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UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

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FINAL EXAMINATION  
JANUARY 2016 SEMESTER

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SUBJECT CODE : EAB20703  
SUBJECT TITLE : FINANCIAL ACCOUNTING AND REPORTING 2  
LEVEL : BACHELOR  
TIME / DURATION : 2.00 PM - 5.00 PM / 3 HOURS  
DATE : 22nd MAY 2016

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INSTRUCTIONS TO CANDIDATES

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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 **FOUR (4)** questions. Answer ALL questions
4. Calculations and workings should be made to the nearest RM and all workings should be shown.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in English.
7. This question paper must not be removed from the examination hall.

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

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**Total 100 marks**

**Question 1**

Imtiyaz Berhad has been operating a few years ago. It has registered capital of ordinary shares and 10% preference shares. It comprises 10,000,000 units of ordinary shares at RM1.00 each and 5,000,000 units of 10% preference shares at RM0.50 each. Given below is the Statement of Financial Position (extract) of Imtiyaz Berhad as at 31 December 2014.

Imtiyaz Berhad  
Statement of Financial Position as at 31 December 2014

<b>Issued and Paid Up Capital</b>	
7,000,000 ordinary shares of RM1 each share	7,000,000
2,000,000 10% preference shares of RM0.50 each	1,000,000
<b>Reserves</b>	
General reserves	50,000
Share premium	75,000
Retained profit	800,000
<b>Liabilities</b>	
120,000 5% redeemable preference shares of RM1 each	120,000
<b>Assets</b>	<b>9,045,000</b>

During the year ended 31 December 2015, Imtiyaz Berhad decided as follows:

1. On 1 June 2015, to issue another half of unissued ordinary share capital at premium of RM0.30 due to gaining financial assistance in expanding their business. Besides that, a quarter of remaining 10% preference shares also will be issued at par.
2. After three weeks, the applications for ordinary shares capital were oversubscribed by 50,000 units and the application for 10% preference shares were fully subscribed. Any unsuccessful applicants will be refunded to them.
3. At the same time, as director's planning to get more fund on 31 August 2015, the company also made a right issue to their existing shareholder by offering one (1) unit

for every four (4) unit shares held on 31 December 2014. The issued price is RM1.20 per unit.

4. On 1 October 2015, the board of directors decided to redeem 40% of the redeemable preference shares at a premium of 7%. The redemption of the preference shares was financed partly by issuing 25,000 ordinary shares fully paid up at RM1.50 each. All the new shares were fully subscribed. It is the policy of the company to write off premium on redemption against share premium.

**Required:**

- A. Show all journal entries to record the above transactions.

(15 marks)

- B. Prepare a statement of financial position (extract) for the company as at 31 December 2015.

(10 marks)

**Total: 25 marks**

**Question 2**

Puff Berhad is a public listed company involved in furniture making. The company has an authorised capital of RM150,000,000 comprising 100,000,000 ordinary shares of RM1 each and the balance in 7% preference shares of RM2 each.

The following are the account balances as at 31 December 2015:

	RM'000	RM'000
Property, plant and equipment on 1 January 2015	96,800	
Intangible assets on 1 January 2015	22,800	
Investment property at fair value on 1 January 2015	13,560	
Investments at fair value	15,100	
Inventory on 31 December 2015	4,300	
Government grant received		5,000
Trade receivables	5,800	
Other receivables and prepayments	2,060	
Cash at bank and in hand	5,900	
Tax recoverable at 1 January 2015	800	
Ordinary shares of RM1 each		60,000
Reserves		19,080
10% Debentures		20,000
Deferred tax liability on 1 January 2015		5,660
Trade payables		3,560
Other payables and accruals		1,100
Revenue		118,920
Cost of sales	43,780	
Distribution costs	4,460	
Administrative expenses	8,560	
Finance costs	3,680	
Income tax paid	5,720	
	<u>233,320</u>	<u>233,320</u>

Additional information:

1. Details of reserves on 1 January 2015:

	RM'000
Share premium	6,000
Retained profit	6,380
Asset revaluation reserve	6,700

2. Details of property, plant and equipment on 1 January 2015:

	Cost/ valuation RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Land	13,400	-	13,400
Buildings	28,400	4,260	24,140
Plant and machinery	144,400	85,140	59,260

On 1 January 2015, the fair value of the land and building were RM10,000,000 and RM30,000,000 respectively.

Land is not depreciated. Building and plant and machinery are depreciated on a straight-line basis over 40 years and 10 years respectively. Depreciation is based on the period of ownership and charged to cost of sales. Depreciation on building and machinery are charged to administrative expenses and cost of sales respectively. Land is not depreciated.

3. The government grant of RM5,000,000 was received on 1 July 2015 in relation to the acquisition of a plant on that date. The company's policy in relation to government grant is to account based on deduction against asset method. However, the amount of government grant received have been recorded based on deferred income.
4. Included in the total development cost was RM200,000 incurred in relation to research expense during the year ended 31 December 2014.
5. The tax expense for the year was determined to be RM5,900,000. This does not include an increase in the deferred tax liability of RM100,000.

6. The company also made a right issue of 5,000,000 ordinary shares of RM1.00 each at the issue price of RM1.50 each. All the shares were fully subscribed and paid for.
7. The fair value of the investments properties on 31 December 2015 was RM12,000,000.

**Required:**

Prepare:

- A. Statement of profit or loss and other comprehensive income for the year ended 31 December 2015. (7 marks)
- B. Statement of changes in equity for the year ended 31 December 2015. (3 marks)
- C. Statement of financial position as at 31 December 2015. (17 marks)

**[Total: 27 marks]**

**Question 3**

The following information is related to OneTouch Berhad, a public listed company operating in Ampang, Selangor.

	31 March 2014	31 March 2015
	RM	RM
Ordinary Shares of RM1 each	2,000,000	3,000,000
10% Preference Shares of RM1 each	900,000	900,000
Share Premium	600,000	492,000
Retained profit	1,000,000	1,577,000
Accounts Payable	2,400,000	980,000
Tax Payable	700,000	550,000
Deferred Tax	200,000	150,000
Final Dividend	500,000	51,000
	<b>8,500,000</b>	<b>7,700,000</b>
Property, plant and equipment	2,800,000	2,120,000
Less: Accumulated depreciation	(560,000)	(840,000)
Inventories	1,860,000	2,500,000
Accounts Receivable	2,400,000	2,900,000
Cash at Bank	2,000,000	1,020,000
	<b>8,500,000</b>	<b>7,700,000</b>

**Additional information:**

1. The change in the ordinary share capital was partly due to a bonus issue of RM500,000 using share premium
2. Interim dividend of RM849,000 was paid during the year
3. Tax charged for the year was RM550,000
4. The increase in the property, plant and equipment is due to the acquisition of new land of RM1,000,000

5. Profit after tax for the year was RM1,877,000.

**Required:**

Prepare a cash flow statement for the year ended 31 March 2015, using the indirect method, in complying with MFRS 107.

(24 marks)

**Total: 24 marks**

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**Question 4**

QV Berhad, a manufacturing company, has been suffering losses for the last few years. A scheme of internal reconstruction has been approved in the recent annual general meeting. The Statement of Financial Position as at 30 April 2015 before the reconstruction scheme took place is as follows:

<b>Non-Current Assets</b>	RM'000
Land and Building at carrying value	3,420
Motor vehicles at carrying value	480
Plant and machinery at carrying value	1,800
<b>Current assets</b>	
Inventories	1,530
Trade receivable	744
Bank	642
<b>Total Assets</b>	<u>8,616</u>
<b>Equity and Liabilities</b>	
Ordinary shares capital of RM1 each	6,000
Accumulated Loss	(3,336)
General reserves	1,284
<b>Non-current liabilities</b>	
8% Debenture	2,000
<b>Current liabilities</b>	
Trade payables	2,380
Interest accrued on debentures	288
<b>Total Equity and Liabilities</b>	<u>3,987</u>

The following scheme of capital reduction was sanctioned by the court and agreed by the shareholders:

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1. One of the motor vehicle used for production was sold for RM70,000. The motor vehicles had a carrying value of RM80,000. The remaining motor vehicles were revalued to RM350,000. In addition, one of the plant and machinery used for production was sold for RM800,000. Its carrying value was RM720,000.
2. 20% of trade receivables were not collectible and 15% of the inventory were obsolete and would not be saleable.
3. The employees of the production were offered redundancy payment amounted to RM450,000.
4. Ordinary shares were to be written down to RM0.20 per share. Subsequently, the ordinary shareholders were to subscribe for a new issue of shares on the basis of 2 for 1 at a price of RM0.35 per share.
5. Debenture holders were given the option to convert every RM20 of debenture into 10 ordinary share capital. 50% of the debenture holders exercise this option.
6. The accumulated loss was written off.
7. Interest accrued on debenture was to be paid.
8. Expenses incurred on the reconstruction scheme were RM360,000.

### Required:

- A. Prepare a capital reconstruction account to put into effect the above scheme. (7 marks)
- B. Determine the amount of bank after reconstruction took place. (5 marks)
- C. Prepare a statement of financial position after the reconstruction took place. (12 marks)

**Total: 24 marks**

**END OF QUESTION PAPER**