

FINAL EXAMINATION

Programme Name	:	BA (HONOURS) ACCOUNTING AND FINANCE 3+0 IN COLLABORATION WITH UNIVERSITY OF PLYMOUTH
Course Code & Name	:	MAL2009 FINANCIAL ACCOUNTING AND REPORTING
Duration	:	3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Please read the instructions given in the question paper **CAREFULLY**.
2. The question paper consists of **THREE (3)** questions.
3. Answer **ALL** questions in the question paper.
4. Answers to the questions are to be written into the examination booklet.
5. Electronic dictionaries, lecture notes, files or any unauthorised materials except writing equipment are strictly prohibited.

This question paper must be submitted along with all used and/or unused rough papers and/ or graph papers (if any). Candidates are **NOT ALLOWED** to take any examination paper(s) used or unused out of the examination hall.

WARNING:

The Examination Board of Peninsula College Georgetown regards cheating as a very serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in the accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from Peninsula College Georgetown.

(This booklet contains 6 printed pages including this page)

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE ALLOWED TO DO SO

Answer **ALL** questions on the separate sheet provided.

[100 marks]

1. a) Gardenia is preparing its accounts for the year ended 31 December 2022. The following events have arisen since the year. You are the accountant of Gardenia and the financial director has asked you to comment on the final accounts. The financial statements are authorised for issue on 1 April 2023.
 - i) Gardenia proposed a dividends of RM100,000 to ordinary shareholders on 31 December 2022. On 3 January 2023, Gardenia declared and paid the dividends. (3 marks)
 - ii) A major customer went into liquidation on 16 January 2023. The customer's balance at 31 December 2022 remains unpaid. The receiver has intimated that unsecured payables will receive very little compensation, if any. (3 marks)
 - iii) In 2022, a competitor sued Gardenia for an alleged breach of one of its patents. Throughout 2022, Gardenia disputed the claim and concluded that it is a contingent liability and therefore did not recognise a provision. On 14 January 2023, Gardenia agreed to settle the claim. (3 marks)

Required:

Explain on the accounting treatment of the matters described above under the requirement of IAS10 Events after the reporting period.

- b) Presented below are two independent cases:

- i) XX-Blaze Bhd is a chemical-laboratory based company. The company decided not to buy any insurance on the company but, rather to self-insure in case of fire loss. Obtaining opinion from the expert, the probability of fire loss was measured at a value of RM1,200,000 (the occurrence of fire loss is estimated once in every 15 years). The new account clerk recognises a provision of RM80,000 each year. (3 marks)
- ii) Sonic HD Bhd is a company produces television. The company provides warranties at the time of sale to its customers for its product. Under the warranty period, the company is responsible to make good of any its defective products either by repair or replacement within 3 years from the date of sale. Based on its experience, it is probable that there will be some warranties claims and the company made an allocation for warranty provisions. (3 marks)

Required:

Explain whether the accounting treatment practices in both cases are in accordance to the IAS37 Provisions, contingent liabilities and contingent assets.

Total: [15 marks]

2. Screeth, a limited liability company, is preparing its statement of cash flows for the year ended 31 May 2023.

Screeth		
Statements of financial position as at 31 May		
	2023	2022
	RM'000	RM'000
Non-current assets		
Cost	65,251	53,525
Accumulated depreciation	(14,798)	(12,509)
	50,453	41,016
Current assets		
Inventory	16,503	14,563
Trade receivables	6,214	8,664
Bank	595	536
	23,312	23,763
	73,765	64,779
Capital and reserves		
RM1 Ordinary share	21,000	17,000
Share premium	7,892	6,425
Revaluation reserve	7,454	4,092
Retained earnings	19,979	18,190
	56,325	45,707
Non-current liabilities		
9% loan notes	6,734	8,825
Current liabilities		
Trade payables	9,505	8,951
Taxation	1,201	1,296
	10,706	10,247
	73,765	64,779

Screeth	
Income statement for the year ended 31 May 2023	
	RM'000
Sales revenue	28,775
Cost of sales	(14,821)
Gross profit	13,954
Distribution costs	(4,908)
Administration costs	(3,410)
Profit from operations	5,636
Interest received	57
Finance cost	(794)
Profit before tax	4,899
Taxation	(1,570)
Profit for the year	3,329

Additional information:

- i) During the year, the company sold equipment for RM766,000 realising a profit of RM66,000.
- ii) The only revaluation of non-current assets was of a piece of freehold land.
- iii) Total depreciation for the year was RM2,487,000.
- iv) There were no amounts outstanding in respect of interest payable or receivable as at either year end.
- v) Dividends paid during the year were RM1,540,000.

Required:

Prepare a statement of cash flows for Screeth for the year ended 31 May 2023 in accordance with IAS 7 Statement of cash flows. (10 marks)

Show all workings including:

Taxation T-account (2 marks)
 Non-current asset T-account (3 marks)
 Total: [15 marks]

3. The following shows an extract from Gmart trial balance at 31 December 2022:

	Notes	RM	RM
Revenue			5,500,000
Investment income			6,700
Finance costs		10,000	
Administration expenses		960,000	
Manufacturing wages		220,000	
Purchases		2,970,000	
Ordinary share capital (RM1 each)	2		1,000,000
Share premium	2		230,000
Tax	11		50,000
Distribution expenses		750,000	
Receivables	3	59,000	
Dividends paid		190,000	
Factory maintenance		165,000	
Investment property income			53,000
Inventory at 1 st January 2022		1,600,000	

Cash and cash equivalents		253,000	
10% Bank loan (Repayable on 1 June 2025)			110,000
Preference shares 6% (Irredeemable)			700,000
Investment property	1	600,000	
Plant and equipment - Cost	6	102,800	
Plant and equipment - Accumulated depreciation	6, 7		36,400
Land and buildings - Cost	4, 5	900,000	
Land and buildings - Accumulated depreciation	4, 5		36,000
Preference share (irredeemable) dividend paid		42,000	
Retained earnings			1,101,700
Intangible asset - Carrying value at 1 st January 2022	10	66,000	
Payables			64,000
		8,887,800	8,887,800

Additional information:

- On 31 December 2022, the investment property was revalued at RM800,000.
- 500,000 new shares were issued at RM1.10, and no entries were made.
- A provision for doubtful debts is to be created at 5% of trade receivables. This is to be charged to administration costs.
- The original cost of land and buildings was RM900,000 of which RM300,000 related to land. Straight-line basis over 50 years is used to calculate the depreciation and it is charged to administration costs.
- On 1 January 2022, land and buildings were revalued to RM1,400,000. Out of which RM460,000 is related to land. The remaining life of buildings is 47 years. The business has decided to release the difference in the old and new depreciation to the retained earnings from the revaluation reserve.
- A piece of a plant costing RM57,000 and accumulated depreciation of RM22,000 met the criteria of IFRS5 Non-current assets held for sale and discontinued operations. The selling price is RM33,000 and costs of RM2,000 will be incurred to complete the sale.
- Plant and machinery are depreciated at 20% on cost and charged to the cost of sales.
- In the year 2022, some vehicles were bought from Yamaha vehicles at a cost of RM80,000 on credit. The cost is payable in three months. Although the vehicles were in good condition for use, the director insisted on spending RM2,000 for a deep clean and it was included in the above amount. The vehicles are depreciated at 20% per year. No entries have been made in respect of these items.

9. The closing inventory was valued at RM1,700,000. At the year-end inventory count, it was discovered that 1,300 items were damaged. The inventory was recorded at a cost of RM120 per item, however, following the damage the items have a scrap value of RM50 each.
10. The intangible asset is a brand that was acquired for RM66,000. An annual impairment review was carried out by an expert to identify the recoverable amount. The expert has estimated the brand's fair value less costs to sell to be RM55,000 and the financial controller has estimated the value in use to be RM57,000. All amendments are to be charged to the cost of sales.
11. The tax charge for the year is estimated at RM230,000.

Required:

Prepare

- a) Statement of comprehensive income for the year ended 31 December 2022. (14 marks)
- b) Statement of financial position as at 31 December 2022. (27 marks)
- c) Statement of changes in equity for the year ended 31 December 2022. (9 marks)

Show all workings including:

Cost of sales	(8 marks)
Distribution cost	(3 marks)
Administration cost	(3 marks)
Finance cost	(3 marks)
Income tax	(3 marks)
Total:	[70 marks]

- END OF QUESTIONS -