



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION

JANUARY 2016 SEMESTER

SUBJECT CODE : EAB20803
SUBJECT TITLE : FINANCIAL ACCOUNTING AND REPORTING 3
LEVEL : BACHELOR
TIME / DURATION : 2.00 PM - 5.00 PM / 3 HOURS
DATE : 22nd MAY 2016

INSTRUCTIONS TO CANDIDATES

1. Please read the instructions given in the question paper CAREFULLY.
2. This question paper is printed on both sides of the paper.
3. This question paper consists of FIVE (5) questions. Answer ALL questions.
4. Please write your answers on the answer booklet provided.
5. All questions must be answered in English (any other language is not allowed).
6. This question paper must not be removed from the examination hall.

THERE ARE NINE (9) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

The following are the Statements of Financial Position of Practical and Radical as at 31 December 2015:

	Practical (RM'000)	Radical (RM'000)
Assets		
Investment in Radical:		
Ordinary shares	11,840	
Cumulative Preference shares	800	
Redeemable Preference shares	300	
Non-current assets:		
Land	11,600	7,200
Building	8,400	2,400
Machineries	3,600	1,800
Equipment	1,100	330
Motor vehicle	260	190
Current assets:		
Inventories	3,991	987
Trade receivables	4,022	1,011
Other receivables	545	223
Cash in bank	5,808	1,346
Total	52,266	15,487
Equities & Liabilities		
Ordinary shares	30,000	9,600
5% Cumulative Preference shares @ RM1 par	-	1,000
6% Redeemable preference shares @ RM1 par	-	500
Share premium	3,400	950
Revaluation reserve	3,200	1,090
Retained earnings b/f	11,240	1,020
Profit for the year (net of dividend)	520	340
Current liabilities:		
Trade payables	3,906	987
Total	52,266	15,487

Additional information:

1. Practical acquired 6,400,000 units of ordinary shares in Radical on 1 April 2015. The par value of the ordinary shares issued by Practical and Radical were RM1.00 and RM1.20 respectively. This investment was paid with a cash payment of RM11.84 million. This payment has been recorded in the books of Practical. Practical will also pay a contingent consideration of RM2.16 million if the profit of Radical increased by more than 15% in year ending 2015. On 25 February 2015, Radical paid a dividend of RM20,000 to its shareholders. Cost of capital is 8% per annum.
2. Practical also acquired 80% of cumulative preference shares and 60% of redeemable preference shares in Radical on 1 January 2015 via payment of cash which has been fully recorded in the books.
3. On the date of acquisition, building belonging to Radical is estimated to have a fair value of RM3.225 million but a carrying value of RM2.58 million with useful life of 129 months on that date. A machinery belonging to Practical was estimated to have a lower fair value of RM60,000 due to technology change. Useful life of the machine is 60 months on 1 April 2015. The group uses straight line depreciation method for all its assets. All fair value adjustments on assets have not been recorded. There are no acquisitions or disposals of non-current assets during the year. The group uses revaluation model to prepare its accounts.
4. During the year, Radical sold inventories to Practical with the invoice price of RM120,000 at cost plus 25%. 70% of the inventories have been sold. Both companies have recorded this inventory sale transaction in trade payables and trade receivables respectively. On 30 December 2015, Practical remitted RM50,000 as partial payment to this transaction, but the payment was only received on 2 January 2016.
5. In December 2015, the following dividends were declared but has not been recorded in the books:

	Dividends declared
Radical	
- Ordinary shares	2 sen/share
- Cumulative Preference shares	Full year
- Redeemable preference shares	Half year

6. The group uses partial goodwill to prepare its accounts. Goodwill was impaired by RM10,000 by year end.

Required:

Prepare the consolidated statement of financial position for the group as at 31 December 2015.

Note: Show all relevant workings.

[Total 30 marks]

Question 2

The following are the extracts of Statements of Comprehensive Income for year ended 31 March 2016:

	Pura (RM'000)	Singa (RM'000)
Sales	45,900	18,600
Cost of sales	(21,500)	(7,200)
Gross profit	24,400	11,400
Administration expenses	(17,800)	(6,200)
Selling expenses	(3,200)	(1,900)
Profit before tax	3,400	3,300
Taxation	(850)	(825)
Profit after tax	2,550	2,475
Retained earnings @1 April 2015	8,520	3,170
Dividends declared in March 2016:		
Ordinary shares (Full year)	1,000	800
Cumulative Preference shares (Half year)	-	300

Additional Information:

- Pura acquired 75% of the ordinary shares in Singa on 1 April 2015 with consideration transferred of RM20 million. An extract of the balances in Singa's books on that date are as follows:

	RM'000
Ordinary shares	20,000
Share premium	2,500
Retained earnings	2,260
Cumulative preference shares	10,000

2. On 1 April 2015, Pura also acquired 30% of the cumulative preference shares issued by Singa.
3. For year ended 2016, goodwill was impaired by 20%. The group uses partial goodwill to prepare its accounts.
4. During the year, Singa sold inventories to Pura at the invoice price of RM500,000 at cost plus 25%. 20% of the inventories remain unsold.
5. On the date of acquisition, Singa's equipment had a fair value of RM260,000 and a carrying value of RM200,000. Singa charges depreciation at 20% for this equipment but the group uses 25% depreciation rate. All depreciation are charged on a straight line basis.

Required:

- A. Prepare the consolidated statement of comprehensive income for year ended 31 March 2016.
- B. Prepare the consolidated statement of changes in equity for year ended 31 March 2016.

Note: Show all relevant workings.

[Total 13 marks]

Question 3

Statements of Financial Position as at 31 December 2015

	Divergent (RM'000)	Allegiant (RM'000)
Investment in Allegiant	6,500	-
Non-current assets:		
Land	38,000	9,500
Plant	12,000	1,900
Machinery	7,000	1,500
Current assets:		
Inventories	2,500	1,100
Trade receivables	2,400	1,070

Cash in bank	7,350	2,440
Total	75,750	17,510
Ordinary shares @ RM 1 par	56,500	10,000
Preference shares 6%	-	1,000
Share premium	10,000	2,500
Retained earnings	6,400	3,000
Liabilities:		
Trade payables	2,100	900
Other payables	750	110
Total	75,750	17,510

Statements of Comprehensive Income for year ended 31 December 2015:

	Divergent (RM'000)	Allegiant (RM'000)
Sales	20,500	5,000
Cost of sales	(11,800)	(2,100)
Gross profits	8,700	2,900
Expenses	(3,600)	(1,200)
Debenture interest expense	-	(100)
Profit before tax	5,100	1,600
Tax	(1,500)	(500)
Profit after tax	3,600	1,100
Retained earnings @ 1.1.2015	4,800	2,300
Dividends paid:		
Ordinary shares	2,000	300
Preference shares	-	100
All dividends payments have been recorded		

Additional information:

1. Divergent acquired 40% of ordinary shares in Allegiant on 1 January 2015 with consideration transferred of RM6.5million. On that date, plant belonging to Allegiant had a fair value of RM100,000 more than the carrying value. Building is estimated to have a useful life of 20 years.
2. During the year, Divergent sold inventories to Allegiant with the invoice price of RM100,000 at cost plus 25%. 50% of the inventories remain unsold.

3. On 31 December 2015 the fair value of plant is estimated at RM2.09 million.
4. The recoverable amount of the investment in Allegiant is less than the carrying amount by RM8,000.

Required:

Prepare the following group financial statements:

- A. Group Statement of Financial Position as at 31 December 2015
- B. Group statement of comprehensive income for year ended 31 December 2015.

Note: Show all relevant workings.

[Total 18 marks]

Question 4

The following are the statement of financial positions as at 31 December 2015:

	Pluto (RM'000)	Saturn (RM'000)	Jupiter (RM'000)
Assets			
Investment in:			
Ordinary shares of Saturn	30,000	-	-
Ordinary shares of Jupiter	-	18,000	-
Non-current assets:			
Land	36,000	9,500	11,000
Plant	12,000	3,700	6,900
Machineries	7,200	950	2,400
Current assets:			
Inventories	4,500	2,100	980
Trade receivables	4,200	1,800	1,020
Cash in bank	1,100	260	1,080
Total	95,000	36,310	23,380
Equities & Liabilities			
Ordinary shares @ RM1 par	76,600	30,000	20,000
Revaluation reserve	9,000	2,400	1,550
Retained earnings	5,800	2,860	970
Current liabilities:			

Payables	3,600	1,050	860
Total	95,000	36,310	23,380

Additional Information:

1. Pluto acquired 80% of the ordinary shares in Saturn on 1 January 2014 when the retained earnings of Saturn was RM2.12 million.
2. Saturn acquired 75% of the ordinary shares in Jupiter on 1 January 2015 when the retained earnings of Jupiter was RM1.2 million.
3. The fair value of land belonging to Pluto and Saturn increased to RM38 million and RM10.8 million respectively on 1 January 2014. Subsequently on 31 December 2015, the fair value of land belonging to Pluto increased to RM40 million and the land belonging to Saturn increased to RM12 million.
4. Saturn sold equipment to Pluto during the year 2014. The net book value of the equipment in Saturn's books on this date was RM120,000 but the equipment was sold at the invoice price of RM160,000. The useful life of the equipment on this date was 8 years. Full year's depreciation is given in the year of acquisition and none in the year of disposal. Depreciation is charged on a straight line basis.
5. Pluto sold inventories to Saturn at cost plus 25% at the price of RM250,000. Saturn managed to sell off all these inventories whereby 20% were sold to Jupiter at cost plus 25%.
6. The share prices of the ordinary shares of the three companies are as follows:

<u>Date</u>	<u>Pluto</u>	<u>Saturn</u>	<u>Jupiter</u>
1 January 2014	RM2.10	RM1.40	RM1.90
1 January 2015	RM2.15	RM1.60	RM2.00
31 December 2015	RM2.30	RM1.65	RM2.10

Required:

Prepare the consolidated statement of financial position for the group as at 31 December 2015.

Note: Show all relevant workings.

[Total 21 marks]

Question 5

The following are the consolidated statements of financial position and consolidated statements of comprehensive income for Paramount group:

Consolidated statements of financial position as at:

	31.12.2015 (RM'000)	31.12.2014 (RM'000)
Goodwill	300	500
Non-current assets	5,350	5,500
Investment in associate company	2,300	1,200
Short term investments	1,750	500
Inventory	1,550	1,250
Trade receivables	1,100	900
Bank	1,800	-
Total	14,150	9,850
Ordinary share capital	8,000	5,500
Retained profits	3,200	1,250
Non-controlling interest	1,150	1,000
10% Debentures	150	250
Deferred tax	1,050	900
Current liabilities:		
Overdraft	300	550
Trade payables	300	400
Total	14,150	9,850

Extract of consolidated statement of comprehensive income for the year ended 31 December 2015

	RM'000
Sales	9,850
-) Cost of sales	(5,000)
Gross profit	4,850
Operating expenses	(1,500)
Share of profits in associate	250
Gain on disposal of subsidiary	400
Interest expense	(150)
Profit before tax	3,850
Tax – group	(1,000)
Profit after tax	2,850

Profit after tax attributable to :	
Shareholders of parent	2,350
Non-controlling interest	<u>500</u>
	2,850

Additional information:

1. Included in operating expenses is depreciation of non-current asset of RM600,000 and impairment of goodwill of RM100,000.
2. Share of profits of associates of RM250,000 after deducting impairment of RM50,000.
3. On 1 April 2015, Paramount acquired 30% of interest in Atlas with consideration transferred of RM1 million.
4. Non-current assets with the net book value of RM750,000 were sold for RM900,000 during the year. Gain from this disposal is included as part of operating expenses.
5. On 1 October 2015, Paramount sold 80% of ordinary shares in Kilimanjaro for cash consideration of RM1.7 million. The remaining goodwill was RM100,000. The balances of the net assets belonging to Kilimanjaro on that date was:

	RM'000
Non-current assets	1,300
Inventories	250
Trade receivables	140
Bank	250
Tax payable	(250)
10% Debentures	(100)
Trade payables	(90)

Required:

Prepare the consolidated statement of cash flows for year ended 31 December 2015.

Note: Show all relevant workings.

[Total 18 marks]

END OF QUESTION PAPER