



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

DECEMBER 2015

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

Power Bhd is a listed company in the retail clothing industry. Below is the trial balance of the company as at 30 June 2015.

Trial balance as at 30 June 2015

	RM'000	RM'000
Revenue		85,000
Cost of sales	40,000	
Distribution costs	10,000	
Administrative expenses	18,100	
Finance costs	2,360	
Land (RM20 million) and building (RM80 million)	100,000	
Plant and equipment at cost	25,000	
Accumulated depreciation at 30 June 2014		
Plant and equipment		4,000
Building		48,000
Government grant		2,000
Inventory at 30 June 2014	15,000	
Trade receivables	5,140	
Trade payables		3,000
Deferred tax liability on 30 June 2014		1,000
Cash and bank balance	1,200	
6% Loan notes		10,000
Taxation	3,500	
Equity shares of RM1 each		57,000
5% Redeemable preference shares		3,000
Share premium		3,000
Retained profits on 30 June 2014		5,800
Financial assets at fair value through profit and loss at 30 June 2014	1,500	
	221,800	221,800

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

1. Power decided to value its land and building for the first time on 1 July 2014. A qualified valuer valued the land to be RM25,000,000 and building was determined to be RM40,000,000. The remaining useful life of the building at the date of revaluation was 20 years. The revaluation has not been reflected in the trial balance. Power does not 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. On 31 December 2014, due to a decline in the economy, an impairment test was conducted on the building and it was estimated that the net realizable value of the building was determined at RM35,000,000. The remaining useful life of the building remained the same.
2. On 1 July 2014, Power acquired an equipment for RM5,000,000 with a useful life of 10 years. The acquisition has not been reflected in the books. A government grant of RM2,000,000 was received for the acquisition. It is the policy of Power to treat the government grant using the deferred income method. Power has not recognized any income yet for the grant.
3. The plant and equipment acquired prior to 1 July 2014 has a residual value of RM5,000,000 at the end of its useful life of 10 years.

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 RM4,500,000 inclusive of an increase in deferred tax liability of RM2,000,000
6. Inventory on 30 June 2014 was counted and valued at a cost of RM13,100,000.
7. Finance costs included payments to equity holders, redeemable preference shareholders and six month's interest to loan holders.
8. The fair values of the financial assets are held in a fund whose value changes directly in proportion to a specified market index. At 30 June 2014, the relevant index was 1,100 and at 30 June 2015 it was 900.
9. During the year, the company made a rights issue of 2 (two) shares for every 5 (five) shares held on 30 June 2014 for RM1.50 per share when the market price before the rights issue was RM1.80 per share. The issue has not yet been recorded by Power.

Required:

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

- (a) **A statement of profit and loss and other comprehensive income for the year ended 30 June 2015**
(12 marks)
- (b) **A statement of changes in equity for the year ended 30 June 2015.**
(4 marks)
- (c) **A statement of financial position as at 30 June 2015**
(10 marks)
- (d) **Calculate the earnings per share (EPS) for Power for the year ended 30 June 2015. The EPS for last year was 10 sen.**
(4 marks)

[Total: 30 marks]

Question 2

MacDollah operates a mini-market and has been in business for five years, but has never kept any complete accounting records. MacDollah is now required to furnish his mini-market's Statement of profit and loss and other comprehensive income for the year ended 31 December 2014 and the Statement of financial position as at that date.

MacDollah is able to provide only the following information pertaining to his mini-market business:

Balances as at	Note	1 January 2014	31 December 2014
		RM	RM
Shop-house: at cost	a	200,000	200,000
Motor van: at cost	b	90,000	90,000
Fixtures & Fittings: carrying value	c	42,000	30,000
Inventory		35,000	31,000
Cash at bank	d	21,500	31,400
Cash in hand	d	4,200	3,200
Accounts Receivable		19,900	22,480
Accounts payable		11,000	12,700
Employees' salaries prepaid		3,800	nil
Fire insurance premium (shop-house) prepaid		nil	900
Bank loan interest expense		nil	1,000
Utility expenses accrued		1,200	nil
Long term bank loan	e	50,000	50,000

Notes:

- a. The shop-house was purchased five years ago, and should be depreciated at 2% on cost per annum. Depreciation for the sixth year (i.e. for 2014) need to be provided.
- b. The motor van was purchased in January 2013, and to be depreciated at 20% per annum.
- c. In 2014, some old fixtures and fittings with a carrying value of RM1,300 were sold.
- d. MacDollah acknowledges that all unaccounted for balances in the cash at bank and cash in hand have been utilised to pay for his personal and private expenses.
- e. The long term loan was taken in March 2013 and carries an annual interest rate of 5%.

Additional information:

1. Summary of the mini-market's bank statement for 2014 revealed the following:

	RM
Receipts	
Receipt from trade debtors (Accounts receivables)	158,000
Receipt from sales of old fixtures & fittings (see Note c above)	1,600
Payments	
Payments to trade creditors (Accounts payables)	15,000
Purchase of new fixtures & fittings	1,200
Interest on bank loan	1,500
Fire insurance premium for shop-house	2,800
Business operating expenses	23,000
Utility expenses	25,000

2. Cash Sales

During the year 2014, the mini-market recorded a total cash sales of RM140,000. The receipts for the cash sales were utilised to pay salaries of RM30,000 to the two employees. The balance of the receipts from cash sales was used to pay for cash purchases.

3. During the year 2014, the following were recorded:

- Sales Returns: RM6,200
- Purchases Returns: RM8,400
- Bad Debt (trade debts) written off: RM1,800

Required:

In relation to the MacDollah's mini-market, prepare the following:

- (a) **Statement of affairs as at 1 January 2014;** (7 marks)
- (b) **Statement of profit and loss and other comprehensive income for the year ended 31 December 2014; and** (10 marks)
- (c) **Statement of financial position as at 31 December 2014.** (8 marks)

[Total: 25 marks]

Question 3

- (a) Wong Lee, the sole-proprietorship of a fruit orchard in Balik Pulau, Penang, produces and sells fruits to retailers. For the purpose of his business, Wong Lee has a current account with Agri-Bank Bhd, and maintains simple records of receipts and payments.

Below are the records of receipts, payments / withdrawals and bank statement for September 2015.

1. Receipts deposited to Wong Lee's current account with Agri-Bank Bhd.

September		RM
4	Cheque: CIMB No. 015xx1	800
9	Cash: deposit	2,300
12	Cheque: UMB No. 123xx3	1,400
18	Cheque: MBB No. 39xx05	1,800
29	Cheque: PBB No. 26xx48	1,450
	Total receipts / deposits	7,750

2. Payments (by cheques) from Wong Lee's current account with Agri-Bank Bhd.

September		RM
2	Cheque: AGB No. 0013	1,020
8	Cheque: AGB No. 0014	890
14	Cheque: AGB No. 0015	675
28	Cheque: AGB No. 0016	540
	Total payments / withdrawals	3,125

3. Summary of receipts and payments

		RM
	Balance as at 1 September 2015	5,300
Add:	Total receipts / deposits	7,750
		13,050
Deduct:	Total payments / withdrawal	3,125
	Balance as at 30 September 2015	<u>9,925</u>

4. Wong Lee' current account bank statement for September 2015 (issued by Agri-Bank Bhd)

September	Particulars	Withdrawal	Deposits	Balance
		RM	RM	RM
1	Balance			5,3
4	Cheque: CIMB No. 015xx1		800	6,1
7	Cheque: AGB No. 0013	1,020		5,0
9	Cash		2,030	7,1
11	Cheque: AGB No. 0014	890		6,2
15	Credit transfer		350	6,5
18	Cheque: MBB No. 39xx05		1,800	8,3
21	Cheque: AGB No. 0015	765		7,6
22	Charges for cheque books	15		7,5
23	Cheque: PBB No. 26xx48		1,450	9,0
25	Cheque: SME No. 44xx88	1,200		7,8
29	Bank charges	235		7,6

5. Wong Lee noticed that according to his records there was a balance of RM5,300 in his current account with Agri-Bank Bank on 1 September 2015, which is consistent with the amount shown in the bank statement. However, Wong Lee also noticed that according to his records, there should be a balance of RM9,925 on 30 September 2015, but the bank statement shows a balance of only RM7,605.
6. Wong Lee requested you to assist him to reconcile the differences between his records and the bank statement. Upon inspecting Wong Lee's record and bank statement you found the following:
- cash deposit made on 9 September is actually RM2,030 and not RM2,300.
 - a cheque (Cheque: AGB No. 0015) issued on 14 September 2015 is actually for the amount of RM765, and not RM675.
 - a cheque (Cheque: SME No. 44xx88) for the amount of RM1,200 issued by one of Wong Lee's customers was dishonoured and returned on 25 September 2015.

Required:

- (i) **Make the necessary corrections to Wong Lee's summary of records of receipts and payments to update the balance for September 2015.**
(10 marks)
- (ii) **Prepare the Bank Reconciliation Statement for September 2015.**
(4 marks)

- (b) Jimmy operates a wholesale business in kitchen-wares. Jimmy updates his monthly business accounts by preparing a trial balance at the end of each month.

For the month of September 2015, upon finalising the wholesale business's trial balance as at 30 September, he noticed that the total in the credit column is more than the total in the debit column by RM180.

Jimmy engaged you to identify the cause(s) of the discrepancy in the said trial balance. Upon reviewing the wholesale business's accounting records, you discovered the following:

1. Credit purchase of trading stock for RM4,820 was correctly debited in the Purchases Account, but wrongly credited to the Trade Payable Account as RM4,280.
2. RM2,500 of trading stock returned to a trade creditor was credited to the Trade Payable Account and debited to the Sales Returns Account.
3. RM320 cash payment for utility expenses was credited to the Cash Account, but no corresponding debit entry was made.
4. A cheque for RM5,400 received from a trade debtor was debited to the Bank Account, and credited to the Trade Payable Account for RM4,500.
5. RM3,800 payment by cheque for purchase of a cash register machine was credited to the Bank Account and debited to the inventory (or stock) account.
6. RM1,300 cash was taken from the business cash register to pay for Jimmy's household expenses. Records showed that this amount was only credited from the business Cash Account.

Required:

Journalise the correction of errors and post the entries to the Suspense Account.

Note: The Suspense Account should be in the 'T' format.

(11 marks)

[Total: 25 marks]

Question 4

Penny is a public listed company selling office furniture. The following are its financial statements of the year ended 30 June 2015.

Statement of profit and loss and other comprehensive income for the year ended 30 June 2015

	RM'000
Revenue	20,000
Cost of sales	(4,500)
Gross profit	15,500
Income from gain on investment property	1,000
Distribution costs	(4,000)
Administration costs	(3,000)
Finance costs	(500)
Profit before tax	9,000
Income tax expense	(1,800)
Profit for the year	7,200
Other comprehensive income	
Gains on property revaluation	200
Total comprehensive income for the year	7,400

Statement of financial position as at 30 June 2015

	30 June 2015		30 June 2014	
	RM'000	RM'000	RM'000	RM'000
Non- current assets				
Property, plant and equipment		10,000		5,500
Investment property		1,150		1,500
Current assets				
Inventory	2,100		1,800	
Accounts receivable	780		540	
Short term deposits	550		320	
Bank	280		nil	2,660
Cash	20	3,730		
Total assets		14,880		9,660
Equity and liabilities				
Equity shares of RM1 each		5,000		3,000
Share premium		1,000		1,500
Revaluation reserve		500		300
Retained earnings		6,565		3,150
Non – current liabilities				
Finance lease obligations		750		550
5% Loan		150		200
Deferred tax		170		365

Current liabilities				
Finance lease obligations		250		125
Accounts payable		470		435
Current tax payable		25		10
Bank overdraft		nil		25
Total equity and liabilities		14,880		9,660

The following information is relevant:

1. Investments to the amount of RM850,000 were acquired during the year. It is the policy of the company to value its investment property using the fair value model.
2. The short term deposits meet the definition of cash equivalents
3. During the year, the share premium account was utilized to distribute a bonus dividend to its existing shareholders. The balance in the share capital account represents a fresh issue of shares for cash.
4. An item of plant with a carrying amount of RM800,000 was disposed during the year for a profit of RM150,000. Depreciation of RM2,300,000 was charged to cost of sales for the year ended 30 June 2015. Included in the property, plant and equipment acquired during the year is leased asset of RM4,400,000.
5. The revaluation gain is entirely from the revaluation of property.

Required:

- (a) **Prepare a Statement of Cash Flows for Penny for the year ended 30 June 2015 in accordance with MFRS 10 7 *Statement of Cash Flows*.**
(15 marks)
- (b) **A note to show the movements of cash and cash equivalent.**
(2 marks)
- (c) **Comment on the cash flow management of Penny as revealed by the statement of cash flows.**
(3 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)