# Fanling Lutheran Secondary School

## 2023-2024 First Term Uniform Test

### S6 BUSINESS, ACCOUNTING & FINANCIAL STUDIES

## QUESTION-ANSWER BOOK

**November 7, 2023**

**Time allowed: 1 hour 30 minutes**

**Instructions:**

1. This paper consists of 7 pages.
2. Full marks of this paper is 105.
3. Write your Name, Class, Class No., Seat No. and Group No. in the spaces provided on Page 1.
4. This paper must be answered in English.
5. Write your answer in the spaces provided in this Question-Answer Book. Do not write in the margins. Answers written in the margins will not be marked.
6. Supplementary answer sheets will be provided on request. Write your Class Number, mark the question number box and staple them to this Question-Answer Book.

| | |
|---|---|
| Name : | |
| Class : | ( ) |
| Seat No. : | |

| Question No. | Marker's Use Only | |
|---|---|---|
| Section A | | |
| 1 | | |
| 2 | | |
| 3 | | |
| Section B | | |
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| Total | | |

**Section A** (38 marks)

1. Net profit for the year amounted to $200,000. Drawings made on 1 September 2022: Ng $12,000, Lee $15,000. Rate of interest on drawings: 10% per annum. Capital and Current of Ng and Lee are $20,000, $30,000 and $5,000, $8,000 respectively. Rate of interest on capital: 8% per annum. Lee was entitled to an annual salary of $10,000. The share profits and losses of Ng and Lee are in the ratio of 3 : 2.

   **REQUIRED:** Prepare the appropriation account of the partnership for the year ended 31 December 2022 and the partners' current accounts in columnar form.

(Total 10 marks)

**Appropriation account**

| | $ | | $ | | $ |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

**Current**

| | Ng | Lee | | Ng | Lee |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

2. Liu and Leung were in partnership, sharing profits and losses equally. Capital of Liu and Leung are $80,000 and $60,000. Goodwill was valued at $120,000. It was decided that no account is to be kept for goodwill. On 1 January 2022, Wong was admitted to the partnership with capital contribution of $40,000 by cheque. Premise has risen from $60,000 to $100,000, motor vehicles has dropped from $60,000 to $40,000, A bad debt recovery of $3,000 would be collected from trade receivables, An increase in allowance for doubtful account of $2,000, revaluation fees of $7,000 were paid. The profits and losses sharing ratio of Liu, Leung and Wong are 3:5:2.

   **REQUIRED:** Prepare the revaluation account and the partners' capital accounts in columnar form to record the admission of Wong

(Total 10 marks)

**Revaluation**

| | $ | $ | | $ |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

**Capital**

| | Liu | Leung | Wong | | Liu | Leung | Wong |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | | $ | $ | $ |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

3. On 31 December 2022, the partnership did not operate well and the partners decided to dissolve the partnership. The relevant information is as follows: Capital and Current of Kwok, Lee and Tang are $20,000, $50,000, $60,000 and $2,000, $8,000 and $3,000 respectively. On dissolution, the bank and net book value of office equipment, motor vehicles, inventory and trade receivable are $61,000, $50,000, $30,000, $20,000 and $18,000. The office equipment and inventory were sold for $80,000 and $50,000. Receipts $16,000 from trade receivable. Kwok took over the motor vehicles for $14,000. Trade payable of $30,000, net of discounts received of $6,000, were paid off. The cost of dissolution were $4,000. The profits and losses sharing ratio of Kwok, Lee and Tang are 2:1:5.

**REQUIRED:**

(a) Prepare the realisation account

(b) Prepare the partners' capital accounts in columnar form and the bank account.

(Total 18 marks)

(a)

**Realisation**

| | $ | $ | | $ |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

(b)

**Capital**

| | Kwok | Lee | Tang | | Kwok | Lee | Tang |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | | $ | $ | $ |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

**Bank**

| | $ | | $ |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

**Section B** (67 marks)

1. HTV produces televisions. Its various kinds of costs are shown in the table below:

| Cost item | | fixed cost or variable cost or mixed cost | direct cost or indirect cost |
|---|---|---|---|
| **When the cost object is television:** | | | |
| Example | Cost of speakers for televisions | variable | direct |
| (i) | Factory maintenance fees | (1) | (2) |
| (ii) | Royalty fee per television | (3) | (4) |
| **When the cost object is the production department:** | | | |
| (iii) | Rent of a new machine for $20,000 per annum | (5) | (6) |
| (iv) | monthly wage of a worker is $6,000 plus $0.3 per unit produced | (7) | (8) |

**REQUIRED:**

(a) With reference to the example above, classify each cost item into fixed cost, variable cost or mixed cost, and direct cost or indirect cost. Write your answer for items (1) to (8) in the answer book.

(b) Under absorption costing, which cost items in (i) to (iv) above should be classified as production direct cost?

The following cost information for 2022 is extracted from HTV's records:

| | January | February | March | April |
|---|---|---|---|---|
| Activity level (units) | 3,000 | 6,000 | 12,000 | 11,000 |
| Cost item | | | | |
| Electricity expenses | $2,600 | $4,700 | $9,800 | $10,000 |

**REQUIRED:**

(c) Assume that the activity level in May 2022 is 8,000 units and the fixed cost will increase by 20%. Use the high-low method to calculate the repair and maintenance expenses for May.

(Total 15 marks)

(a) (1) _____ (2) _____ (3) _____ (4) _____

(5) _____ (6) _____ (7) _____ (8) _____

(b) _____

(c) _____

_____

_____

_____

2. Ali Company produces a single product, Product Y. It does not keep inventory of finished goods. The production overheads and selling costs are mixed costs. Annual total fixed cost amounted to $2,800,000. The ratio of fixed production cost to fixed non-production cost is 7:3.

The income statement for the year ended 31 March 2022 is drafted as below:

| | **$** |
|---|---|
| Sales | 6,000,000 |
| Less: Costs | |
| Direct material costs | 1,700,000 |
| Direct labour costs | 300,000 |
| Production overheads | 2,500,000 |
| Selling costs | 1,000,000 |
| | 5,500,000 |
| Net profit | 500,000 |

Peter, the Sales Manager, estimated that sales will decline by 25% next year. As such, he predicted that the net profit will decrease by 25% from $500,000 to $375,000 next year.

**REQUIRED:**

(a) Based on Peter's estimation on the sales next year, prepare an income statement for the next year using the marginal costing system.

(b) Explain why the prediction made by Peter regarding the net profit next year is wrong.

(Total 18 marks)

(a)

**Ali Company**

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

| | $ | | $ |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

(b) _____

_____

_____

3. Super Company produces and sells two types of stationery: rulers and ball pens. The following is the budgeted data for June 2023：

| | Ruler | Ball pen |
|---|---|---|
| Estimated demand | 20,000 units | 40,000 units |
| Selling price per unit | $3 | $4.5 |
| Production requirement per unit | 0.4 machine minutes | 0.8 machine minutes |
| Variable production cost per unit | $1.4 | $2.2 |

Budgeted fixed production cost and fixed administrative cost are $50 000 and $13 400 respectively.

**REQUIRED:**

(a) Explain the meaning of 'margin of safety'.

(b) Assume the stationery is sold in packages, with one ruler and two ball pens in each package, calculate:

(1) the contribution margin per sales mix.

(2) the sales quantity of each type of stationery, to achieve a target profit of $66 800 for June 2023.

Assume there will be only 39 000 machine minutes available in June 2023 due to scheduled maintenance. To maximise the total contribution at its full capacity, Super Company decides to sell the rulers and ball pens separately rather than in packages.

**REQUIRED:**

(c) Calculate the production quantity for each type of stationery in June 2023.

(Total 16 marks)

(a) _____

_____

(b) (1) _____

_____

(2) _____

_____

_____

(c) _____

_____

_____

_____

_____

_____

_____

_____

4. Jacky Company is a watch manufacturer established on 1 January 2022. In its first year of operations, the production quantity and sales quantity of watches were 8,000 units and 6,500 units respectively. The information for the year ended 31 December 2022 is given below:

(i) The fixed manufacturing overheads for 2022 were budgeted at $1,728,000. The company uses the absorption costing system and absorbs the fixed manufacturing overheads based on direct labour hours.

(ii) It was estimated that 28,800 direct labour hours would be used in 2022.

(iii) The following actual data for the year ended 31 December 2022 is provided:

| | $ |
|---|---|
| Sales | 5,200,000 |
| Direct materials purchased | 700,000 |
| Inventory of direct materials, 31 December | 164,000 |
| Direct labour cost (hourly wage rate $50) | 1,400,000 |
| Fixed manufacturing overheads | 1,920,000 |
| Administrative overheads | 493,000 |

**REQUIRED:**

(a) Calculate the predetermined fixed manufacturing overhead absorption rate for 2022.

(b) Calculate the under-absorption or over-absorption of fixed manufacturing overheads for 2022.

(c) Using the absorption costing system and based on the predetermined fixed manufacturing overhead absorption rate, prepare an income statement for the year ended 31 December 2022, showing the under-absorption or over-absorption of fixed manufacturing overheads.

(Total 18 marks)

(a) _____

_____

(b) _____

_____

_____

(c)

**Income statement for the year ended 31 December 2022**

| | $ | | $ |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

## End of Paper