



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2025 SEMESTER**

COURSE CODE	: EAB30703
COURSE NAME	: FINANCIAL ACCOUNTING AND REPORTING 4
PROGRAMME NAME	: BACHELOR IN ACCOUNTING (HONS)
DATE	: 27 JANUARY 2026
TIME	: 2:00PM – 5:00PM
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 **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.

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

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided

Question 1

Borneo Vista Bhd. owns several properties, some of which are held to earn rentals and for long-term capital appreciation. The company applies MFRS 140 Investment Property and uses the fair value model for all its investment properties. Its financial year ends on 31 December.

The following details of the assets held by Borneo Vista Bhd. for the financial year ended 31 December 2025 are as follows:

1. Investment Property A consists of an office building purchased on 1 January 2023 for RM6,000,000. The property is measured at fair value, which amounted to RM6,500,000, RM6,300,000, and RM6,900,000 as at 31 December 2023, 31 December 2024, and 31 December 2025, respectively. In October 2025, the existing tenant vacated the premises; however, management plans to secure a new tenant and continue retaining the property to generate rental income. The temporary vacancy does not change its classification as an investment property.
2. Investment Property B comprises of a retail lot that was previously owner-occupied. On 1 July 2025, the company transferred the asset to investment property status. At the date of transfer, the retail lot had a carrying amount of RM4,000,000 and accumulated depreciation of RM800,000. Its fair value at the transfer date was RM4,500,000, and this increased to RM4,650,000 by 31 December 2025.
3. As at 1 January 2025, Investment Property C, a warehouse held for capital appreciation, had a carrying amount of RM3,200,000. Its fair value at 31 December 2025 was RM3,550,000. On that date, the company decided to sell the property for RM3,500,000, with estimated selling costs of RM50,000.

Required:

- (a) In accordance with MFRS 140 Investment Property, explain how investment properties are measured:
- i. Initially and subsequent Measurement. (3 marks)
 - ii. Distinguish between the fair value model and the cost model. (3 marks)
- (b) For Investment Property B, explain the accounting treatment on the date of transfer from owner-occupied property to investment property. (3 marks)
- (c) Calculate the amount of the fair value changes for all investment properties and gain or loss on disposal. (8 marks)
- (d) Prepare the extract of the statement of Profit or Loss for the year ended 31 December 2025. (3 marks)
- [20 marks]**

Question 2

Below is an extract from Alpha Bhd.'s financial statements for the year ended 31 December 2025. The following is the additional information for the Alpha Bhd:

1. Profit attributable for the year is RM12,600,000.
2. As at 1 January 2025, Alpha Bhd. had 10,000,000 ordinary shares in issue. The company later announced a bonus issue of 1 for every 4 existing shareholders. Subsequently, on 1 September 2025, Alpha Bhd. issued 4,000,000 ordinary shares at RM3.00.
3. On 1 January 2025, Alpha Bhd. issued RM20,000,000 of 6% convertible loan notes, redeemable with each RM100 note convertible into 25 ordinary shares. The interest expense recognised in profit or loss for 2025 was RM1,200,000. The tax rate is 24%.
4. On 1 January 2025, Alpha Bhd. awarded employees a total of 2,000,000 share options with an exercise price of RM2.00 per share. Throughout the year, the company's shares traded at an average market price of RM3.50.
5. Alpha Bhd. has RM5,000,000 of 8% irredeemable preference shares classified as equity. The preference dividends on the current year have already been deducted in arriving at the reported profit of RM12,600,000.

Required:

- (a) Calculate the Basic Earnings Per Share (EPS) for the year ended 31 December 2025.
(8 marks)
- (b) Calculate the Diluted Earnings Per Share (EPS) for the year ended 31 December 2025, taking into account:
 - i. Convertible loan notes.
(5 marks)
 - ii. Share option.
(6 marks)

(c) Briefly explain the **SIX (6)** transactions relating to changes in share capital.

(6 marks)

[25 marks]

Question 3

On 1 January 2025, Langkasuka Bhd. entered into a lease contract for specialised machinery.

The lease details are as follows:

1. The lease term is 5 years, with annual payments of RM60,000, payable at the end of each year.
2. The interest rate implicit in the lease is not known. Langkasuka Bhd.'s incremental borrowing rate is 6% per annum.
3. The machinery has an estimated useful life of seven years, and the lease neither transfers ownership nor provides a purchase option. Accordingly, the lessee depreciates the right-of-use asset using the cost model.
4. Initial direct costs incurred by Langkasuka Bhd. amounted to RM5,000.
5. A dismantling cost of RM8,000 (present value) is required at the end of the lease term.
6. The lease is determined to be a finance lease for lessee accounting under MFRS 16.

Required:

(a) Calculate the initial measurement of the lease liability as at 1 January 2025.

(4 marks)

(b) Calculate the initial measurement of the Right-of-Use (ROU) asset.

(4 marks)

(c) Prepare the lease amortisation schedule for the first two years, which are 2024 and 2025.

(9 marks)

- (d) Prepare the journal entries for Langkasuka Bhd., including interest expenses, lease liability, depreciation, and cash payment for the year ended 31 December 2024 and 31 December 2025.

(8 marks)

[25 marks]**Question 4:**

The following is the Preliminary Trial Balance of Mario Bhd. as at 31 December 2025:

	Debit RM'000	Credit RM'000
Non-current assets – at cost		
Land	259,570	
Building	133,880	
Plant and machinery	80,200	
Research and development	31,240	
Accumulated depreciation as at 1 January 2025		
Building		39,880
Plant and machinery		35,484
Research and development		17,956
Investments	5,700	
Inventory	19,140	
Trade receivables	25,974	
Bank	9,166	
Trade payables		83,180
Bank overdraft (unsecured)		700
Tax paid	3,914	
Ordinary share capital		94,000
6% Redeemable preference shares		56,600
Revenue		305,864
Cost of sales	169,900	
Administrative expenses	17,140	
Sales and distribution expenses	14,900	
Director's remuneration	920	
Staff benefits expenses	1,700	

Finance expenses	1,120	
Dividend income		6,540
Retained earnings as at 1 January 2025		94,280
Deferred tax liability		39,980
	774,464	774,464

Additional information

- Included in the revenue is an order amounting to RM864,000, which was only delivered to the customer on 9 January 2026. The sale is on a credit basis.
- Closing inventories which were recognised at costs amounting to RM272,500, were ascertained to be damaged and their net realisable value was RM48,500.
- Finance expenses of RM1,120,000 include:

	RM'000
Interest on bank overdraft	70
Lease rentals	1,050
	1,120

- The lease rentals were for a plant, which was used 20% for administrative purposes and 80% for distribution.
- Investments comprise financial assets valued at:

	Carrying Amount	Fair Value
	RM'000	RM'000
Fair value through profit or loss	2,920	3,360
Fair value through other comprehensive income	2,420	2,860
At amortised cost	360	500
	5,700	6,720

- There were no purchases or disposals of any of these investments during the year. Fair value shown above is as at 31 December 2025.
- Dividends on preference shares for the year have not been provided.

8. 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 RM11 million, inclusive of an increase to deferred tax liability of RM5.8 million, of which RM110,000 was related to financial assets at fair value through other comprehensive income.
9. Mario Bhd. depreciates its assets on the following basis. The depreciation for the year has not been made:

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

All depreciation is charged to the cost of sales.

10. The research and development expenses shown in the list of balances relate to the capitalised cost of developing a product called Feast. It had an original estimated life of seven years. Production and sales of Feast started in January 2023. A review of sales of Feast concluded that the estimated remaining useful life of the product has decreased to 2 years.

Required:

- (a) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025. (13 marks)
- (b) Prepare the Statement of Financial Position as at 31 December 2025. (17 marks)
- Note: Clearly show your workings. [30 marks]

END OF EXAMINATION PAPER