UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EAB20704
COURSE NAME	:	FINANCIAL ACCOUNTING AND REPORTING 2
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	26 JUNE 2026
TIME	:	9.00 AM – 12.00 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 EIGHT (8) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided

Question 1

(a) On 1 January 2025, Violet Bhd. acquired a plot of land for RM5,000,000 near the urban area. Legal and other expenses incurred amounted to RM1,000,000. The company expects the value to increase over time and no rentals are expected to be generated in the foreseeable future. As at 31 December 2025, the fair value of the land was reliably estimated at RM8,000,000. It is the company's policy to use the fair value model for investment properties.

Required:

i. Describe whether the land satisfies the definition of an asset.

(2 marks)

ii. Explain whether the land is within the scope of MFRS 140 *Investment Property*.

(2 marks)

iii. Determine the value at which the land should be recognised in the Statement of Financial Position as at 31 December 2025.

(2 marks)

(b) On 1 January 2024, Gamechan Bhd. acquired a freehold building in Penang costing RM2,500,000. The building is fully rented out to various organisations, earning rental income of RM280,000 per annum. The freehold building qualifies as investment property under MFRS 140.

The fair value of the building was RM2,750,000 and RM2,420,000 as at 31 December 2024 and 2025, respectively. The company adopts the fair value model for measuring investment properties subsequent to initial recognition.

Required:

i. Give **THREE (3)** examples of properties which are treated as investment property in accordance with MFRS 140 Investment Property.

(3 marks)

ii. Discuss the subsequent measurement of the freehold building on 31 December 2024 and 2025.
(3 marks)

iii. Show the journal entries to record the transactions for the year ended 31 December 2025.
(3 marks)
[15 marks]

Question 2

(a) THP Bahagia Sdn. Bhd. engages in the cultivation of oil palm, processing of Fresh Fruit Bunches (FFB), marketing of crude palm oil, palm kernel and FFB. The following information was available at the end of the financial year.

1. During the year ended 31 December 2025, FFBs harvested by THP Bahagia Sdn Bhd were 80,900 tonnes of FFB (2024: 72,000 tonnes). Cost to sell is estimated at RM28 per tonne (2024: RM26 per tonne). The significant unobservable inputs used in the valuation models include the FFB price of RM677 per tonne for the current year (2024: RM700 per tonne).

2. The company sold 35,900 tonnes of FFB to local mills for RM17,950,000 less costs to sell.

3. The remaining RM34,554,100 of FFB harvested was utilised in the production of crude palm oil.

4. Sales from crude palm oil for the year 2025 were RM120,000,000.

5. At the end of the year, the estimated quantity of unharvested FFB on trees (unripe FFB) was 10,000 tonnes. The fair value less costs to sell of the unharvested FFB on trees was valued at RM6,770,000 (2024: RM6,300,000).

Required:

i. Calculate the fair value less costs to sell of the above biological assets as at 31 December 2025.

(5 marks)

ii. Show journal entries to record the above transactions.

(5 marks)

iii. Prepare Statement of Profit or Loss (extract) for the year ended 31 December 2026.

(5 marks)

(b) In March 2024, Malaysia Airports Holding Berhad (MAHB) received asset related grant from the government amounting to RM15,000,000. The grant is a government initiative of green technology for the acquisition of energy efficient equipment for airport operations. MAHB adopts the straight line method of depreciation and the deferred income method for the grant. The expected useful life of the equipment is 10 years. The total cost of the equipment was RM25,000,000, and it was purchased on 1 January 2024. MAHB's financial year is at 31 December 2024.

Required:

i. Explain how the grant should be accounted for using the deferred income method.

(2 marks)

ii. Prepare the journal entries to record the receipt of the asset-related grant and its amortisation.

(4 marks)

iii. Calculate the income effect arising from the depreciation of the equipment and the amortisation of the grant.

(2 marks)

iv. Determine the carrying amount balance of the equipment and the balance of deferred income as at 31 December 2024.

(2 marks)

[25 marks]

Question 3

Medicare Bhd. is a private hospital group specialising in diagnostic and treatment services across Malaysia. The company closes its accounts on 30 June each year. On 1 July 2024, Medicare Bhd. agreed with Radicare Leasing Bhd. to lease a Magnetic Resonance Imaging (MRI) machine. The term of the lease is as follows:

- Lease period: 5 years
- Economic useful life of the asset: 6 years
- Annual payment: RM480,000 payable at the end of each year

The annual lease payment of RM480,000 includes a maintenance service component of RM30,000 per year, provided by Radicare Leasing Bhd, for the duration of the lease. At the end of the lease term, ownership of the asset will be transferred to Medicare Bhd. In addition, Medicare Bhd. paid a refundable deposit of RM10,000 to Radicare Leasing Bhd at the commencement date. The interest rate implicit in the lease is estimated at 10% per annum, and the fair value of the MRI machine at the commencement date is RM1,800,000. Medicare Bhd. adopts the straight-line method in depreciating its property, plant and equipment.

Present Value of Annuity Factor (PVIFA) @ 10%:

Year	**PVIFA**
1	0.909
2	1.736
3	2.487
4	3.170
5	3.791

Required:

(a) Explain whether the contract between Medicare Bhd. and Radicare Leasing Bhd. contains a lease in accordance with MFRS 16 *Leases*.

(5 marks)

(b) Prepare an amortisation schedule for the lease liability over the five (5) years lease term.

(5 marks)

(c) Prepare the journal entries in the books of Medicare Bhd. for the year ended 30 June 2025. (Narrations are not required. Show all relevant workings.)

(7 marks)

(d) Show an extract of the statement of financial position as at 30 June 2025 in the books of Medicare Bhd.

(4 marks)

(e) Prepare journal entries in the books of Radicare Bhd. for the year ended 30 June 2025. (Narrations are not required. Show all relevant workings.)

(4 marks)

[25 marks]

Question 4

The following is the preliminary trial balance of MICA Bhd. at 31 December 2025:

	Debit RM'000	Credit RM'000
Revenue		663,300
Cost of sales	374,500	
Administrative expenses	28,650	
Sales and distribution expenses	42,340	
Director's remuneration	970	
Staff benefits expenses	8,640	
Lease rent	2,940	
Dividend income		4,520
Non-current assets – at cost		
Land	125,860	
Building	235,000	
Plant and machinery	75,400	
Research and development	6,600	
Accumulated depreciation at 1 January 2025		
Building		17,625
Plant and machinery		10,053
Research and development		3,300
Investments	35,600	
Inventory	11,420	
Trade receivables	10,355	
Bank	7,570	
Trade payables		67,120
Tax paid	34,725	
Ordinary share capital		140,000
Loan		22,800
Retained earnings as at 1 January 2025		70,562
Deferred tax liability		1,290
	1,000,570	**1,000,570**

Additional Information:

1. Included in the revenue was an amount of RM270,000, which relates to goods returned from customers on 31 December 2025. These goods, which were sold on credit, have been included as part of the inventory as at 31 December 2025.

2. Closing inventories, which were recognised at costs amounting to RM740,000 were ascertained to be damaged, and their net realisable value was RM390,000.

3. The lease rentals of RM2,940,000 were for a plant, which was used 30% for administrative purposes and 70% for distribution.

4. The 9% interest on the loan has not yet been recorded.

5. The company's investment was revalued to RM33,700,000 at the end of the financial year.

6. 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 RM37,400,000.

7. The depreciation for the year has not been made:

	Depreciation method	**Estimated useful life (years)**
Building	Straight line	40
Plant and machinery	Straight line	10
Research and development	Straight line	6

All depreciation is charged to the cost of sales.

8. Prior to the end of the financial year, MICA Bhd. has raised concerns about the financial health of one of its debtors, Clock & Co. The debtor, who owed the company RM540,000, has requested an extension to its credit period for the second time. On 12 February 2026, Clock & Co. was declared bankrupt and was unable to pay all of its outstanding debt.

Required:

(a) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025.

(17 marks)

(b) Prepare the Statement of Financial Position as at 31 December 2025. (Note: Clearly show your workings).

(18 marks)

[35 marks]

END OF EXAMINATION PAPER