



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

JUNE 2019

*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

You have been provided with the trial balance of Aliche Bhd as at 30 June 2018.

	Debit	Credit
	RM'000	RM'000
Turnover		85,000
Cost of goods sold	51,000	
Freehold land and building at cost	108,000	
Motor vehicles at cost	17,000	
Accumulated depreciation as at 1 July 2017:		
Freehold building		6,400
Motor vehicles		4,400
Development cost	21,000	
Trade receivables and trade payables	7,202	10,500
Debenture interest	900	
Inventories as at 30 June 2018	6,150	
Cash at bank	5,260	
Operating expenses	15,360	
Directors' emoluments	930	
Tax paid	5,148	
Long term loan form foreign bank		11,000
Ordinary share capital		83,000
General reserve		5,400
Retained earnings as at 1 July 2017		17,800
Deferred tax		4,450
9% Debentures		10,000
	<u>237,950</u>	<u>237,950</u>

Additional information:

1. The opening inventory was understated by RM3,100,000 due to a casting error in the previous year. The closing inventory was partially damaged and expected to be sold for only RM4,180,000.

2. Details of non current assets were as follows:

The freehold office building was purchased in July 2009 at the cost of RM40,000,000 with an estimated useful life of 50 years. However, in the current year, the company revised the remaining useful life of the building to be 30 years.

All motor vehicles are depreciated at 10% per annum on a reducing balance method. Half of the motor vehicles were used by the sales department.

3. On 5 June 2016, Aliche Bhd had guaranteed a loan taken out by its associate, Sidam Sdn Bhd to the amount of RM8,500,000. However, during the current year 2018, Sidam Sdn Bhd had been declared a bankrupt. Aliche Bhd has not taken any action on this item.

4. Development costs consisted of:

	RM'000
Balance brought forward	13,000
Incurred during the current year	<u>8,000</u>
Balance carried forward	<u>21,000</u>

Of the amount incurred during the current year, RM5,800,000 is on applied research and the balance is on development expenditure. The amount of development cost to be amortised is RM2,900,000.

5. The company's estimated tax expenses for the current year is RM5,300,000, inclusive of an increase in deferred tax account of RM800,000.
6. The long term loan of FS3,050,000 was taken from a foreign bank on 1 January 2018. Spot rate on 30 June 2018 was RM3.40: FS1. No adjustment was made.

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 other Comprehensive Income for the year ended 30 June 2018;** (12 marks)
- (ii) **A Statement of Changes in Equity for the year ended 30 June 2018;** (6 marks)
- (iii) **A Statement of Financial Position as at 30 June 2018.** (12 marks)

[Total: 30 marks]

Question 2

Keris Ceria Sdn Bhd (KCSB) has been incurring losses over the last few years. With an accumulated loss of RM460,000 and an overdraft of RM340,000 as at 31 December 2018, the company has not been able to pay the interest (for two years) on its 10% term loan. As such, a scheme of internal reconstruction was proposed and approved at shareholders' annual general meeting. After complying with all necessary legal requirements, the scheme of internal reconstruction was put into effect.

KCSB's statement of financial position just prior to the implementation of the internal reconstruction scheme is as follows:

Statement of Financial Position at 31 December 2018

	RM	RM
Non Current Assets		
Land and buildings – carrying value	1,320,000	
Plant and machinery – carrying value	970,000	
Motor vehicle – carrying value	<u>460,000</u>	2,750,000
Current assets		
Inventories	530,000	
Trade receivables	<u>210,000</u>	<u>740,000</u>
		<u>3,490,000</u>
Equity		
2,000,000 Ordinary shares (at RM1.00 per share)	2,000,000	
Accumulated loss	<u>(460,000)</u>	1,540,000
Non current liabilities		
10% term		800,000
Current liabilities		
Trade payables	650,000	
Bank overdraft	340,000	
Interest payable – on term loan	<u>160,000</u>	<u>1,150,000</u>
		<u>3,490,000</u>

The internal reconstruction scheme provided for the following:

1. Plant and machinery was revalued to RM800,000.
2. Motor vehicle was revalued to RM400,000.
3. Obsolete inventories that cost RM240,000 were written off.
4. Trade receivables of RM50,000 considered irrecoverable were written off.
5. The accumulated loss was fully written off.
6. Reconstruction scheme expenses amounted to RM50,000.
7. Ordinary shares were reduced to RM0.70 per share.
8. One of the factory buildings with a carrying value of RM500,000 was sold for RM650,000. The remaining building was revalued to RM1,100,000.
9. The existing ordinary shareholders fully subscribed to the rights issue of ordinary shares on the basis of one for one at RM0.70 per share.

The cash proceeds from the sale of factory building and from the rights issue were used as follows:-

- (a) To fully repay the term loan, including the interest payable;
- (b) To fully discharge the bank overdraft;
- (c) To pay for the reconstruction expenses;
- (d) To retain a balance RM300,000 as working capital;
- (e) The remaining cash proceeds were used to pay off some of the trade payables.

Required:

(i) Taking into effect KCSB's implementation of the internal reconstruction scheme, prepare the following:

- a. **Reconstruction account; and**
- b. **Cash in Bank account.**

(17 marks)

(ii) Present KCSB's Statement of Financial Position immediately after taking into effect the implementation of the internal reconstruction scheme.

(8 marks)

[Total: 25 marks]

Question 3

Bukit Emas Sdn Bhd (BESB) is a wholesale trader on kitchenware. Below are BESB's financial statements:

Statement of profit or Loss for the year ended 31 December 2018

		Note	RM '000	RM '000
	Sales	(1)		8,500
Less	Cost of sales			
	Opening Inventory		2,000	
	Add: Purchases	(2)	<u>6,500</u>	
			8,500	
	Less: Closing Inventory		<u>(2,300)</u>	<u>(6,200)</u>
	Gross profit			2,300
Less:	Operating expenses			<u>(1,450)</u>
	Profit before tax and interest expense			850
Less:	Interest expenses			<u>(96)</u>
	Profit before tax			<u>754</u>

Statement of Financial Position as at 31 December 2018

	Note	RM '000	RM '000
NON CURRENT ASSETS			1,200
CURRENT ASSETS			
Cash		200	
Account receivable	(3)	1,800	
Inventory		<u>2,300</u>	<u>4,300</u>
			<u>5,500</u>
FINANCED BY:			
Ordinary Share Capital		1,800	
Retained Earnings		<u>900</u>	2,700
LONG TERM LIABILITIES			
8% Bank Loan			1,200
CURRENT LIABILITIES			
Account payables	(4)		<u>1,600</u>
			<u>5,500</u>

Notes:

1. Of the total sales, 90% are credit sales. BESB grants 3/20; net 90 credit terms to all its customers.
2. 80% of purchases are credit purchases, with credit terms of 5/10; net 120 offered by suppliers.
3. Account receivables as at 31 December 2017 was RM1,650,000.
4. Account payables as at 31 December 2017 was RM1,840,000.
5. Given below are the following industry's average financial ratios for the year 2018:

Current Ratio (times)	2.70 times
Quick Ratio (times)	1.00 times
Inventory Turnover (days)	150 days
Average Collection Period (days)	60 days
Average Payment Period (days)	121 days
Gross Profit Margin (%)	30.0%
Net Profit Margin (%)	6.0%
Returns on Total Assets (%)	10.0%
Debt to Equity Ratio (times)	1.05 times

Required:

- (i) Calculate the above mentioned ratios for Bukit Emas Sdn Bhd for the year 2018. (Appropriate formulae and proper working must be shown).

(14 marks)

- (ii) Based on the above mentioned ratios, discuss the significance and implication of Bukit Emas Sdn Bhd's liquidity, efficiency and performance in relation to the industry's average.

(11 marks)

[Total: 25 marks]

Question 4

The following are the lists of the balance in the accounts of Enoh Bhd as at 31 December:

	2018	2017
	RM	RM
Land and building (at carrying value)	1,496,000	1,147,800
Plant and machinery (at carrying value)	209,000	280,000
Motor vehicles (at carrying value)	350,000	220,000
Development expenditure	65,000	45,000
Investments	225,000	315,000
Inventories	260,000	245,000
Trade receivables	280,000	230,500
Bank	138,500	109,500
Tax recoverable	18,000	15,000
Accrued wages and salaries	5,050	6,800
Trade payables	254,200	231,000
Ordinary share capital	1,800,000	1,500,000
Retained Earnings	542,250	375,000
10% Debentures	375,000	450,000
Deferred taxation	65,000	45,000

Turnover	1,900,000
Profit on the disposal of:	
Plant and machinery	15,000
Investment	6,000
Income from investment	22,000
Cost of sales	1,140,000
Operating expenses	365,750
Taxation expense	180,000

Additional information:

1. Included in the operating expenses for the year to 31 December 2018 are the following:

	RM
Depreciation:	
Building	15,000
Plant and machinery	11,000
Motor vehicles	24,000
Amortisation of development expenses	4,000
Interest expenses	37,500

2. One of the plants was disposed for cash. The carrying value of this plant was RM60,000.
3. During the year, Enoh Bhd had incurred some development expenditure which was qualified to be capitalised.
4. Some investment was disposed for cash.
5. RM75,000 10% debentures were redeemed on 1 December 2018 at par.
6. The increase in the issued share capital was due to the issue of shares for cash.

Required:

Prepare a Statement of Cash Flows of Enoh Bhd for the year ended 31 December 2018, using the indirect method.

[Total: 20 marks]

(END OF QUESTION PAPER)