



**UNIVERSITI KUALA LUMPUR  
BUSINESS SCHOOL**

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**FINAL EXAMINATION  
OCTOBER 2025 SEMESTER**

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**COURSE CODE** : EAB20704  
**COURSE NAME** : FINANCIAL ACCOUNTING AND REPORTING 2  
**PROGRAMME NAME** : BACHELOR IN ACCOUNTING (HONS)  
**DATE** : 29 JANUARY 2026  
**TIME** : 9:00AM – 12:00PM  
**DURATION** : 3 HOURS

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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 **FOUR (4)** 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 SIX (6) 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**

- (a) On 1 January 2023, TechPro Bhd. acquired a machine for RM480,000. The asset has an estimated useful life of eight years and a residual value of RM40,000, and it is depreciated using the straight-line method.

On 1 January 2025, TechPro Bhd. revalued the machine to its fair value of RM450,000. The accumulated depreciation up to that date was adjusted before the revaluation. The residual value remains unchanged after revaluation.

**Required:**

- i. Calculate the annual depreciation charge as at 1 January 2025. (8 marks)
- ii. Prepare the journal entries to record the revaluation on 1 January 2025. (2 marks)

- (b) In 2023, Malika Bhd established Bright Bhd. as an internal division to explore the use of biodegradable materials in its flagship products. However, the initiative proved to be commercially unfeasible.

As at 31 December 2025, the net assets of the Bright Bhd division were as follows:

	<b>RM</b>
Land at cost	530,000
Plant	270,000
Accumulated depreciation – Plant	(50,000)
Goodwill	72,000
Patent	480,000
Accumulated amortization – Patent	(120,000)
Cash	45,200
Inventory	13,400
Receivables	320

An impairment assessment of the Bright division was performed on 31 December 2025, with the following results:

1. Fair value less costs of disposal of Bright's net assets is RM775,000.
2. The present value of future cash flows from the division is estimated to be RM755,000.
3. Bright's land had a fair value less costs to sell of RM565,000.
4. Receivables were considered to be collectable.
5. Inventories were measured at the lower of cost and net realizable value.
6. The division is deemed as one of Malika Bhd's cash-generating units (CGU).

**Required:**

For the financial year ended 31 December 2025:

- i. Identify the applicable accounting standard on the above situation, and assess whether the Cash-Generating Unit (CGU) is impaired. (3 marks)
  - ii. Calculate the impairment loss for the Cash-Generating Unit (CGU) and allocate the loss accordingly. (5 marks)
  - iii. Prepare the journal entries to account for the impairment loss. (2 marks)
- [20 marks]**

## Question 2

On 1 January 2025, DeCruise Bhd. enters into a leasing agreement with Azul Bhd for equipment costing RM108,000. The lease agreement contained the following provisions:

Lease term	6 years
The economic useful life	8 years
Depreciation method	Straight-line method
Six annual rental payments, in arrears (commencing 31 December 2025)	RM25,000 per year
Interest rate implicit in the lease	10%
PVIF	4.3553

At the end of the lease term, ownership of the equipment will be transferred to Azul Bhd.

**Required:**

- (a) State the main accounting standard applicable to the above situation. (1 mark)
- (b) Calculate the present value of minimum lease payments for the contract. (6 marks)
- (c) The table shows calculations of interest to be allocated to the financial year 2020 until 2025. (18 marks)
- [25 marks]**

**Question 3**

- (a) Meranti Sdn. Bhd. is finalising its financial statements for the year ended 31 December 2025 and is assessing items that may require recognition under MFRS 137 Provision, Contingent Liabilities and Contingent Assets. The company provides a one-year warranty on all electrical appliances sold, and past experience indicates that 4% of units sold will require repair or replacement. In 2025, total sales reached 12,500,000 units, with each unit representing one item and an estimated repair cost of RM100 per defective unit.

**Required:**

- i. Calculate the warranty provision for the year ended 31 December 2025. (2 marks)
- ii. Prepare the necessary journal entries related to the above situation. (2 marks)
- iii. Explain the recognition as a provision based on MFRS 137. (6 marks)

- (b) GreenForest Sdn. Bhd. cultivates banana plants. The following information relates to its biological assets:

1. Fair value less costs to sell on 1 January 2025: RM240,000
2. New banana seedlings purchased during year: RM25,000
3. Costs to care for biological assets: RM 5,000
4. Fair value less costs to sell on 31 December 2025: RM380,000

**Required:**

- i. Calculate the gain or loss from changes in fair value for 2025. (6 marks)
- ii. Prepare the journal entry to recognise the fair value adjustment. (4 marks)
- iii. MFRS 141 requires biological assets to be measured at their fair value less costs to sell, except in specific circumstances. Explain why fair value is used as the measurement basis for biological assets under MFRS 141 and outline **TWO (2)** difficulties an entity may encounter when applying this approach. (5 marks)

**[25 marks]**

**Question 4**

The following is the Preliminary Trial Balance of Sunshine Sdn. Bhd. at 31 December 2025:

	Debit RM'000	Credit RM'000
Revenue		1,120,000
Trade payable		157,000
Cost of sales	820,000	
Distribution costs	63,000	
Administrative expenses	41,800	
Dividend paid	60,000	
Bank interest	4,400	
Tax paid	31,400	
Inventories	186,000	
Ordinary share capital		160,000
Retained earnings as at 1 January 2025		32,400
Land at cost	80,000	
Laboratory equipment at cost	209,000	
Accumulated Depreciation as at 1 January 2025		
Laboratory building		69,000
Trade receivables	168,800	
Bank overdraft (Unsecured)		113,600
Deferred tax		12,400
	<b>1,664,400</b>	<b>1,664,400</b>

**Additional information:**

- Sunshine Sdn. Bhd. has established a new laboratory facility and obtained an operating licence funded by a government grant valued at RM300,000,000. The grant has not yet been recognised in the company's accounts.
- On 1 March 2025, the directors of Sunshine Sdn. Bhd. decided to revalue the company's land to reflect its current market value. An independent valuer assessed the land at RM94,000,000 on that date. Sunshine Sdn. Bhd. applies the revaluation model for land in accordance with MFRS 116 Property, Plant and Equipment.

3. On 1 January 2025, Sunshine Sdn. Bhd. purchased new laboratory equipment costing RM100,000,000, with an estimated useful life of five years. By 30 June 2025, indications of impairment were identified. An assessment of the recoverable amount was conducted, revealing a fair value of RM54,000,000, expected decommissioning and transportation costs of RM2,000,000, and an estimated present value of future economic benefits of RM56,000,000. The equipment is included as part of Sunshine Sdn. Bhd.'s laboratory assets.
4. The depreciation rate of the laboratory equipment is 20% per annum using the reducing balance method.
5. The tax expense for the year amounted to RM54,000,000, while the deferred tax balance at year-end was RM18,800,000. Of the increase in deferred tax for the year RM2,800,000 is attributable to the revaluation surplus on the land.
6. A provision for the directors' bonuses equals 1% of the adjusted revenue for the year.

**Required:**

- (a) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025.  
(15 marks)
- (b) Prepare the Statement of Financial Position as at 31 December 2025.  
Note: Clearly show your workings.  
(15 marks)  
**[30 marks]**

**END OF EXAMINATION PAPER**