FANLING LUTHERAN SECONDARY SCHOOL
2023-2024 First Term Uniform Test

S.6 BUSINESS, ACCOUNTING & FINANCIAL STUDIES

Marking Scheme

SECTION A (38 marks)

1.

Appropriation account

	$		$		$
Interest on capital –				Profit and loss (net profit)	200,000
Current: Ng ($20,000x8%)			1,600	Interest on drawings –	
Current: Lee ($30,000x8%)			2,400	Current: Ng ($12,000x10%x4/12)	400
Salary to partner –				Current: Lee ($15,000x10%x4/12)	500
Current: Lee			10,000		
Share of profit –					
Current: Ng (3/5)	112,140				
Current: Lee (2/5)	74,760		186,900		
			200,900		200,900

Current

	Ng	Lee		Ng	Lee
	$	$		$	$
Drawing	12,000	15,000	Balance b/d	5,000	8,000
Appropriation–Interest on drawings	400	500	Appropriation–Interest on capital	1,600	2,400
Balance c/d	106,340	79,660	Appropriation–Salary to partner	—	10,000
			Appropriation–Share of profit	112,140	74,760
	118,740	95,160		118,740	95,160

(Total 10 marks)

2.

Revaluation

	$	$		$
Motor vehicles ($60,000 – $40,000)		20,000	Buildings ($100,000 – $60,000)	40,000
Allowance for doubtful accounts		2,000	Trade receivables (bad debts recovery)	2,000
Cash at bank – Professional fees		7,000		
Profit on revaluation –				
Capital: Liu (1/2)	6,500			
Capital: Leung (1/2)	6,500			
		13,000		42,000

Capital

	Liu	Leung	Wong		Liu	Leung	Wong
	$	$	$		$	$	$
Goodwill (3 : 5 : 2)	36,000	60,000	24,000	Balances b/f	80,000	60,000	—
Balance c/f	110,500	66,500	16,000	Goodwill (1 : 1)	60,000	60,000	—
				Cash at bank	—	—	40,000
				Revaluation	6,500	6,500	—
	146,500	126,500	40,000		146,500	126,500	40,000

(Total 10 marks)

3. (a)

Realisation

	$	$		$
Office equipment		50,000	Bank – Office equipment	80,000
Motor vehicles		30,000	Bank – Inventory	50,000
Inventory		20,000	Bank – Trade receivable	16,000
Trade receivable		18,000	Capital: Kwok - Motor vehicles taken over	14,000
Bank – Dissolution costs		4,000	Trade payable – Discounts received	6,000
Profit on realization –				
Capital：Kwok (2/8)	11,000			
Capital：Lee (1/8)	5,500			
Capital：Tang (5/8)	27,500	44,000		
		166,000		166,000

(b)

Capital

	Kwok	Lee	Tang		Kwok	Lee	Tang
	$	$	$		$	$	$
Realisationr	14,000	—	—	Balances b/f	20,000	50,000	60,000
Bank–Final settlement	19,000	63,500	90,500	Current	2,000	8,000	3,000
				Realisation	11,000	5,500	27,500
	33,000	63,500	90,500		33,000	63,500	90,500

Bank

	$		$
Balances b/f	61,000	Trade payable	30,000
Realisation–Office equipment	80,000	Realisation–Dissolution costs	4,000
Realisation–Inventory	50,000	Capital: Kwok–Final settlement	19,000
Realisation–Trade receivable	16,000	Capital: Lee–Final settlement	63,500
		Capital: Tang–Final settlement	90,500
	207,000		207,000

(Total 18 marks)

Section B (67 marks)

1. (a) (1) fixed cost (2) indirect cost (3) variable cost (4) direct cost

(5) fixed cost (6) indirect cost (7) mixed cost (8) indirect cost

(b) (i), (iii) and (iv) should classified as production overheads.

(c) Variable Electricity expenses per unit = ($9,800 – $2,600)/(12,000 – 3,000) = $0.8 per unit

Fixed Electricity expenses = $9,800 – 12,000 x $0.8 = $200

The Electricity expenses for May = 8,000 x $0.8 + $200 x (1 + 20%) = $6,640

(Total 15 marks)

2. (a)

Ali Company
Income Statement for the year ended 31 December 2015 using marginal costing

Sales [$6,000,000 x (1 – 25%)]			4,500,000
Less: Variable cost of goods sold:			
Direct materials [$1,700,000 x (1 – 25%)]	1,275,000		
Direct labour [$300,000 x (1 – 25%)]	225,000		
Variable production overheads ($2,500,000 – $2,800,000 x 7/10)	540,000		2,040,000
Product contribution margin			2,460,000
Less Variable selling costs ($1,000,000 – $2,800,000 x 3/10)			160,000
Total contribution margin			2,300,000
Less: Fixed Production overheads($2,800,000 x 3/10)	840,000		
Fixed Selling costs($2,800,000 x 7/10)	1,960,000		2,800,000
Net loss			(325,000)

(b) The net profit will not decrease proportionally by 25% as fixed costs will remain unchanged.

(Total 18 marks)

3. (a) Contribution margin per unit for products A = 365 – 80.5 – 60.5 – 24.0 – 21.5 = $178.5 per unit

(b) (1) The contribution margin per sales mix = $3 + $4.5 x 2 – ($1.4 + $2.2 x 2) = $6.2

(2) Total fixed cost = $50,000 + $13,400 = $63,400

The sales quantity of sales mix to achieve a target profit = ($63,400 + $66,800)/$6.2 = 21,000

the sales quantity of rulers = 21,000 units，the sales quantity of ball pens = 21,000 x 2 = 42,000 units

(c) Contribution margin per machine minute for each unit of ruler = ($3 – $1.4)/0.4 = $1.6/0.4 = $4 machine minute

Contribution margin per machine minute for each unit of ball pen = ($4.5 – $2.2)/0.8 = $2.3/0.8 = $2.875 machine minutes

Therefore, production priority should be ruler and ball pen

Produce 20,000 units of rulers, machine minutes used = 20,000 x 0.4 = 8,000 minutes

The production quantity of Ball pen = (39,000 – 8,000) / 0.8 = 38,750 units

The production quantity of Ruler in June 2023 = 20,000 units

The production quantity of Ball pen in June 2023 = 38,750 units

(Total 16 marks)

4. (a) Predetermined fixed manufacturing overhead absorption rate = $1,728,000/28,800 = $60 per direct labour hour

(b) Absorbed fixed manufacturing overheads = $1,400,000/$50 x $60 = $1,680,000

Under-absorbed fixed manufacturing overheads = $1,920,000 – $1,680,000 = $240,000

(c)

Income statement for the year ended 31 December 2022

Sales		5,200,000
Less: Cost of goods sold:		
Direct materials($700,000 – $164,000)	536,000	
Direct labour cost	1,400,000	
Absorbed fixed manufacturing overheads($1,400,000/$50 x $60)	1,680,000	
	3,616,000	
Less: Closing inventory [$3,616,000/8,000 x (8,000 – 6,500)]	678,000	
	2,938,000	
Add: Under-absorbed fixed manufacturing overheads	240,000	(3,178,000)
Gross profit		2,022,000
Less: Administrative overheads		(493,000)
Net profit		1,529,000

(Total 18 marks)