take over inventory to set off 90% of the loan and to waive the accrued loan interest.

(iv) All remaining liabilities were settled by cheque. A 5% discount was received for half of the amount owed to credit suppliers.

(v) Realisation expenses of $15 000 were paid by Dean on behalf of the partnership.

REQUIRED:
Prepare the following accounts:

(a) realisation account (6 marks)

(b) the partners' capital accounts in columnar form (4 marks)

(c) cash at bank account (3 marks)
(Total: 13 marks)

4. Below is the trial balance as Bishop Limited as at 31 December 2019:

	Dr	Cr
	$	$
Ordinary share capital		600 000
Profits tax	35 000	
Equipment	680 000	
Accumulated depreciation – equipment, 1 January 2019		244 800
Short-term investment	300 000	
Trade receivables and trade payables	425 000	99 000
Inventory, 1 January 2019	248 000	
Cash at bank		3 300
Purchases and sales	346 000	822 000
General reserve		25 000
Operating expenses	176 100	
4% Debentures		300 000
Retained profits, 1 January 2019		122 000
Debenture interest	6 000	
	2 216 100	2 216 100

Additional information:

(i) The value of the closing inventory as at 31 December 2019 was $360 000.

(ii) The 4% debentures were issued on 1 April 2019, interest being payable half-yearly on 30 September and 31 March.

(iii) On 15 December 2019, 300 000 ordinary shares of $3 each had been issued. All the monies subscribed had been received and shares had been allotted on 28 December 2019. However, no entries had been made in the books.

(iv) Directors' fees of $42 000 for 2019 were to be paid in 2020.

(v) Depreciation was to be charged for equipment at 20% of net book value.

(vi) Operating expenses of $176 100 were paid during the year 2019, of which 70% were selling and distribution expenses while the rest were administrative expenses. Directors' fees and depreciation expenses are classified as administrative expenses.

(vii) On 31 December 2019, the board of directors resolved to transfer $23 000 to the general reserve.

REQUIRED:

Prepare for Bishop Limited:

(a) the income statement for the year ended 31 December 2019; and (6 marks)

(b) the statement of financial position as at that date. (8 marks)

(Total: 14 marks)

END OF PAPER