

UNIVERSITY OF BOLTON

OFF CAMPUS DIVISION

BANKING UNIVERSITY HCMC

BSC (HONS) BUSINESS MANAGEMENT

SEMESTER ONE EXAMINATIONS 2023/2024

**FINANCIAL ACCOUNTING AND THE REGULATORY
FRAMEWORK**

MODULE NO: BMP6044

Date: Friday 5th January 2024

Time: 2 hours

INSTRUCTIONS TO CANDIDATES:

There are **THREE** questions on this paper.

Answer **ALL THREE** questions.

Candidates can bring two sheets of A4 paper with personal notes. You should write your student number on top of each sheet and submit it with your answer booklet.

Use of calculators is allowed.

Full workings must be shown.

University of Bolton - Off Campus Division
 Banking University HCMC
 BSc (Hons) Business Management
 Semester 1 Examination 2022/2023
 Financial Accounting and the Regulatory Framework
 Module No. BMP6044

Question 1

John prints and publishes study materials. John prepared the following trial balance as at 30 June 2023:

	Dr	Cr
	\$	\$
Purchases	60,000	
Inventory at 1 July 2022	10,000	
Sales		120,000
Distribution costs	13,200	
Administrative and selling expenses	5,600	
Trade receivables	12,200	
Irrecoverable debts	1,550	
Bank balance		4,150
Capital account at 1 July 2022		73,100
Discount received		2,500
6% Bank loan		10,000
Non-current assets at carrying amount	102,500	
Capital introduced in the year		5,000
Loan interest paid	300	
Drawings	8,000	
Trade payables		5,600
Wages	15,000	
Suspense		8,000
	228,350	228,350
	228,350	228,350

**QUESTION 1 CONTINUED OVER PAGE
 PLEASE TURN THE PAGE**

University of Bolton - Off Campus Division
Banking University HCMC
BSc (Hons) Business Management
Semester 1 Examination 2022/2023
Financial Accounting and the Regulatory Framework
Module No. BMP6044

QUESTION 1 CONTINUED

The following is to be taken into account.

- 1 Inventory valuation at 30 June 2023 was \$12,000.
- 2 John decided to write off an irrecoverable debt of \$1,000. This should be accounted for as an administrative and selling expense.
- 3 The wages cost should be split equally between cost of sales and administrative and selling expenses.
- 4 The bank loan was taken out on 1 July 2022.
- 5 The depreciation charge for the year of \$5,000 on property, plant and equipment has not yet been accounted for. It should be classified as a cost of sale.

Required:

- a) **Prepare the statement of profit or loss for the year ended 30 June 2023, together with the statement of financial position as at 30 June 2023 on behalf of John.**

(30 Marks)

- b) **Critically evaluate the objective and the reasons to prepare a bank reconciliation statement highlighting the differences between the bank statement and the ledger account.**

(10 Marks)

Total 40 Marks

PLEASE TURN THE PAGE

University of Bolton - Off Campus Division
 Banking University HCMC
 BSc (Hons) Business Management
 Semester 1 Examination 2022/2023
 Financial Accounting and the Regulatory Framework
 Module No. BMP6044

Question 2

VST Co made a gross profit of \$239,000 in the year to 31 August 2023. Expenses amounted to \$159,000 which included interest of \$30,000 payable on a long-term loan, depreciation on plant of \$50,000, and depreciation on premises of \$25,000. Income tax in profit or loss was \$10,000 and dividends paid in the year were \$45,000. The statements of financial position of VST at 31 August 2023 and 2022 were as follows:

	2023		2022	
	\$000	\$000	\$000	\$000
Non-current assets				
Premises		1,200		1,170
Plant and machinery		800		700
		—		—
		2,000		1,870
Current assets				
Inventory	450		550	
Receivables	700		680	
Bank and cash	300	1,450	—	1,230
	—	—	—	—
		3,450		3,100
		—		—
Capital and reserves				
Ordinary shares of \$1 each		1,800		1,300
Share premium		400		300
Retained earnings		392		367
		—		—
		2,592		1,967
Non-current liabilities				
Loan notes		200		400
Current liabilities				
Payables	648		681	
Income tax	10		12	
Bank overdraft	—	658	40	733
	—	—	—	—
		3,450		3,100
		—		—

**QUESTION 2 CONTINUED OVER PAGE
PLEASE TURN PAGE**

University of Bolton - Off Campus Division
Banking University HCMC
BSc (Hons) Business Management
Semester 1 Examination 2022/2023
Financial Accounting and the Regulatory Framework
Module No. BMP6044

QUESTION 2 CONTINUED

During the year ended 31 August 2023, plant which had cost \$85,000 was sold at a loss of \$10,000. The sale proceeds were \$50,000. The loss was recognised in profit or loss as part of expenses \$159,000.

Required:

- a) **Prepare a statement of cash flows for the year ended 31 August 2023, using the indirect method of presentation.**

(30 Marks)

PAST EXAMINATION

PLEASE TURN PAGE

University of Bolton - Off Campus Division
 Banking University HCMC
 BSc (Hons) Business Management
 Semester 1 Examination 2022/2023
 Financial Accounting and the Regulatory Framework
 Module No. BMP6044

Question 3

The financial statements of Jimmy Co for the year ended 31 July 2023, with comparatives, are presented below.

Statement of profit or loss and other comprehensive income – year ended 31 July

	2023	2022
	\$000	\$000
Revenue	1,391,820	1,159,850
Cost of sales	(1,050,825)	(753,450)
	_____	_____
Gross profit	340,995	406,400
Operating expenses	(161,450)	(170,950)
Finance costs	(10,000)	(14,000)
	_____	_____
Profit before tax	169,545	221,450
Tax	(50,800)	(66,300)
	_____	_____
Profit for the year	118,745	155,150
Other comprehensive income:		
Revaluation surplus on land and buildings	10,000	
	_____	_____
Total comprehensive income for the year	128,745	155,150
	_____	_____

**QUESTION 3 CONTINUED OVER PAGE
PLEASE TURN PAGE**

University of Bolton - Off Campus Division
 Banking University HCMC
 BSc (Hons) Business Management
 Semester 1 Examination 2022/2023
 Financial Accounting and the Regulatory Framework
 Module No. BMP6044

QUESTION 3 CONTINUED**Statement of financial position at 31 July**

	2023	2022
	\$000	\$000
Non-current assets		
Property, plant and equipment	559,590	341,400
Current assets		
Inventory	109,400	88,760
Receivables	419,455	206,550
Bank		95,400
	_____	_____
	1,088,445	732,110
	_____	_____
Equity and reserves		
Equity shares, \$1	140,000	100,000
Share premium	40,000	20,000
Revaluation reserve	10,000	
Retained earnings	406,165	287,420
	_____	_____
	596,165	407,420
Non-current liabilities		
10% Bank loan	61,600	83,100
Current liabilities		
Payables	345,480	179,590
Bank overdraft	30,200	
Taxation	55,000	62,000
	_____	_____
	1,088,445	732,110
	_____	_____

**QUESTION 3 CONTINUED OVER PAGE
 PLEASE TURN PAGE**

University of Bolton - Off Campus Division
Banking University HCMC
BSc (Hons) Business Management
Semester 1 Examination 2022/2023
Financial Accounting and the Regulatory Framework
Module No. BMP6044

QUESTION 3 CONTINUED

Required:

1. Calculate the following ratios of Jimmy Co for the year ended 31 July 2023 and 2022:

- a) the return on capital employed
- b) gross profit margin
- c) operating profit margin
- d) asset turnover
- e) current ratio
- f) acid test ratio
- g) inventory holding period
- h) trade receivables collection period
- i) trade payables payment period
- j) debt-equity ratio
- k) gearing ratio
- l) interest cover

(2 Marks each, total 24 Marks)

2. Critically evaluate the performance of Jimmy Co upon the profitability, liquidity, efficiency and gearing based on the above ratio analysis.

(6 Marks)

Total 30 Marks

**END OF QUESTIONS
END OF PAPER**