

Fanling Lutheran Secondary School

2024-2025 First Term Uniform Test

S6 BUSINESS, ACCOUNTING & FINANCIAL STUDIES

QUESTION-ANSWER BOOK

November 6, 2024

Time allowed: 1 hour 30 minutes

Instructions:

1. This paper consists of 6 pages.
2. Full marks of this paper is 98.
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		
Section B		
1		
2		
3		
4		
Total		

1. Net profit for the year amounted to \$300,000. Drawings made on 1 July 2024: Li \$18,000, Chan \$12,000. Rate of interest on drawings: 15% per annum. Capital balance and Current balance of Li and Chan are \$40,000, \$50,000 and \$10,000, \$14,000 respectively. Rate of interest on capital: 5% per annum. Li was entitled to an annual salary of \$13,550. The share profits and losses of Li and Chan are in the ratio of 4 : 1.

(Total 15 marks)

[illegible][illegible]

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

[illegible][illegible]

Section B (68 marks)

1. Nice Company manufactures and sells a single product which is sold at a unit price of \$100. It maintains a variable cost to sales ratio of 70%. The company does not keep inventory of the product.

Budgeted information for May 2024 is extracted below :

Sales: \$1,200,000

Production overheads: \$5 per unit

Salary of factory supervisors:	<u>Production quantity (unit)</u>	<u>Monthly salary</u>
	0 to 7,000	\$100,000
	7,001 to 14,000	\$120,000
	14,001 to 21,000	\$140,000

Factory rent: \$150,000 per month

Administrative expenses:	<u>Sales quantity (unit)</u>	<u>Monthly expenses</u>
	7,000	\$36,240
	14,000	\$53,740
	21,000	\$78,240

REQUIRED:

- (a) With reference to the above information, classify each of the following cost items (1) to (4) into fixed cost, variable cost, mixed cost or step cost :
- (1) Production overheads
 - (2) Salary of factory supervisors
 - (3) Factory rent
 - (4) Administrative expenses
- (b) Use the high-low method to calculate the variable component and the fixed component of the administrative expenses.
- (c) Calculate the contribution margin per unit for May 2024.
- (d) Calculate the breakeven sales amount for May 2024.
- (e) Calculate the margin of safety (in unit) for May 2024.

(Total 15 marks)

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

(b) _____

(c) _____

(d) _____

(e) _____

- (i) Actual production cost per unit of Product Y :

	\$
Direct material cost	5.3
Direct labour cost (\$45 per direct labour hour)	13.5
Variable production overheads	6
Fixed production overheads	?

- (ii) The predetermined fixed production overhead absorption rate was \$5 per direct labour hour. Actual fixed production overheads for 2023 were the same as the budgeted amount.
- (iii) The budgeted and actual production quantity were 45,000 units and 47,000 units respectively.
- (iv) The budgeted and actual sales quantity were the same.
- (v) The contribution margin ratio was 35%.
- (vi) The closing inventory was 3,500 units.
- (vii) Actual selling expenses for 2023 were \$138,750. This was the same as budgeted. The variable component of the selling expenses was \$2.5 per unit, which varied with the sales level.

- Calculate the variable cost of product Y per unit.
- Calculate the selling price of product Y per unit.
- Prepare the income statement for the year ended 31 December 2023 using the marginal costing system.
- If the absorption costing system is used instead, explain how the net profit of 2023 will be affected with supporting calculation.

(Total 18 marks)

- (a) _____
- (b) _____
- (c) _____

Joey Company
Income Statement for the year ended 31 December 2023 using marginal costing

[illegible]

- (d) _____
- _____

3. Megan Company produces and sells three kinds of water sports gears: paddles, kayaks and surfboards. The proportion of sales quantity of paddles and kayaks is maintained at a sales mix ratio of 2:1. Budgeted figures for the products for next year are as follows:

	Paddle	Kayak	Surfboard
Unit of production and sales	5,000 units	2,500 units	4,000 units
Selling price per unit	\$80	\$500	\$400
Direct material cost per kg	\$50	\$75	\$60
Direct materials per unit	0.5 kg	4 kg	2 kg
Direct labour cost per unit	\$4	\$12	\$70
Selling expenses per unit	\$1	\$18	\$10
Fixed manufacturing overhead costs	\$120,000	\$120,000	\$960,000

REQUIRED:

- (a) Calculate:
- (1) the production cost per unit of surfboards.
 - (2) the contribution margin per sales mix of paddles and kayaks.
- (b) Assuming 3,000 units of kayaks will be sold next year, and the sales mix ratio of paddles and kayaks will be maintained, calculate the sales quantity of surfboards at which Megan Company will break even.
- (c) Assuming 4,920 units of surfboards will be sold next year, and the sales mix ratio of paddles and kayaks will be maintained, calculate the sales quantity of paddles at which Megan Company will achieve a target profit of \$270,000.

(Total 19 marks)

(a) (1) _____

(2) _____

(b) _____

(c) _____

- | | |
|--|-----------|
| | \$ |
| Sales | 4,800,000 |
| Direct materials purchased | 700,000 |
| Inventory of direct materials, 31 December | 100,000 |
| Direct labour cost (hourly wage rate \$60) | 1,800,000 |
| Fixed manufacturing overheads | 2,000,000 |
| Administrative overheads | 500,000 |

- Calculate the predetermined fixed manufacturing overhead absorption rate for 2024.
- Calculate the under-absorption or over-absorption of fixed manufacturing overheads for 2024.
- 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 2024, showing the under-absorption or over-absorption of fixed manufacturing overheads.

(a) _____

(b) _____

Income statement for the year ended 31 December 2024

[illegible]

MC Wong