

FUKIEN SECONDARY SCHOOL
S4 Final Examination (2020-2021)
Business, Accounting and Financial Studies
(2 hours)

Date: 17th June 2021

Time: 8:30a.m. - 10:30a.m.

Name: _____

Class: _____ No.: _____

Instructions to Students

1. This paper carries 90 marks.
2. This paper must be answered in English.
3. There are 6 questions. All questions are compulsory.
4. Write your answers in the answer book.
5. Supplementary answer sheets will be supplied on request. Write your name, class and class number on the answer book.

1. Mr Tokyo is a wholesaler. On 1 January 2020, his business purchased a motor vehicle to deliver goods to customers. Information related to the purchase is as follows:
- (i) List price of the vehicle is \$500 000. Mr Tokyo was given a trade discount of 30%.
 - (ii) Mr Tokyo paid \$1 000 to paint the company logo on the vehicle.
 - (iii) First registration tax of the vehicle amounted to \$150 000.
 - (iv) Prepaid annual maintenance fee of \$20 000.
 - (v) Mr Tokyo paid a carriage fee of \$800 to bring the vehicle to the business.

It is expected that the business will use the motor vehicle for nine years, and that the vehicle could be sold for \$50 000 afterwards. The business uses the straight-line method for calculating depreciation.

Required:

- (a) Compute the capital expenditure involved in purchasing the motor vehicle. (3 marks)
- (b) Calculate the depreciation of the motor vehicle for the year ended 31 December 2020. (2 marks)

2. Ginza Ltd's financial year ended on 31 March 2021. The following information was extracted from the company's business records:

<u>Insurance</u>	\$
4 months' prepaid fire insurance as at 31 March 2020	5 000
2 months' accrued property insurance as at 31 March 2020	6 000
Property insurance for 14 months ending 31 March 2021 paid on 1 May 2020	42 000
Fire insurance for 12 months ending 31 July 2021 paid on 1 August 2020	16 500
 <u>Rent</u>	 \$
Rent prepaid in advance to Landlord A as at 31 March 2020	4 000
Rent paid half-yearly to Landlord A on 1 September 2020 (for 6 months ending 28 February 2021) and 1 March 2021 (for 6 months ending 31 August 2021)	9 000
	(each time)
One year's rent paid in advance to Landlord B on 1 April 2020	24 000

Required:

Show the insurance and rent accounts as they would appear in Ginza Ltd's ledgers for the year ended 31 March 2021. (7 marks)

3. For each of the situations described below, state with a brief explanation the accounting principle or concept that has been applied or violated.
- (a) A 12-month rental agreement was made on 1 January 2020. The monthly rental income was \$12 000. During the year ended 31 December 2020, only \$108 000 was received. The bookkeeper recorded \$108 000 as rent revenue for the year ended 31 December 2020.
(3 marks)
- (b) The office equipment had a cost of \$12 340 and a market value \$20 000. The bookkeeper stated the office equipment at market value in the statement of financial position.
(3 marks)

4. Kobe Enterprise's trial balance as at 31 December 2020 failed to agree and the difference was credited to a suspense account. The draft net profit for the year amounted to \$206 740.

Subsequent checking of the records revealed the following:

- (i) A debt of \$1 100 owed by a customer proved to be irrecoverable but no record was entered in the books. The existing allowance for doubtful accounts of \$1 600 should have been adjusted to 3% of trade receivables. Trade receivables as at 31 December 2020 amounted to \$76 400.
- (ii) A van costing \$156 000 was acquired on 1 October 2020 for business use. This amount was debited to the purchases account. The firm's policy is to depreciate vans at 20% per annum on cost.
- (iii) The salaries and wages account was overcast by \$1 740.
- (iv) Carriage inwards of \$560 was wrongly credited to the carriage outwards account.
- (v) A piece of equipment costing \$30 000 was sold during the year. However, the sale proceeds of \$7 200 were credited to the sales account and no other entries were made. The net book value of the equipment at the date of sales was \$8 140.
- (vi) An accrual for electricity of \$4 750 was wrongly recorded at the year-end as a prepayment.
- (vii) The closing inventory was undervalued by \$750.
- (viii) The firm sold goods with a list price of \$9 100 to a customer with a 15% trade discount. It also granted a 7.5% cash discount to the customer for the early settlement of its debt. However, \$9 100 was recorded in the books for the sales and no entry was made for the cash discount.
- (ix) A credit purchase of \$6 240 was correctly entered in the trade creditor's account but was entered in the purchases account as \$6 420.
- (x) The returns outwards journal was overcast by \$710.

Required:

- (a) Prepare the necessary journal entries to correct the above errors.
(Narrations are not required.) (18 marks)
- (b) Prepare a statement to correct the draft net profit for the year ended 31 December 2020. (9 marks)

(Calculations to the nearest dollar)

5. Aso, Osaka and Uneo are in partnership, sharing profits and losses in the ratio of 2:2:1 respectively. It was agreed that Aso would be entitled to a salary of \$70 000 per month and that all partners would be credited with interest at 5% per annum on their opening capital balances.

The partnership's trial balance as at 31 December 2020 is as follows:

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Fixtures and fittings (net book value, 1 January 2020)	1 863 400	
Inventory, 1 January 2020	1 040 150	
Trade receivables	2 143 800	
Cash and bank	1 895 500	
Capital accounts: Aso		1 145 200
Osaka		1 635 000
Uneo		1 962 000
Current accounts: Aso	81 000	
Osaka		152 000
Uneo		30 750
Drawings: Aso	32 000	
Osaka	24 000	
Uneo	29 800	
Trade payables		899 500
Carriage inwards	49 000	
General expenses	1 520 000	
Purchases	3 650 000	
Rent and rates	2 370 500	
Sales		9 398 400
Wages and salaries	523 700	
	<u>15 222 850</u>	<u>15 222 850</u>

Additional information:

- (i) On 31 December 2020, inventory was valued at \$1 190 000.
- (ii) All of the partnership's non-current assets, which were bought on 1 January 2017, had no estimated residual value. Depreciation was to be charged as follows:
Fixtures and fittings: 10% on cost
There had been no change in the depreciation method and the depreciation rate.
- (iii) An allowance for doubtful debts was to be created at 5% of trade receivables.
- (iv) Prepaid rent as at 31 December 2020 was \$35 000.
- (v) Cash sale proceeds of \$30 000 were kept by Uneo. No entry had been made for this transaction.

Required:

- (a) Prepare an income statement for the year ended 31 December 2020, including all the appropriations. (12 marks)
- (b) Prepare the partners' current accounts in columnar form. (9 marks)

6. Besho, Magome and Oeda were in partnership, sharing profits and losses in the ratio of 2 : 1 : 1. The statement of financial position as at 31 March 2021 was as follows:

Besho, Magome and Ottawa			
Statement of financial position as at 31 March 2021			
	\$	£	\$
<u>Non-current asset</u>			
Plant and machinery, net			290 250
Motor vehicles, net			135 000
			<u>425 250</u>
<u>Current assets</u>			
Inventory		2	
Trade receivables		1500	
Prepaid expenses		6	
		<u>1508</u>	
Less <u>Current liabilities:</u>			
Trade payables	135 000		
Bank overdraft	<u>8 500</u>	<u>(1500)</u>	
Net current assets			45 750
			<u>471 000</u>
Less <u>Non-current liabilities:</u>			
Loan from Besho			<u>(60 000)</u>
			<u>411 000</u>
Financed by:			
<u>Capital accounts:</u>			
Besho		2000	
Magome		1000	
Oeda		<u>30</u>	400 000
<u>Current accounts:</u>			
Besho		1	
Magome		1	
Oeda		<u>6</u>	11 000
			<u>411 000</u>

On 31 March 2021, Magome withdrew from the partnership. Besho and Oeda agreed to share profits and losses equally.

Additional information:

- Magome was given a motor vehicle with a net book value of \$65 000 by the partnership free of charge. The cost of this gift was shared equally by Besho and Oeda.
- Inventory with a value of \$1 500 were found to be obsolete and had to be written off.
- Goodwill was valued at \$87 600. No goodwill account was opened in the new partnership.
- Plant and equipment were revalued to \$320 000 and the remaining motor vehicles were revalued to 80% of their net book value.
- Doubtful debts were estimated to be 5% of trade receivables.

- (vi) Oeda contributed a further sum in order to maintain the capital balances of Beshe and Oeda as 2 : 1. The balance owed to Magome was kept in the new partnership as a long term loan.

Required:

- (a) Prepare the revaluation account of the old partnership; (5 marks)
- (b) prepare the partners' capital accounts in columnar form; and (10 marks)
- (c) prepare the statement of financial position for the new partnership as at 31 March 2021. (9 marks)

END OF PAPER