



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

DECEMBER 2016

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 is to be removed from the examination hall.

DO NOT TURN OVER THIS PAGE UNTIL INSTRUCTED BY THE INVIGILATOR

Question 1

The following Trial Balance relates to Panda Bhd as at 31 December 2015

	RM'000	RM'000
Revenue		75,000
Cost of sales	40,000	
Distribution costs	10,000	
Administrative expenses	13,100	
Land (RM20 million) and building (RM50 million)	70,000	
Plant and equipment at cost	25,000	
Accumulated depreciation at 1 January 2015:		
Plant and equipment		5,000
Building		30,000
Dividends	3,000	
Inventory at 31 December 2015	15,000	
Trade receivables	6,140	
Trade payables		3,000
Deferred tax liability on 31 December 2015		1,000
Cash and bank balance	9,660	
Government grant		4,000
Loan note		20,000
Tax paid	3,500	
Equity shares of RM1 each		52,000
Share premium		2,000
Retained profit on 1 January 2015		3,400
	195,400	195,400

The following information is relevant for the preparation of the financial statements:

1. Included in revenue is RM5,000,000 for cash sales made through Panda's retail outlets during the year on behalf of Berry. Panda, acting as an agent, is entitled to a commission of 20% of the selling price of these goods. By 31 December 2015, Panda had remitted RM3,000,000 to Berry and recorded this amount in cost of sales.
2. On 1 January 2015, the directors of Panda decided to use the revaluation model for its land and building. A qualified valuer valued the land to be RM25,000,000 and building was determined to be RM35,000,000. The remaining life of the building at the date of revaluation was 20 years. The revaluation has not been reflected in the trial balance. It is the policy of the company to make a transfer from the revaluation reserve to retained earnings in respect of the realization of the revaluation surplus. A deferred tax of 25% is applicable to the revaluation surplus.
3. On 1 January 2015, Panda acquired an equipment for RM14,500,000 with a useful life of 10 years. Transportation cost to bring the equipment to Panda's factory was RM500,000. The acquisition has not been reflected in the books. A government grant of RM4,000,000 was received. It is the policy of Panda to treat the government grant using the deferred income method. Panda has not recognized any income for the grant yet. Other plant and equipment are depreciated at 10% per annum.
4. It is the policy of the company to depreciate all the non-current assets using the straight line basis and to charge all depreciation to cost of sales.

5. The balance on the taxation account in the trial balance represents the amount paid for the year. The tax expense for the year is estimated to be RM3,000,000 inclusive of an increase in deferred tax liability of RM500,000.
6. Inventory on 31 December 2015 was counted and valued at a cost of RM13,100,000.
7. The RM20,000,000 loan note was issued at par on 1 January 2015. No interest will be paid on the loan. The loan will be redeemed on 31 December 2017 for an amount of RM26,620,000. The effective finance cost is 10% per annum.
8. Panda is being sued by a customer for RM1,000,000 for a breach of contract over faulty goods. The company's lawyer is of the opinion that there is a 20% chance that Panda will lose the case. Accordingly Panda provided RM200,000 (RM1,000,000 x 20%) and included it in administrative expenses in respect of the claim. Legal costs of RM80,000 have not been provided for.

Required:

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

- (i) **A Statement of Profit or Loss and Comprehensive Income for the year ended 31 December 2015;**
(13 marks)
 - (ii) **A Statement of Changes in Equity for the year ended 31 December 2015;**
(4 marks)
 - (iii) **A Statement of Financial Position as at 31 December 2015.**
(13 marks)
- [Total: 30 marks]**

Question 2

Joe Kenny operates a sole proprietorship business. Based on the business records kept by Joe Kenny, the following has been ascertained:

1. Balances of assets and liabilities of the business:

As at 31 December	2014	2015
	RM	RM
Trade payables	11,600	20,800
Trade receivables	18,900	46,290
Inventory (at cost)	21,500	16,580
Equipment & Fittings (carrying value) (note a)	47,400	112,410
Motor vehicle (at cost) (note b)	210,000	90,000
Accrued salaries (employees)	4,000	6,000
Accrued rental expense (shop-lot)	1,200	Nil
Prepaid Miscellaneous business operating expenses	Nil	20,000
Cash Balance in bank	16,700	27,700
Cash Balance in hand	15,300	10,600

Notes:

- a. Depreciation on equipment and fittings is to be provided at 10% per annum on the carrying value. Full annual depreciation would be provided in the year of purchase.
- b. Motor vehicles, all used for the purposes of business, are as follows:
- Van (Nissan), costing RM90,000, purchased in 2013.
 - Lorry (Datsun), costing 120,000, purchased in 2013, was sold in February 2015 for RM50,000.

Depreciation for motor vehicle is 20% per annum on cost. No depreciation would be provided in the year of disposal.

2. Receipts by cheques (in 2015)

	RM
from trade receivables	491,200
from disposal of mini lorry (Datsun)	50,000

3. Payments by cheques (in 2015)

	RM
Purchase of equipment & fitting	77,500
Employees' salaries	90,000
Rental expense (shop-lot)	37,200
Payments to trade payables	165,000
Miscellaneous business expenses	160,500

4. Cash receipts and payments (in 2015)

	RM
Cash receipts from sales	47,700
Cash payments to trade payables	12,700
Cash payments for miscellaneous business expenses	15,700
Drawings by Joe Kenny	24,000

5. Other information (in 2015)

	RM
Trade receivables written off	13,500
Cash discount given to trade receivables	3,500
Cash discount received from trade payables	5,600
Goods returned by credit customers (at sales value)	10,800

Required:

For Joe Kenny's sole proprietorship business:-

- (i) **Determine the amount of capital as at 31 December 2014.** (3 marks)
- (ii) **Determine the amount of sales and purchases for the year ended 31 December 2015.** (6 marks)
- (iii) **Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015.** (10 marks)
- (iv) **Prepare the Statement of Financial Position as at 31 December 2015.** (6 marks)

Show all workings to support your answers

[Total: 25 marks]

Question 3

- (a) Jane Lee operates a small business. She maintains a current account in Northern Bank Bhd (NBB) and a Bank Account in the cash book for her business.

Below is the Bank Statement for November 2016 issued by Northern Bank Bhd:

November 2016		Debit RM	Credit RM	Balance RM
1	Balance (credit)			20,000
3	Cheque: BOA-124000		2,000	22,000
7	Cheque: NBB 895432	800		21,200
10	Cheque: NBB 895433	600		20,600
14	Interest earned on bank balance		100	20,700
16	Payment by standing order	150		20,550
18	Receipts by standing order		250	20,800
21	Dishonoured cheque : FCB- 140741	2,000		18,800
23	Cheque: MXB-449200		1,020	19,820
25	Cheque: NBB 895434	580		19,240
28	Cash deposit		3,500	22,740
29	Cheque: NBB 895435	2,000		20,740
30	Cash deposit		5,000	25,740
30	Bank charges	120		25,620

Extract from the Bank Account in the cash book showed the following transaction for the month of November 2016

Cheques / cash banked in			Cheque issued for payment		
November		RM	November		RM
3	Cheque: BOA-124000	2,000	7	Cheque: NBB 895432	800
23	Cheque: MXB-449200	1,200	10	Cheque: NBB 895433	600
27	Cheque: AIB-349754	1,000	25	Cheque: NBB 895434	850
28	Cash deposit	3,500	29	Cheque: NBB 895435	2,200
30	Cash deposit	500	30	Cheque: NBB 895436	3,000
	Total	8,200		Total	7,450

Summary of Bank Account in cash book is as follows:

		RM
1 November	Balance: Cash in Bank Account	20,000
	Total cheques / cash banked in	<u>8,200</u>
		28,200
	Total cheques issued for payments	<u>7,450</u>
30 November	Balance: Cash in Bank Account	<u>20,750</u>

The RM20,000 balance (as at 1 November 2016) shown in the Bank Account correctly matched the balance as shown in the Bank Statement. However, as at 30 November 2016, the balance in the Bank Account was RM20,750 which differs from the balance of RM25,620 as shown in the Bank Statement. The following causes for discrepancies were found:

November	
21	A cheque (FCB-140741) for RM2,000 from a customer was returned by the payer bank.
23	A cheque (MXB-449200) for RM1,020 from a customer was erroneously recorded as RM1,200 in the cash book.
25	A cheque (NBB 895434) for RM580 was issued for payment to a supplier, but was erroneously recorded as RM850 in the cash book.
27	A cheque (AIB-349754) for RM1,000 was banked in, but has not been cleared for payment by the payer bank.
29	A withdrawal of RM2,200 made by issuance of a cheque (NBB 895435) was erroneously debited in the bank statement as RM2,000.
30	A cheque (NBB 895436) for RM3,000 was issued for payment to a supplier, who has yet to bank in the cheque.
30	RM5,000 cash deposited into the bank account was erroneously recorded as RM500 in the cash book.

Required:

- (i) **Make the necessary correcting entries in the Bank Account to establish the correct balance as at 30 November 2016.**
(11 marks)
- (ii) **Prepare the Bank Reconciliation Statement for November 2016.**
(5 marks)

- (b) The book-keeper of JM Enterprise draws up monthly trial balance at the end of each month. When the trial balance as at 30 November 2016 was drawn up, it was found that the total credit balance and total debit balance are not the same.

Upon checking through the books of accounts, the following errors were discovered:

1. Cash sales of RM3,200 was correctly recorded in the cash book, but a credit entry of RM2,300 was made in the Sales Account.
2. A payment of RM1,400 for motor vehicle repair was only recorded in the cash account.
3. No records have been made for goods costing RM3,500 returned to Daya Sdn Bhd (a supplier).
4. Payment of RM3,200 cash to RE Trader (a supplier) was recorded as RM2,300 in the Rental Expense Account and as RM3,000 in the cash book.
5. Goods costing RM680 returned by D'John (a customer) was debited to D'John Account and credited to Sales Return Account.
6. Payment of RM4,200 by cheque for purchase of a computer for business use was debited to the Purchases Account.

A suspense account need to be opened to facilitate the correction of the above errors.

Required:

**Make the necessary journal entries to record the correction of the above errors.
(Narration is not required)**

(9 marks)
[Total: 25 marks]

Question 4

Pie is a public listed company. The following are its financial statements for the year ended 31 December 2015, including comparatives

Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 December 2015

	RM'000
Revenue	35,000
Cost of sales	(11,500)
Gross profit	23,500
Fair value changes of investments	(500)
Distribution costs	(3,800)
Administration costs	(4,300)
Finance costs - loan interest	(100)
- lease interest	(210)
Profit before tax	14,590
Income tax expense	(3,800)
Profit for the year	10,790
Other comprehensive income	
Gains on property revaluation	200
Total comprehensive income for the year	10,990

Statements of Financial Position as at 31 December:

	2015	2014
	RM'000	RM'000
Assets		
Non – current assets		
Property, plant and equipment	23,300	17,993
Investments	4,000	3,800
Current assets		
Inventory	3,500	3,100
Accounts receivable	4,140	3,685
Bank	2,050	1,407
Cash	10	15
Total assets	37,000	30,000
	RM'000	RM'000
Equity and Liabilities		
Ordinary shares of RM1 each	12,000	11,200
Share premium	500	200
Revaluation surplus	200	
Retained earnings	12,400	11,757
Non- current liabilities		
6% Loan	3,000	
Deferred taxation	1,450	1008
Finance lease obligation	2,300	1,750

Current liabilities		
Finance lease obligation	1,150	910
Accounts payable	2,890	2,300
Current tax payable	1,110	875
Total equity and liabilities	37,000	30,000

The following information is relevant:

1. It is the policy of the company to value its investment property using the fair value model. No investments were sold during the year.
2. All the new issue of shares were for cash.
3. On 1 January 2015, Pie acquired additional plant under finance lease that had a fair value of 2 million. On the same date property was revalued with surplus of RM200,000 of which RM60,000 was the resulting deferred taxation from the revaluation reserve. There were no disposals of non-current assets. Depreciation of the property, plant and equipment for the year was RM980,000.
4. During the year, Pie paid dividends to its shareholders.

Required:

- (i) **Prepare a Statement of Cash Flows for Pie Bhd for the year ended 31 December 2015 in accordance with MFRS107 *Statement of Cash Flows*.**
(15 marks)
 - (ii) **A note to show the movements of cash and cash equivalent.**
(2 marks)
 - (iii) **Comment on the cash flow management of Pie as revealed by the statement of cash flow.**
(3 marks)
- [Total: 20 marks]**

(END OF QUESTION PAPER)