



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION MARCH 2024 SEMESTER

COURSE CODE	: EAB30703
COURSE NAME	: FINANCIAL ACCOUNTING AND REPORTING 4
PROGRAMME NAME	: BACHELOR IN ACCOUNTING (HONS)
DATE	: 3 JULY 2024
TIME	: 2.00 PM – 5.00 PM
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES

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

THERE ARE TEN (10) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided

Question 1

Adelle Sdn Bhd is the tin-mining extraction business. The cash generating unit is the mining business, which is considered as a “moon light” business. The asset cash generating unit consist of the following:

Assets	(RM'000)
Plant premises	40,000
Machinery	30,000
Equipment	10,000
Motor vehicles	20,000
Total	100,000

Goodwill on acquisition attributable to these cash generating units is RM50,000,000. The unit could be sold for a net cash proceed of RM68,000,000. Value in use is estimated at RM76,000,000.

Required:

- (a) Calculate the impairment loss.

(3 marks)

- (b) Shows how impairment loss shall be allocated.

(12 marks)

[15 marks]

Question 2

The Pines Sdn Bhd borrowed money from Maple finance amounting to RM640,000 on 1st January 2020. The borrowing was to finance the capital and operating expenditure of the company.

The outstanding amount from the borrowing was RM 400,000 on 1st July 2023. Therefore, the company decided to start the construction of a new plant. Estimated time to complete the plant is 3 years, with total cost RM320,000. However, due to lack of raw materials the construction of the new plant needs to be suspended from 1st January 2024 until 30th June 2024.

There was repayment of principal during the year and interest was settled on due dates. Details of mezzanine finance are as follows:

	1.1.2020 (RM000)	30.6.2024 (RM000)
10% Redeemable preference shares	40	40
12% Fixed interest bank loan	400	240
7% Convertible coupon bond	200	120
Total	640	400

Required:

- (a) Briefly describe the rules relating to commencement, suspension, and cessation of capitalization of borrowing cost relating to qualifying assets in accordance with MFRS 123 borrowing costs.

(5 marks)

- (b) Compute the capitalization rate and the amount of interest that qualified for capitalization for the year ended 30 June 2024.

(10 marks)

[15 marks]

Question 3

The following information is extracted from financial statement of Delicious Sdn Bhd as at 30 June 2024.

Delicious Sdn Bhd.	
	RM'000
Cash	5,400
Trade receivable (Net)	5,400
Interest Receivable	800
Inventory	2,000
Plant (net)	4,000
Research and development	16,000
Total	33,600
Liabilities and equity	
Trade payables	5,920
Loan	9,300
Provision for warranties	300
Deferred tax liability	580
Share capital	14,000
Retained earnings	3,500
Total	33,600

The following transactions took place during 2024:

1. Income tax rate for year ended 30 June 2024 is 30%. It has been reduced from the previous year's tax rate of 35%.
2. The company provides for doubtful debts, but tax rules allow only specific bad debts. The carrying amount of trade receivable of RM5.4 million is after providing for provision for doubtful debts amounting to RM600,000.
3. Interest receivable refers to interest in investment. The company accrues interest on investment on a time basis, but interest on investment is taxable only upon receipt.
4. Capital allowance given to plant for tax purposes is RM7.2 million. The carrying amount of plant of RM4 million is after providing for accumulated depreciation amounting to RM6 million.

5. Research and development refer to the development costs that were capitalized. The tax law allows all research and development costs to be written off immediately in computing taxable profits.
6. Under tax rules, warranties are deductible expenses only when goods are returned or reimbursed. However, the company provides warranties on goods sold only.
7. The balance in the deferred tax liability account is the carried forward closing balances from the prior year.

Required:

For the financial year ending 30 June 2024:

- (a) Prepare a table showing the carrying amounts, tax base and temporary differences including the amount of the deferred tax that should appear in the Delicious Sdn Bhd account.

(14 marks)

- (b) Referring to the MFRS 112, there could be items that are deductible temporary differences. Discuss **THREE (3)** example items that are Temporary deductible for tax purposes.

(6 marks)

[20 marks]

Question 4

The following is the preliminary trial balance of Double A Sdn Bhd. at 30 June 2024:

	Debit RM'000	Credit RM'000
Revenue (note i.)		900,000
Cost of sales	600,000	
Administrative expenses	110,000	
Sales and distribution expenses	124,000	
Finance Expenses	400	
Dividend Income		2,600
<i>Non-current assets – at cost</i>		
Land	200,000	
Building	380,000	
Plant and machinery	157,600	
<i>Accumulated depreciation</i>		
Building		50,000
Plant and machinery		72,000
Investment	9,200	
Inventory	30,000	
Trade receivable	38,000	
Bank	18,200	
Trade payables		24,000
Other payables		200,000
Bank overdraft		12,800
Tax Paid	20,000	
Ordinary share capital		260,000
10% Redeemable preference shares		40,000
Retained profit		122,000
Deferred tax liability		4,000
	1,687,400	1,687,400

Additional information:

1. Included in the revenue was an amount of RM430,000 which relates to goods returned from customers on 30 June 2024. These goods which were sold on credit, have been included as part of inventory at 30 June 2024.
2. Closing inventories which were recognised at costs amounting to RM400,000 were ascertained to be damaged and their net realisable value were RM100,000.
3. Finance expenses of RM400,000 includes:

	<u>RM'000</u>
Interest on bank overdraft	110
Lease rentals	290
	<u>400</u>

The lease rentals were for a plant which was used 90% for administrative purposes and 10% for distribution.

4. Investments comprise financial assets valued at:

	<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>RM'000</u>	<u>RM'000</u>
Fair value through profit or loss	5,120	4,980
Fair value through other comprehensive income	4,020	4,500
Amortised cost	60	110
	<u>9,200</u>	<u>9,590</u>

There were no purchases or disposals of any of these investments during the year.

Fair value shown above is as at 30 June 2024.

5. Dividends on preference shares have not been provided.
6. The tax paid account is related to the tax paid during the year for the current year. The current year's tax expense was estimated to be RM38 million inclusive of an increase to deferred tax liability of RM6 million of which RM400,000 was related to financial assets at 'Fair value through other comprehensive income'.

7. The depreciation for the year has not been made:

	Depreciation expenses based on	Percentage (%)
Building	Cost	5
Plant and machinery	Reducing Balance	10

All depreciation is charged to administrative expenses.

8. In beginning of the year, a piece of land which is rented to a customer of Double A Sdn Bhd costing RM56 million. The revaluation exercise showed that the fair value of the land as at 30 June is RM70 million.

Required:

- (a) Prepare the statement of comprehensive income for the year ended 30 June 2024.
(10 marks)

- (b) Prepare the statement of financial position as at 30 June 2024.
(10 marks)

Note: Clearly show your workings.

[20 marks]

Question 5

Creative Sdn. Bhd. is involved with the tourism and hospitality business. The following is the preliminary trial balance of Creative Sdn Bhd. at 30 June 2024:

	Debit RM	Credit RM
Land	3,000,000	
Leasehold premises	1,640,000	
Motor vehicles	155,000	
Goodwill	100,000	
General reserve		850,000
Revaluation reserve		420,000
344,000 units of 5% preference shares		481,600
440,000 units of ordinary shares		572,000
Sales		1,264,000
Purchase	440,400	
5% Debentures		302,280
Inventory as 1 July 2023	42,400	
Accumulated Depreciation		
Leasehold premises		656,000
Motor vehicles		25,000
4% Investment in Wangsa Gemilang Sdn Bhd	1,100,000	
Interest on mortgage	9,800	
Tax payables		96,000
Trade receivables	45,600	
Trade payables		31514
2% Mortgage		490,000
Retained earning		1,921,000
Levy on purchase	3,000	
Rental received		56,608
Interest received		44,000
Carriage outwards	9,100	
Tax paid	24,680	
Interim dividend:		
5% Preference shares	12,600	
Ordinary shares	9,152	
Advertising	24,000	
Bank	500,000	
Provision for doubtful debt		2,690
Bad debt	1,960	
Salaries and wages	65,000	
Salesman's commission	30,000	

	<u>7,212,692</u>	<u>7,212,692</u>
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Additional information:

1. The cost inventories were RM50,800 and the net realizable value of the inventory is 62,000 on 30 June 2024.
2. Land was revalued to RM3,440,000. The board of directors decided to incorporate this revaluation value.
3. At the end of the year, interest on debentures remained unpaid and final dividend was declared by the board of directors for preference shares and ordinary shares at RM22,880.
4. The company decided to adjust the provision for doubtful debt to 6% and additional bad debt of RM2,800 is to be provided.
5. Creative Sdn Bhd decided to develop new computer software to keep the customers' data. During the year, the total expenditure incurred for this project was RM 240,000 of which consist of RM200,000 was incurred before October 2023 and the balance was incurred from October to June 2024. However, this project meets all criteria for recognition as an intangible asset starting November 2024.
6. Leasehold premises is to depreciate over 40 years with residual value of RM48,000. 15% depreciation on net book value is to be charged for motor vehicles.
7. The company carried out the right issue of ordinary shares to gain funds for their next project. The issuance was offered to all existing shareholders with a pro rata basis of one for every ten shares held. All the right issuance was fully subscribed. All receipts on right issues were received by cheque and allotted on 1 January 2024. The fair value of ordinary shares at the date is RM5.50 each.
8. On 1st July 2023, Creative Sdn Bhd acquired a building for investment purposes. The cost of the building was RM 500,000 and the economic life was estimated to be 10 years. At the end of 2024, the fair value of the building was RM 510,000.
9. Tax expenses for the year are RM64,880.

Required:

- (a) Statement of Comprehensive Income for the year ended 30 June 2024.

(13 marks)

- (b) Statement of Financial Position as at 30 June 2024.

(17 marks)

Note: Clearly show your workings.

[30 marks]

END OF EXAMINATION PAPER