



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2024 SEMESTER**

COURSE CODE : EAB30703
COURSE NAME : FINANCIAL ACCOUNTING AND REPORTING 4
PROGRAMME NAME : BACHELOR IN ACCOUNTING (HONS)
DATE : 3 FEBRUARY 2025
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 NINE (9) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided

Question 1

- A. Amola Bhd. has a broadcasting license which is renewable every 10 years. The renewal of the licence can be carried out indefinitely at minimal cost.. The license was acquired 12 years ago at a cost of RM2.5 million and no amortization is recognized for the license. On 1 March 2024, Amola Bhd. has to sell the broadcasting license to Somosa Bhd for RM 2 million. Samosa Bhd intends to renew license indefinitely as the evidence supports its ability to do so and the license is expected to contribute to the entity's net cash flows indefinitely. Both company financial year is 31 December 2024.

Required:

- (a) Calculate the amount of gain or loss from derecognition. (2 marks)
- (b) Show the journal entries of the accounting treatment for both companies. (5 marks)

- B. The research and development department of Double X Sdn.Bhd undertakes both research and development activities for the company. Its current development project on prototype is near completion and the benefit of this project will last for 10 years. The costs identified in this project consist of the following:

	RM'000
Cost of material used	5,000
Services of consultants used in the project	2,000
Fees to register a trade design	50
Patent and copyright	100
Selling and administrative overheads allocated	1,000
Initial operating losses	500
Training cost to operate the asset	100
Total cost allocated	8,750

The other costs that relate to this project are the salaries of scientist and technicians (RM1,200,000) and depreciation of equipment used in the research and development activities (RM900,000). Management estimates about one-third of these costs relate to the development project.

Required:

- (a) Calculate the cost of the development project that can be capitalized.

(6 marks)

- (b) Calculate the amount of the amortization of this project.

(2 marks)

[15 marks]

Question 2

Minies Sdn Bhd is a telco company that offers a bundled service to customers where a customer can get a smart phone and two years of calls and data package at the monthly price of RM300. If a customer chooses to purchase the smart phone and calls and data package separately, the cost would be as follows:

	RM
Smartphone cost	4,160
Calls and data plan package (RM260 per month)	6,240
Total	10,400

Required:

- (a) Calculate the allocation of revenue for the smart phone and two years of calls and data package.
(10 marks)
- (b) Show the amount of total revenue that Minies Sdn Bhd needs to recognize at the end of Years 1 and 2

(5 marks)

[15 marks]

Question 3

Nonamanis Sdn Bhd is a manufacturer of cooking appliances in Malaysia. The following information is extracted from financial statement of Nonamanis Bhd as at 31 December 2024.

Nonamanis Sdn Bhd	
	RM'000
Cash	2,700
Trade receivable (net)	3,500
Rental income	2,000
Inventory	8,800
Plant (net)	8,000
Investment property	15,000
Research and development	8,000
Total	48,000
Liabilities and equity	
Trade payables	2,600
Other payables	2,500
Loan	2,000
Provision for warranties	180
Deferred tax liability	450
Share capital	10,000
Revaluation reserve	3,000
Retained earnings	27,270
Total	48,000

The following transactions took place during 2024:

1. The trade receivables are disclosed after providing for general provision for doubtful debts of RM250,000. However, tax rules only allow specific bad debts.
2. Nonamanis Sdn Bhd has recognized rental income of RM2 million as it is policy of the company to accrue rental income on a time basis. However, rental income is taxable only upon receipt.
3. The plant, which is disclosed after providing for accumulated depreciation of RM800,000 does not enjoy any tax relief or capital allowances.

4. During the year, Nonamanis Sdn Bhd has revalued its investment property and recognized the revaluation surplus in the revaluation reserve. The property's carrying amount is RM12 million and the revalued is RM15 million. There is no commitment to dispose the property in the near future. The investment property is accounted using the fair value model.
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. Development costs of RM8 million are capitalized in accordance with MFRS 138. However, the cost is deducted for tax purposes. There is no amortization for the development costs during the year.
7. Other payable include fines and penalties of RM1 million. Fines and penalties are not deductible for tax purposes.
8. Nonamanis Sdn Bhd has made provision for warranties of RM180,000. However, tax rules only allow cash spent on actual repairs.
9. The balance in the deferred tax liability account is the carried forward closing balances from prior year.

Required:

For the financial year ending 31 December 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 Nonamanis Sdn Bhd account. Assume the tax rate is 25%.

(15 marks)

- (b) Mr. Kinohimitsu, a director at Nonamanis Sdn Bhd from Korea, argues that he has not encountered tax adjustments in preparing the company's accounts in Korea. He believes that the tax paid to the authorities should align with the tax expense shown in the financial statements. However, it is important to explain to Mr. Kinohimitsu the differences between tax rules and financial reporting standards, particularly in the context of Malaysia's tax and accounting systems, which can lead to discrepancies between the tax calculated for tax purposes and the tax reported for accounting purposes.

Required:

Briefly explain to Mr. Kinohimitsu the differences between tax rules and financial reporting standards, particularly in Malaysia. Discuss why these differences may lead to discrepancies between the tax paid to authorities and the tax expense reported in financial statements.

(5 marks)

[20 marks]

Question 4

- A. Lala Sdn Bhd issues a debt instrument on 1 January 2021 for the price of RM50 million. The principal amount is RM50 million and is repayable on 31 December 2024. The rate of interest specified in the debt agreement as a percentage of the principal amount is as follows: 6% in 2021, 8% in 2022, 10% in 2023, 12% in 2024. The interest rate that exactly discounts the stream of future cash payment through maturity is 10%.

Lala Sdn Bhd measured financial liability at amortised cost.

Required:

Prepare a table showing the amortised cost at the beginning and end of the year, interest expenses and interest paid of the debt instrument for the year ended 31 December 2021 to 2024.

(10 marks)

Note: Clearly show your workings.

- B. Dahlia Sdn Bhd has the following information regarding the investment of quoted share of Mawar Bhd :

Acquisition date	1.12.2023
Quoted price	RM12,000
Transaction cost	RM 600
Market price on 31.12.2023	RM 13,200
Proceeds on disposal on 15.1.2024	RM15,100

Required:

Prepare the journal entries to record the acquisition of the shares in Dahlia Sdn Bhd and the subsequent measurement on 31.12.2023 and 15.1.2024 if the investment are classified as follows:

- (a) Fair value through profit or loss.

(5 marks)

- (b) Fair value through other comprehensive income.

(5 marks)

[20 marks]

Question 5

Mickey Sdn Bhd is a company that provides apparel for motorbikes and other two-wheeled vehicle activities. Below is the trial balance of Mickey Sdn Bhd as at 31 December 2024 that specialize in household product is given below:

	Debit RM	Credit RM
Land	465,000	
Freehold properties (cost)	1,800,000	
Plant and machinery	2,700,000	
Accumulated depreciation as at 1 January 2024		
Freehold properties		450,000
Plant and machinery		1,650,000
Inventory	300,000	
Bank	1,016,250	
Prepayment	15,750	
Trade receivables and payables	1,275,000	585,000
10% debentures		600,000
Ordinary shares of RM1.50 each		1,500,000
10% preference shares of RM1 each		750,000
General reserve		300,000
Retained profit		810,000
Sales		1,200,000
Purchase	360,750	
Returns	2,250	5,250
Carriage inwards	2,250	
Administrative expenses	180,000	
Selling and distribution expenses	30,000	
Debentures interest	30,000	
Interim dividends paid:		
Preference share	37,500	
Tax paid	60,000	
Tax payables		120,000
Loan		186,000
Bank overdraft		30,000
Short-term investment	45,000	
Cash	10,500	
Dividend payable		45,000
Revaluation reserve		75,000
Provision for doubtful debts		23,250
Provision for discount allowable		15,750
Bad debts	15,000	
	8,345,250	8,345,250

Additional information:

1. The land was revalued to RM420,000 by an independent professional valuer. The directors want to incorporate the value in the account.
2. Inventories as at 31 December 2024 were RM240,000 valued at lower of cost and net realizable value.
3. Provision for doubtful debts was to be adjusted to 5% of the remaining trade receivables. Provision for discount allowable was to be at 4% of potential good receivables.
4. Depreciation on yearly basis is to be provided as follows:

Plant and machinery	20% on book value
Properties	50 years useful life
5. The authorized capital consists of 2,250,000 10% preference shares of RM1 each and 3,000,000 ordinary shares of RM1.50 each.
6. Second half-year's debenture interest is to be accrued.
7. Transfer RM150,000 to general reserve.
8. The director declared year end dividends of 6 sen per ordinary shares. The final preference dividends are to be accrued.
9. Tax charge on the current year profit is estimated at RM30,000.

Required:

- (a) Prepare Statement of Profit or Loss and other Comprehensive Income for the year ended 31 December 2024.

(18 marks)
- (b) Prepare Statement of Financial Position as at 31 December 2024. (Show all workings).

(12 marks)
[30 marks]

END OF EXAMINATION PAPER