



CHARTERED TAX INSTITUTE OF MALAYSIA (225750 T)  
(Institut Percukaian Malaysia)

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

JUNE 2016

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Student  
Registration No.

Date

Desk No.

Examination Centre

Time allowed: 3 hours

#### INSTRUCTIONS TO CANDIDATES

1. You may answer this paper **EITHER** in English **OR** in Bahasa Malaysia. Only **ONE** language is to be used.
2. This paper consists of **FOUR** questions.
3. Answer **ALL** questions.
4. Each answer should begin on a separate answer booklet.
5. All workings **MUST** be shown as marks will be awarded.
6. Answers should be written in either black or blue ink.
7. No question paper or answer booklet are to be removed from the examination hall.

**DO NOT TURN OVER THIS PAGE UNTIL INSTRUCTED BY THE INVIGILATOR**

## Question 1

Quench is a distributor of bottled drinks for the local market. The following balances are extracted from its books on 30 June 2015.

	<b>Debit</b>	<b>Credit</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue		340,000
Purchases	230,000	
Distribution expenses	25,000	
Administrative expenses	53,500	
Loan interest paid	50	
Tax paid	7,500	
Tax recoverable on 1 July 2014	1,345	
Interim dividend paid	10,000	
Trade receivables	43,000	
Investment property at 1 July 2014	1,500	
Trade payables		41,250
Bank	7,800	
Inventories at 1 July 2014	1,200	
Equity shares of RM1 each		100,000
Share premium		17,000
Retained profit on 1 July 2014		17,625
Land	10,000	
5% Long term loan		2,000
Building at cost	70,000	
Vehicles at cost	42,000	
Plant and equipment at cost	89,000	
Accumulated depreciation on 1 July 2014		
- Building		7,000
- Vehicles		28,000
- Plant and equipment		35,600
Deferred tax liability		1,120
Suspense account		2,300
	<b>591,895</b>	<b>591,895</b>

### Additional information:

- On 1 July 2014, a piece of equipment with a carrying amount of RM23,000,000 (cost RM30,000,000) was reclassified as non-current asset held for sale after having satisfied the criteria for classification as held-for-sale. The fair value less cost to sell on that date was RM18,900,000. No adjustment has been made to record this reclassification.
- It is the policy of the company to depreciate its building and vehicles on a straight line basis over 40 years and 6 years respectively. Plant and equipment are depreciated at 5% on cost per annum.
- The suspense account consists of the proceeds from the issue of 2 million shares at a premium.

4. The current year's tax was estimated to be RM6,500,000 inclusive of an increase in deferred tax liability. The deferred tax liability as at 30 June 2015 was calculated at RM1,540,000.
5. Closing inventories were counted and amounted to RM980,000 at cost. However, after the year end, inventories which were near to expiry dates with a cost of RM50,000 were sold for RM38,000.
6. Land was revalued during the year to RM13,000,000. The new value has not been incorporated in the company's books. Quench adopts the revaluation model for its land, but no revaluations had previously been necessary.
7. Quench uses the fair value model of MFRS 140 for its investment property. The fair value of the investment property at 30 June 2015 was RM 1,650,000.

**Required:**

**Prepare the following, in a form suitable for publication, after taking into account the above information:**

- (i) **A statement of profit or loss and other comprehensive income for the year ended 30 June 2015;**  
(15 marks)
  - (ii) **A statement of changes in equity for the year ended 30 June 2015 ; and**  
(5 marks)
  - (iii) **A statement of financial position as at 30 June 2015.**  
(10 marks)
- [Total: 30 marks]**

## Question 2

RNM & Rakan is a partnership firm having three partners, namely Ray, Nick and Mike, sharing profits or losses respectively in the ratio of 5:3:2.

Below are balances as at 31 December 2015, extracted from the books of RNM & Rakan:

	<b>Debit</b>	<b>Credit</b>
	<b>RM</b>	<b>RM</b>
Gross profit		62,900
Inventory	20,900	
Allowance for bad debt		3,800
Non-current assets, at cost	51,600	
Accumulated depreciation: non-current assets		6,900
Capital Accounts:		
Ray		30,000
Nick		26,000
Mike		22,000
Current Accounts (at 1 January 2015)		
Ray		5,300
Nick	3,100	
Mike		7,100
Trade payables		24,200
Trade receivables	37,100	
Business operating expenses	56,000	
Cash at bank	15,000	
Drawings:		
Ray	12,000	
Nick	18,000	
Mike	16,000	
Non-current liabilities		41,500
	<u>229,700</u>	<u>229,700</u>

### Additional information:

- Partners are entitled to annual salaries as follows:

	<b>RM</b>
Ray	36,000
Nick	24,000
Mike	18,000

- Interest on capital is 8% per annum. No interest is charged or credit on the partners' current accounts.
- Interest on partners' drawings have been determined as follows:

	<b>RM</b>
Ray	1,200
Nick	1,800
Mike	1,600

**Required:**

- (i) Prepare the Statement of Profit or Loss and Appropriation of Profit or Loss for the year ended 31 December 2015 for KNM & Rakan. (7.5 marks)
- (ii) Prepare the Current Accounts of the respective partners. (10.5 marks)
- (iii) Prepare the Statement of Financial Position as at 31 December 2015 for KNM & Rakan. (7 marks)
- [Total: 25 marks]**

**Question 3**

Wild-Flower Bhd was incorporated in 2010 with an authorised capital of RM5 million, consisting of 2 million ordinary shares of RM2.00 each and 1 million 5% preference share of RM1.00 each.

The following are extracted from Wild-Flower Bhd's statement of financial position as at 31 December 2015:

	<b>RM</b>
<b>Non-current assets</b> (carrying value)	5,000,000
<b>Current assets</b> (excluding cash at bank)	1,200,000
Cash at bank	<u>500,000</u>
	<u>6,700,000</u>
<b>Issued &amp; fully paid up</b>	
Ordinary shares	1,800,000
5% Preference shares	400,000
Share premium	900,000
General reserves	800,000
Retained profits	1,500,000
8% Debentures	600,000
<b>Current liabilities</b>	<u>700,000</u>
	<u>6,700,000</u>

**Additional information:**

- In January 2016, the company offered right issues of 1 ordinary share for every 3 ordinary shares held, at a premium of RM0.50 per share. The right issues were fully subscribed and paid up by the 29 February 2016.
- On 10 March 2016, the company offered to issue 200,000 5% preference shares at RM1.00 each, which was fully subscribed and paid for.

3. On 15 April 2016, the company made a bonus issue of 1 ordinary shares for 5 ordinary shares held. The share premium was utilised for these bonus shares issued.
4. On 30 May 2016, the company used its cash at bank to redeem two third of the 8% debentures. Based on the mutual agreement between the debenture holders and the company, 50,000 of the remaining 8% debentures were converted into 5% preference shares at RM1.00 each.

**Required:**

- (i) **Determine the number of issued ordinary shares immediately after the right issue and immediately after the bonus issue.**  
(5 marks)
- (ii) **Prepare the relevant ledger accounts to record the above transactions.**  
(10 marks)
- (iii) **Assume that there are no other transactions, prepare the Statement of Financial Position as at 31 May 2016.**  
(5 marks)
- (iv) **After the executions of the above transactions, determine the maximum number of ordinary shares that the company could issue in future.**  
(5 marks)

**[show all necessary workings]**

**[Total: 25 marks]**

#### Question 4

Bear Bhd is a company dealing with pharmaceutical products. Below are the statements of financial position and statements of profit or loss and other comprehensive income for two years ended 30 June 2014 and 30 June 2015.

#### Statements of financial position as at 30 June

	2015	2014
	RM'000	RM'000
<b>Assets</b>		
Non-current assets		
Property, plant and equipment	750	650
Development expenditure	170	80
<b>Current – assets</b>		
Inventories	213	220
Accounts receivable	321	245
Cash	16	14
<b>Total assets</b>	<b>1,470</b>	<b>1,209</b>
<b>Equity And Liabilities</b>		
Ordinary shares of RM1 each	500	400
Share premium	110	130
Revaluation surplus	42	
Retained earnings	257	209
<b>Non-current liabilities</b>		
4% Loan notes	250	150
Deferred taxation	118	150
<b>Current liabilities</b>		
Accounts payable	163	145
Current tax payable	30	25
		-
<b>Total equity and liabilities</b>	<b>1,470</b>	<b>1,209</b>

**Statements of profit or loss and other comprehensive income for the year ended  
30 June 2015**

	<b>RM'000</b>
Revenue	2,500
Cost of sales	(1,300)
Gross profit	<u>1,200</u>
Expenses	(950)
Finance costs	(10)
Profit on sale of equipment	8
Profit before tax	<u>248</u>
Income tax expense	(98)
<b>Profit for the year</b>	<u><b>150</b></u>
<b>Other comprehensive income</b>	
Gain on property revaluation	60
Income tax relating to gain on property revaluation	(18)
Other comprehensive income for the year net of tax	<u>42</u>
Total comprehensive income for the year	<u>192</u>

**Notes:**

1. Depreciation of property, plant and equipment during 2015 was RM40,000.
2. Development expenditure of RM23,000 was amortized during the year.
3. A piece of equipment with a carrying amount of RM45,000 was sold during the year at a profit of RM8,000. No other items of property, plant and equipment were disposed during the year.
4. Finance costs represent interest paid on loan notes. New loan notes were issued on 1 July 2014.
5. The company revalued its property during the year.
6. The increase in share capital were partly due to the fresh issue of shares during the year and partly due to an issue of bonus shares out of share premium

**Required:**

- (i) **Prepare a Statement of Cash Flows for Bear for the year ended 30 June 2015 using the indirect method in accordance with MFRS 107 *Statement of Cash Flows*.**  
(15 marks)
  - (ii) **Comment on the financial position of Bear as revealed by the Statement of Cash Flows.  
(Show the liquidity ratios)**  
(5 marks)
- [Total: 20 marks]**

**(END OF QUESTION PAPER)**



