CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EAB30703
COURSE NAME	:	FINANCIAL ACCOUNTING AND REPORTING 4
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	24 JUNE 2026
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 **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

During the financial year ended 31 December 2025, Bunga Raya Bhd, a technology company based in Malaysia, reported the following intangible assets:

1. Research and Development:
   - Research phase: RM200,000
   - Development (before feasibility): RM150,000
   - Development (after feasibility): RM500,000
   - Useful life: 5 years (completed on October 2025)

2. Patent:
   - Cost: RM300,000
   - Legal fees: RM20,000
   - Date: 1 April 2025
   - Useful life: 10 years

3. Brand:
   - Marketing/branding expenses: RM250,000

4. Goodwill:
   - Recognised: RM400,000
   - Impairment loss: RM50,000

Required:

(a) Discuss the accounting treatment of research and development expenditure. Determine the amount to be capitalised as an intangible asset and the related amortisation expense. (6 marks)

(b) Calculate the cost of patent and its amortisation. Prepare the necessary journal entries. (7 marks)

(c) Discuss the recognition criteria for a brand and determine the amount to be recognised as an intangible asset.

(3 marks)

(d) Explain the accounting treatment for goodwill and prepare the related journal entry.

(5 marks)

(e) Discuss the differences between finite and indefinite useful life intangible assets and explain how each is treated in terms of amortisation and impairment.

(4 marks)

[25 marks]

Question 2

On 1 January 2025, Sujee Sdn. Bhd., a manufacturing company, entered into a non-cancellable lease to obtain the right to use a piece of production equipment. The company accounts for the lease in accordance with MFRS 16 Leases.

The terms of the lease are as follows:

1. The lease period is five (5) years, with no option to extend or terminate early.

2. Annual lease payments of RM40,000 are payable in arrears at the end of each financial year.

3. The interest rate implicit in the lease is 8% per annum, which is readily determinable by Sujee Sdn. Bhd.

4. Sujee Sdn. Bhd. incurred initial direct costs of RM5,000 in negotiating and arranging the lease.

5. The lessor provided a lease incentive of RM2,000 which was received at the commencement date.

6. The lease agreement does not include any residual value guarantee, purchase option or variable lease payments.

7. The underlying asset is expected to have no significant residual value at the end of the lease term and ownership is not transferred to Sujee Sdn. Bhd.

Required:

(a) Explain whether the contract contains a lease agreement under MFRS 16 lease.

(4 marks)

(b) Calculate the initial measurement of lease liability and Right-Of-Use (ROU) asset.

(6 marks)

(c) Prepare the amortisation schedule for the lease liability for five (5) years.

(15 marks)

[25 marks]

Question 3

For the financial year ended 31 December 2025, Bunga Bhd reported the following information. The deferred tax liability brought forward on 1 January 2025 was RM6 million.

You are required to determine the deferred tax expense to be recognised in the statement of profit or loss and other comprehensive income for the year ended 31 December 2025 in accordance with MFRS 112 Income Taxes.

The following transactions occurred during the year:

1. The company revalued its plant, resulting in a surplus of RM6 million. At year's end, the carrying amount of the plant was RM70 million, while its tax base was RM44 million.

2. Development expenditure of RM14 million was capitalised in accordance with MFRS 138 Intangible Assets, but it was fully deducted for tax purposes. No amortisation was charged during the year.

3. A provision for legal settlement amounting to RM2 million was recognised. This expense will only be tax-deductible when paid.

4. Interest income receivable of RM2.4 million was recognised in profit or loss but has not yet been received.

5. Trade receivables are stated at RM5 million after allowing for doubtful debts of RM1 million.

6. Financial instruments are measured at fair value through profit or loss at RM24 million. Their original cost was RM20 million.

7. Current tax payable for the year amounted to RM7.4 million.

8. The applicable tax rate is 30%.

Required:

(a) For the financial year ending 31 December 2025, prepare a table showing the carrying amounts, tax base and temporary differences for each of the items above.

(15 marks)

(b) Compute the total deferred tax expenses to be recognised in the Statement of Porift or Loss and other Comprehensive Income for the year ended 31 December 2025.

(6 marks)

(c) Critically evaluate the differences between taxable temporary differences and deductible temporary differences, with appropriate examples.

(4 marks)

[25 marks]

Question 4

Rhea Bhd. is a public listed company with a financial year ending 30 June 2026. Rhea Bhd prepared financial statements in accordance with the Malaysian Financial Reporting Standards (MFRS) Framework. Rhea Bhd. is involved in many different business activities. The following is the Trial Balance of Rhea Bhd. as at 30 June 2026:

	Debit RM'000	Credit RM'000
Revenue		42,000
Cost of sales	20,000	
Administrative expenses	15,400	
Selling and distribution expenses	4,200	
Finance expenses	148	
Other income		260
Tax paid	450	
Land at valuation as at 1 July 2025	5,100	
Building at valuation as at 1 July 2025	4,000	
Plant and equipment at cost	2,800	
Accumulated depreciation on 1 July 2025		
Building		600
Plant and equipment		700
Investment property	3,250	
Intangibles asset	1,944	
Inventories at cost	4,900	
Trade and other receivables	4,250	
Cash and bank	1,793	
Ordinary share capital		10,500
Retained earnings as at 1 July 2025		4,500
Asset revaluation reserve		920
6% preference shares		500
7% loan		1,800
Deferred tax as at 1 July 2025		300
Tax payable		155
Trade and other payables		6,000
	68,235	68,235

Additional information:

1. A land with a valuation of RM1,400,000 was revalued to RM1,398,000. This land has been revalued in prior periods and has a surplus balance of RM49,000 in the asset revaluation reserve.

2. All buildings are depreciated on a straight-line basis. All buildings have a 50-year useful life.

3. Depreciation on plant and machinery is computed using the reducing balance method at a rate of 15% per annum and is classified as administrative expenses in the financial statements.

4. Inventory has a net realisable value of RM4,836,000 on 30 June 2026.

5. The following information relates to the intangibles:

   i Rhea Bhd. has several research and development activities. During the year, Project Zazz, with research expenses of RM296,000 and development expenditure of RM147,000, was fully capitalised as intangibles.

   ii A development expenditure for Project Creek has been correctly capitalised in the previous year. On 30 June 2026, the directors concluded that there was no intention to complete the project. To date, the total capitalised development cost is RM300,000.

6. An intangible asset with an indefinite useful life was tested for impairment, resulting in a write-down of RM23,000. The impairment loss is classified as an administrative expense.

7. Rhea Bhd has several investment properties located in different locations. During the year, two of its properties were revalued. Property A with a carrying amount of RM1,260,000 was revalued to RM1,300,000. Property X, with a carrying amount of RM350,000, was revalued to RM316,000.

8. The estimated income tax charge for the year ended 30 June 2026 is RM518,000, excluding deferred tax charge. At year's end, the deferred tax liability is RM320,000.

Required:

(a) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2026.

(11 marks)

(b) Prepare the Statement of Financial Position as at 30 June 2026.
Note: Clearly show your workings.

(14 marks)
[25 marks]

END OF EXAMINATION PAPER