



**UNIVERSITI KUALA LUMPUR  
BUSINESS SCHOOL**

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**FINAL EXAMINATION  
OCTOBER 2025 SEMESTER**

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<b>COURSE CODE</b>	<b>: EAB30903</b>
<b>COURSE NAME</b>	<b>: ACCOUNTING THEORY AND PRACTICES</b>
<b>PROGRAMME NAME</b>	<b>: BACHELOR IN ACCOUNTING (HONS)</b>
<b>DATE</b>	<b>: 03 FEBRUARY 2026</b>
<b>TIME</b>	<b>: 09:00AM – 12:00PM</b>
<b>DURATION</b>	<b>: 3 HOURS</b>

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**INSTRUCTIONS TO CANDIDATES**

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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.**

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**THERE ARE SEVEN (7) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.**

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(Total: 100 marks)

**INSTRUCTION: Answer ALL questions.**

**Please use the answer booklet provided**

### **Question 1**

#### **MALAYSIAN PALM RESOURCES BERHAD (MPRB)**

##### **Background of the Company**

Malaysian Palm Resources Berhad (MPRB) is a publicly listed plantation company operating across Sabah, Sarawak, and Peninsular Malaysia. Established in the early 1990s, MPRB expanded rapidly through land acquisitions and vertical integration into palm oil milling and downstream edible oil manufacturing. By 2020, it had become one of Malaysia's mid-tier producers supplying major international buyers in the food, consumer goods, and cosmetics industries.

##### **Early Sustainability Challenges**

In the mid-2010s, the palm oil industry faced global scrutiny on issues such as deforestation, labour exploitation, biodiversity loss, and carbon emissions. Like many plantation firms, MPRB struggled with:

1. Clearing secondary forest areas and peatlands for estate expansion
2. Complaints of foreign worker exploitation and excessive overtime
3. High greenhouse gas emissions from outdated milling technologies
4. Community disputes over land rights with indigenous groups in Sarawak

Although the firm published a basic sustainability report, it was largely compliance-driven and lacked meaningful ESG metrics. International customers increasingly demanded RSPO (Roundtable on Sustainable Palm Oil) certification and traceability reporting. Apart from that, between 2018-2020, MPRB experience pressure from the stakeholders. Due to the stakeholders' pressure, it has created a strong business case for adopting a strategic approach to sustainability.

### Transformation of ESG Strategy

In 2021, MPRB launched its “Sustainability Transformation Roadmap 2021–2030”, focusing on governance, environment, and social initiatives:

#### Environmental Initiatives:

1. Zero-Deforestation Policy with satellite monitoring to ensure no new forest clearing
2. Methane capture facilities in mills to reduce GHG emissions
3. Reforestation programme to restore 2,000 hectares of degraded land
4. Traceability system allowing palm oil to be tracked to plantation level

#### Social Initiatives:

1. Foreign worker welfare upgrades: fair recruitment fees, improved housing, and grievance channels
2. Certification under MSPO and progress toward RSPO standards
3. Community development funding for education and clean water projects

#### Governance Initiatives:

1. Establishment of a Board Sustainability Committee
2. Linking executive bonuses to ESG metrics
3. Adoption of Global Reporting Initiative (GRI) and TCFD-aligned disclosures

### Results of the Sustainability Reporting Overhaul

By 2024, MPRB’s sustainability report expanded from 40 pages to 120 pages with detailed KPIs on emissions, labour rights, biodiversity, and safety. Key improvements:

1. 30% reduction in GHG emissions at mills
2. 92% supply chain traceability
3. 100% MSPO-certified estates
4. Improved worker retention and fewer NGO labour complaints
5. Positive reassessment by international ESG rating agencies

Export customers renewed contracts, banks granted ESG-linked loans with lower interest rates and investor confidence improved.

**Required:**

- (a) Based on the case above, illustrate how legitimacy theory applies to MPRB's sustainability transformation.

(10 marks)

- (b) Provide **FOUR (4)** challenges for MPRB to maintain their sustainability journey.

(10 marks)

**[20 marks]**

## Question 2

### SERBA DINAMIK HOLDINGS BERHAD

Serba Dinamik Holdings Berhad ("Serba Dinamik") was once regarded as a fast-growing Malaysian engineering services company involved in operations and maintenance (O&M), system integration, and EPCC works in the oil & gas sector. Listed on Bursa Malaysia, the company consistently reported strong revenue growth from 2016 to 2020, presenting itself as a rising Malaysian multinational with operations across the Middle East and Central Asia.

#### The Trigger: Auditor Red Flags

In May 2021, KPMG, the external auditor for Serba Dinamik, raised multiple red flags in relation to the company's FY2020 financial statements. The issues highlighted included:

1. Inability to independently verify the existence of customers related to large contracts. For instance, out of 12 customer confirmations sent, only one initially replied.
2. Doubts over the authenticity of contract values and counterparty information.
3. Concerns over unusually large trade receivables and percentage-of-completion revenue. KPMG flagged issues with sales transactions totalling RM2.32 billion, a trade receivables balance of RM652 million, and a "materials on site" balance of RM569 million involving 11 parties.
4. Lack of appropriate audit evidence for more than RM4 billion worth of transactions.

Serba Dinamik publicly disputed KPMG's findings. This dispute quickly escalated into a very unusual corporate event: Serba Dinamik sued its own auditor, accusing KPMG of negligence and created reputational harm.

#### Regulators Step In

Following the dispute, Bursa Malaysia ordered an independent review of the company's financial statements. Ernst & Young (EY) was appointed to conduct a special independent fact-finding review. Serba Dinamik resisted the review, alleging bias, and delayed providing documents. The tension between the company and regulators increased.

In December 2021, the Securities Commission Malaysia (SC) charged the CEO and Group Managing Director Dato' Dr. Ir. Ts. Mohd Abdul Karim Abdullah, the Vice President of Accounts & Finance, and other officers for submitting false information to Bursa Malaysia under Section 369 (a) (B) of the Capital Markets and Services Act (CMSA). The SC alleged that the revenue

figure of RM6.014 billion reported in FY2020 could not be validated with sufficient supporting evidence.

### **Serba Dinamik's Fall**

As investigations continued, confidence in the company also deteriorated:

1. The share price collapsed, falling from RM8.9 billion to just RM74 million at one point
2. The company's suspension from trading and subsequent delisting from Bursa Malaysia in June 2024 after failing to restructure its debts.
3. Banks and bondholders reviewed their exposure.
4. The company faced severe liquidity issues.

In 2025, the SC imposed the maximum compound of RM3 million each on the CEO and several executives for submitting false financial information.

### **Required:**

- (a) Define creative accounting by using **ONE (1)** example from the above case study.  
(5 marks)
- (b) Discuss **THREE (3)** motivations that led the management of Serba Dinamik to do creative accounting.  
(9 marks)
- (c) Discuss how Serba Dinamik's creative accounting practices impacted any two groups of their stakeholders.  
(6 marks)
- [20 marks]**

**Question 3**

Islamic finance is a rapidly expanding sector of the global economy, driven by the growing demand for financial products and services that adhere to Shariah compliant principles. As a result, there is a need for Islamic accounting that can adequately address the unique features of Islamic financial transactions.

**Required:**

- (a) Briefly describe Islamic accounting. (3 marks)
  - (b) Discuss **FOUR (4)** differences between Islamic accounting and conventional accounting. (12 marks)
  - (c) Provide **TWO (2)** justifications that Islamic accounting support sustainability reporting. (5 marks)
- [20 marks]**

**Question 4**

Accounting theory refers to the coherent system of logical reasoning, concepts, and principles that support the practice of accounting. It provides the foundation on which accounting standards, rules, and reporting procedures are developed. Without theory, accounting would be a collection of disconnected practices with no consistency or rationale.

**Required:**

- (a) Briefly explain Agency Theory. (5 marks)
- (b) Describe the **THREE (3)** main hypotheses of Positive Accounting Theory (PAT). (6 marks)
- (c) Explain how Institutional Theory can be applied to the financial reporting framework in Malaysia, using coercive, normative and mimetic pressures. (9 marks)
- [20 marks]**

**Question 5**

Malaysia applies different sets of accounting standards because the nature, objectives, and reporting needs of each type of entity differ significantly. As a result, three main frameworks are used in Malaysia that are Malaysian Financial Reporting Standards (MFRS), Malaysian Private Entities Reporting Standards (MPERS) and Malaysian Public Sector Accounting Standards (MPSAS). Each of the accounting standards is tailored for their specific sector.

**Required:**

- (a) Distinguish between MFRS and MPSAS. (5 marks)
- (b) Provide justifications on whether the following entities prepared their financial statements in accordance with MFRS, MPERS or MPSAS.
- i. MISC Berhad was incorporated in 1968 as Malaysia International Shipping Corporation Berhad and is the leading international shipping line of Malaysia. Its main shareholder is Petroliam Nasional Berhad (Petronas), the national oil conglomerate of Malaysia.
  - ii. Malaysian Investment Development Authority (MIDA) was incorporated in Malaysia under the Malaysian Investment Development Authority (Incorporation) Act 1965 [Act 397]. MIDA's main activity is to promote and coordinate the development of the manufacturing and related services sector in Malaysia.
  - iii. Lembaga Tabung Haji (TH) is a statutory body governed by the Tabung Haji Act 1995 (Act 535). TH's primary activities include pilgrimage management, savings, and investment. TH is committed to delivering exemplary pilgrimage services to Malaysian pilgrims, and its consistent performance has earned global recognition.
  - iv. DBKL (Dewan Bandaraya Kuala Lumpur) is the Kuala Lumpur City Hall, the local governing body responsible for the administration, planning, development, and municipal services of Kuala Lumpur, the capital city of Malaysia.

- v. Glenmark Sdn. Bhd, is a private company incorporated and domiciled in Malaysia. The principal activity of the company is trading in pharmaceuticals products. The immediate holding company is Glenmark Pharmaceuticals Limited which is incorporated in India.

(15 marks)

**[20 marks]**

**END OF EXAMINATION PAPER**