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QUESTION 1 (40 MARKS)

On 1 January 2020, Mamin Mali started a business by bringing in cash amounting to RM110,000. The nature of the business is supplying books and stationeries to schools and colleges. The business was registered as El Jay Sdn Bhd.

Mamin Mali closes the company's accounts every month and applies perpetual inventory system in maintaining its inventories. The balances of the company's accounts as at 30 April 2020 are as follows:

ACCOUNTS	RM
Cash	26,700
Accounts receivable	33,700
Merchandise inventory	25,000
Store supplies	5,500
Prepaid insurance	2,000
Store equipment	55,200
Delivery van	48,000
Notes payable	38,100
Accounts payable	48,000

The following transactions were completed in May 2020:

Date	Transactions
May 1	Purchased merchandise from SazLee Company, RM2,500, FOB shipping point, terms 5/15, n/30. The transportation cost of RM200 was paid to the transportation company.
3	Sold merchandise to Remy Enterprise, RM18,700, term 3/10, n/30, FOB shipping point. The cost of the merchandise, RM7,900. The transportation cost incurred was RM150.
5	Received credit memo from SazLee Company for the merchandise returned, RM500.
6	Paid advertising expense, RM390.
9	Paid SazLee Company in full.
10	Sold merchandise to EmDan Company on credit, listed price, RM20,000, trade discount 15%, credit term 2/10, n/eom. FOB destination. The cost of the merchandise, RM6,800.
12	Purchased merchandise from SayMee, RM5,000, term 2/10, n/30 and FOB destination. The transportation cost was RM200.
14	Paid transportation cost for May 10 sales, RM270.

17	Allowed credit to EmDan Company for the merchandise returned, RM500. The merchandise cost was RM240.
20	Received payment in full from Remy Enterprise.
23	Sold merchandise for cash RM5,000 which had a cost of RM2,300.
28	Paid utility expense, RM300, salary expense, RM7,000 and miscellaneous expenses, RM5,000.
29	Paid RM15,000 cash for notes payable due.

The following adjustments are to be made at the end of the month:

1. Store equipment and delivery van were bought on 1 February 2020 and no depreciations have been recorded. The annual depreciation rate for both assets is 10%.
2. A check on store supplies showed a balance of RM2,000 at the end of the month.
3. Utility expense accrued RM200.
4. On 1 January 2020, the company has paid in advance, RM3,000 for insurance covering from January to December 2020.

REQUIRED:

(a) Journalize all the transactions occurred in May 2020. **(10 Marks)**

(b) Prepare the adjusting entries for the month of May 2020. **(5 Marks)**

(c) Prepare the trial balance as at 31 May 2020. **(7 Marks)**

(d) Prepare the Statement of Profit or Loss for the month ended 31 May 2020. **(4 Marks)**

(e) Prepare the Statement of Financial Position as at 31 May 2020. **(5 Marks)**

(f) Journalize the closing entries for the month. **(4 Marks)**

(g) Prepare the trial balance after closing the accounts. **(5 Marks)**

QUESTION 2 (30 MARKS)

A. Which phrase best describes the current role of the managerial accountant? **(1 Marks)**

- i. Managerial accountants prepare the financial statements for an organization.
- ii. Managerial accountants facilitate the decision-making process within an organization.
- iii. Managerial accountants make the key decisions within an organization.
- iv. Managerial accountants are primarily information collectors.

B. Explain the following: Product costs and Period costs and one example of each. **(2 Marks)**

C. Distinguish clearly between Financial Accounting and Management Accounting under **3 (THREE)** different factors, which are: i. Stakeholders, ii. Time frame and iii. Regulations. **(6 Marks)**

D. Before calculating costs we need to understand how different costs behave. In cost accounting we typically classify costs by three types of behaviour: •Fixed costs – costs which don't change as the activity level changes •Variable costs – costs which change in direct proportion to changes in the activity level •Semi-variable costs – costs which have both fixed and variable elements. **Explain** the purpose classifying costs into the behavior patterns. **(6 Marks)**

E. Top Pipes Sdn Bhd reports the following information for the year ended 30 June 2020:

	(RM)
Sales	650,000
Factory supervisor's salaries	74,000
Prepaid insurance	90,000
Indirect material	65,000
Indirect labour	18,000
Direct labour	190,000
Depreciation	46,000
Utilities expense	12,000
Sales discount	8,000

Additional information:

- i. 80% of the insurance is for factory and the remaining is for office.
- ii. The balances of inventories are as follows:

	30 June 2019 (RM)	30 June 2020 (RM)
Direct materials	70,000	80,000
Work in process	90,000	75,000
Finished goods	35,000	42,000

- iii. Direct materials bought during the year is RM160,000.
- iv. 70% of the depreciation expense is for the factory equipment and the remaining is for office equipment.
- v. 25% of the utilities expense is for administrative purposes.

REQUIRED:

- (a) Prepare the Statement of Cost of Goods Manufactured for the year ended 30 June 2020. **(9 Marks)**
- (b) Prepare the Statement of Profit or Loss for the year ended 30 June 2020. **(6 Marks)**

QUESTION 3 (15 MARKS)

Covid2020 Furniture is operating at almost 100% capacity. The company expects sales to increase by 20% in 2020. To satisfy the demand for its products, the company is considering two alternatives:

- The first alternative would increase fixed costs by 15% but not affect variable costs.
- The second alternative would not affect fixed costs but increase variable costs to 60% of the selling price of the company's product.

Covid2020 Furniture's income statement for 2019 is as follows:

Sales	RM1,800,000
Costs:	
Variable	RM810,000
Fixed	RM165,000
Income before taxes	RM975,000
	RM825,000

REQUIRED:

- Determine the break-even point in sales dollars for 2020 under the first alternative. **(4 Marks)**
- Determine the break-even point in sales dollars for 2020 under the second alternative. **(3 Marks)**
- Determine projected income before taxes for 2020 under each of the alternatives. **(5 Marks)**
- Which alternative would you recommend? Why? **(3 Marks)**

QUESTION 4 (15 MARKS)

Corona2020, a merchandising firm, needs to prepare budgets for July 2020. The followings are the data regarding the company's plans for 2020.

1. The actual and forecasted sales (in units) of the company are as follows:

June	July	August
55,000	70,000	75,000

The unit-selling price is estimated at RM14.50. All sales are on account; 60% of the monthly sales is expected to be collected in the month of sales, and another 40% will be received in the following month after the sales.

2. The company's policy indicates that the ending inventory of merchandises should be equal to 15% of the current month's sales plus 5% of the following month's sales.
3. The cost of goods sold is about 65% of the total monthly sales.
4. The company pays 60% of the purchase in cash, and the balance is paid in the following month after the purchases. Total cost of merchandises purchased in June was RM594,500.
5. In July 2020, the company expects to purchase a piece of commercial land costing RM80,000.
6. Monthly administrative expenses of the company are RM35,000. Selling expenses are estimated at 4% of the cost of sales. These selling and administrative expenses are paid in the month incurred.
7. The closing cash balance in June was RM45,000.

REQUIRED:

- (a) Prepare the Cash Budget for the month of July 2020.
(Show workings) (10 marks)
- (b) Discuss three (3) purposes of budgeting. (3 marks)
- (c) Explain two (2) factors that are essential for effective budgeting. (2 marks)

END OF QUESTIONS



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