



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

**PROFESSIONAL EXAMINATIONS**

**INTERMEDIATE LEVEL**

**FINANCIAL ACCOUNTING**

**PILOT PAPER**

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**ANSWERS**

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## CTIM: Financial Accounting

### Question 1 (30 marks): DIY Ria Berhad

Statement of profit or loss and other comprehensive income for the year ended 31 December

2013

	RM000
Revenue	382,500
COS	(197,775)
Gross profit	<b>184,725</b>
Administration expenses 67,500 – 900 + 750 + fraud 2,250	(69,600)
Distribution expenses	(81,000)
Finance cost 2,400 + 3,000	(5,400)
FV – gain on IP	6,000
Profit before tax	<b>34,725</b>
Income tax 6,000 + 3,750	(9,750)
Profit for the year	<b>24,975</b>
Other comprehensive income	
Revaluation of land 7,500	
Deferred tax (1,875)	5,625
Total comprehensive income for the year	<b>30,600</b>

Statement of changes in equity for the year ended 31 December 2013

	Equity	Share premium	Revaluation reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	
Balance at 01.01.2013	225,000	15,000		78,000	318,000
PPA				(750)	(750)
Restated balance	<b>225,000</b>	<b>15,000</b>		<b>77,250</b>	<b>317,250</b>
Rights issue	3,000	7,500			10,500
Revaluation of land			5,625		5,625
Dividends paid				(11,250)	(11,250)
Profit for the year//				24,975	24,975
Balance at 31.12.2013	<b>228,000</b>	<b>22,500</b>	<b>5,625</b>	<b>90,975</b>	<b>347,100</b>

Statement of financial position as at 31 December 2013

		RM'000
Non current assets (NBV)		
Land and building	172,500 – 3,000	169,500
Plant and machinery	105,000 - (4,875 + 45,000)	55,125
Vehicles	67,500 – (27,000 + 5,400)	35,100
Investment property		60,000
Current assets		
Inventories		95,100
Accounts receivable	24,000 + 7,500 -3,000 -750	27,750
Bank		12,000
Insurance claim receivable		3,000
<b>Total assets</b>		<b>457,575</b>
Equity		228,000
Share premium		22,500
Revaluation reserve		5,625
Retained profits		90,975
Non current liabilities		
8% redeemable preference shares		30,600
8% Loan		30,000
Deferred taxation		13,125
Current liabilities		
Accounts payable		27,000
Accrued interest on loan		2,400
Tax payable		750
Liability to Fast Finance		6,600
<b>Total equity and liabilities</b>		<b>457,575</b>

## Workings

1. COS	RM'000
As per trial balance	202,500
Self constructed asset	(15,000)
Depreciation:	
P/M90,000 x 5 %	4,500
Self constructed P/M 15,000 x 5% x 6/12	375
Vehicles 67,500 x 8%	5,400
Buildings 150,000 x 2%	3,000
Goods lost during fire	<u>(3,000)</u>
	197,775
2. Deferred taxation	RM'000
As per trial balance	7,500
OCI (Land)	1,875
P/L	<u>3,750</u>
Adjusted balance	13,125

## 3. Land & Building

	Land	Building	Total
	RM'000	RM'000	
Cost	37,500	150,000	187,500
Depreciation	-	<u>(22,500)</u>	<u>(22,500)</u>
CV	37,500	127,500	165,000
FV	<u>45,000</u>	<u>127,500</u>	172,500
Surplus	7,500	0	

**Question 2 (25 marks): A-L Enterprise**

(a) Statement of Affairs: as at 1 January 2013

Assets		
Non current assets	28,000	
Prepaid operating expenses	1,500	
Trade receivables	72,000	
Inventories	36,000	
Cash in Hand	8,000	
Cash in Bank	<u>10,000</u>	155,500
Less: Liabilities		
Accrued rent	1,000	
Trade payables	<u>45,000</u>	<u>46,000</u>
Capital		<u>109,500</u>

(b) Statement of Profit or Loss and other Comprehensive Income  
Year ending on 31 December 2013

	Sales (W-1)	329,400	
	Less: Sales returns	<u>(3,000)</u>	
		326,400	
Less	Cost of sales		
	Inventories (01/01/2013)	36,000	
	Purchases (W-2)	207,900	
	Less: Purchases returns	(3,800)	
	Inventories (31/12/2013)	<u>(30,000)</u>	<u>(210,100)</u>
	Gross profit		116,300
Add:	Discount received		<u>1,100</u>
			117,400
Less:	Expenses		
	Operating expenses (W-3)	20,900	
	Rental (W-4)	15,400	
	Employees' salaries	24,000	
	Bad debts	2,600	
	Discount allowed	800	
	Depreciation: non current assets (W-5)	<u>3,000</u>	<u>66,700</u>
	Net profit		<u>50,700</u>

(c) Statement of Financial Position  
As at 31 December 2013

Non current assets		55,000	
Current assets			
Cash in Bank	53,300		
Cash in hand	8,500		
Inventories	30,000		
Trade receivables	50,000		
Prepayments	<u>2,300</u>	<u>144,100</u>	
		<u>199,100</u>	
Current liabilities			
Trade payables	58,000		
Accruals	2,000	60,000	
Owner's equity			
Capital (01/01/2013)	109,500		
Add: Net profit	<u>50,700</u>		
	160,200		
Less: Drawings (W- 6)	<u>(21,100)</u>	<u>139,100</u>	
		<u>199,100</u>	

Workings

W-1: Sales		
Trade receivables (31/12/2013)	50,000	
Sales returns	3,000	
Bad debts	2,600	
Discount allowed	800	
Receipts from trade debtors	<u>300,000</u>	
	356,400	
Less: Trade receivables (01/01/2013)	<u>(72,000)</u>	
Sales to credit customers	284,400	
Add: Cash sales	<u>45,000</u>	
Total sales	<u>329,400</u>	
W-2: Purchases		
Trade payables (31/12/2013)	58,000	
Purchases returns	3,800	
Discount received	1,100	
Payments to trade creditors	<u>180,000</u>	
	242,900	
Less: Trade payables (01/01/2013)	<u>(45,000)</u>	
	197,900	
Add: Cash purchases	<u>12,500</u>	
	210,400	

Less:	Drawing (trading stock)	<u>2,500</u>
	Total purchases	<u>207,900</u>

W-3: Operating expenses

	Payments (Bank)	13,700
	Payments (Cash)	8,000
Add:	Prepaid	1,500
	(01/01/2013)	
Less:	Prepaid	<u>(2,300)</u>
	(31/12/2013)	
		<u>20,900</u>

W-4: Rental expenses

	Payments (Bank)	24,000
Add:	Accrued (31/12/2013)	2,000
Less:	Accrued (01/01/2013)	<u>(1,000)</u>
		25,000
Less:	Rental: family's apartment	<u>(9,600)</u>
		<u>15,400</u>

W-5: Depreciation

	Non current assets (01/01/2013)	28,000
Add:	Purchased in 2013	30,000
Less:	Non current assets (31/12/2013)	<u>(55,000)</u>
	Depreciation	<u>8,000</u>

W-6: Drawings

	Drawings (bank)	9,000
	Drawing (trading stock)	2,500
	Rental: family's apartment	<u>9,600</u>
		<u>21,100</u>

**Question 3 (20 marks): CTH Venture**

- (i) Statement of Profit or Loss and other comprehensive income for the year ending 31 December 2013.

	Sales		450,000
Less	Cost of sales		
	Inventories (01/01/2013)	45,800	
	Purchases	220,000	
	Inventories (31/12/2013)	<u>(48,000)</u>	<u>(217,800)</u>
	Gross profit		232,200
Less:	Expenses		
	Operating expenses (W-1)	42,520	
	Employees' salaries	75,000	
	Interest (bank loan) (W-2)	3,000	
	Depreciation (W-3)	<u>14,580</u>	<u>135,100</u>
	Net profit		<u>97,100</u>

- (ii) Statement of Appropriation of Profit or Loss for the year ending 31 December 2013.

	Net profit		97,100
Add:	Interest on partners' drawings		
	Chan	1,000	
	Teoh	4,000	
	Heng	<u>500</u>	<u>5,500</u>
			102,600
Less:	Interest on partners' capital		
	Chan: 8% x 50,000	4,000	
	Teoh: 8% x 40,000	3,200	
	Heng: 8% x 30,000	<u>2,400</u>	<u>9,600</u>
	Partners' salaries		
	Chan	24,000	
	Teoh	6,000	
	Heng	24,000	<u>54,000</u>
	Profit available for distribution		<u>39,000</u>
	Partners' share of profit		
	Chan: 39,000 x 3/6	19,500	
	Teoh: 39,000 x 1/6	6,500	
	Heng: 39,000 x 2/6	13,000	<u>39,000</u>



(iii) Partner's Current Account (using the "T" account format).

Current A/C: Chan

		Balance b/d	14,000
Interest on drawings	1,000	Interest on capital	4,000
Drawings: cash	7,000	Salary	24,000
Balance c/d	<u>53,500</u>	Share of profit	<u>19,500</u>
	<u>61,500</u>		<u>61,500</u>
		Balance b/d	53,500

Current A/C: Teoh

		Balance b/d	4,000
		Interest on capital	3,200
Interest on drawings	4,000	Salary	6,000
Drawings: repairs to motor vehicle	3,000	Share of profit	6,500
Drawings: cash	<u>20,000</u>	Balance c/d	<u>7,300</u>
	<u>27,000</u>		<u>27,000</u>
Balance b/d	7,300		

Current A/C: Heng

Balance b/d	5,000		
Interest on drawings	500	Interest on capital	2,400
Drawings	3,000	Salary	24,000
Balance c/d	<u>30,900</u>	Share of profit	<u>13,000</u>
	<u>39,400</u>		<u>39,400</u>
		Balance b/d	30,900

(iv) Statement of Financial Position As at 31 December 2013

Non current assets (cost)		180,000
Less: Allowance for depreciation (W-3)		<u>(48,780)</u>
		131,220
Current assets		
Cash in Bank	44,000	
Inventory	48,000	
Trade receivables	<u>68,000</u>	<u>160,000</u>
		<u>291,220</u>
Current liabilities		
Trade payables	58,000	
Accrual: bank interest (W-2)	600	
Accrual: operating expenses	<u>5,520</u>	64,120
Non current liabilities		
Bank loan		30,000
Equity		
Partners' capital		
Chan	50,000	
Teoh	40,000	
Heng	<u>30,000</u>	120,000
Partners' current A/C		
Chan	53,500	
Teoh	(7,300)	
Heng	<u>30,900</u>	<u>77,100</u>
		<u>291,220</u>

W-1: Operating expenses

	Paid	40,000
Add:	Accrual (31/12/2013)	5,520
Less:	Drawings: private repairs	(3,000)
		<u>42,520</u>

W-2 Interest (Bank loan)

	10% x 30,000	3,000
	Paid	<u>2,400</u>
	Interest due	<u>600</u>

W-3: Depreciation

	Non current assets: cost	180,000
Less:	Allowance for depreciation	<u>34,200</u>
	Net book value	<u>145,800</u>
	Depreciation: 10% x 145,800	<u>14,580</u>

	Allowance for depreciation	
	Balance before depreciation for 2013	34,200
Add:	Depreciation for 2013	<u>14,580</u>
	Balance after depreciation for 2013	<u>48,780</u>

**Question 4 (20 marks): Sun-Ray Sdn Bhd**

Statement of cash flows for the year ended 31 December 2013

Cash flows from operating activities	
Profit before taxation	375,642
Adjustments for:	
Depreciation	32,700
Gain on disposal of plant	(2,700)
Gain on investment	(1,875)
Investment income	(1,314)
Interest expense	10,593
Operating profit before working capital changes	<u>413,046</u>
Increase in inventory	(9,417)
Increase in receivables	(56,556)
Decrease in payables	(32,151)
Cash generated from operations	<u>314,922</u>
Interest paid	(10,593)
Income tax paid	(64,719)
Net cash from operating activities	<u>239,610</u>
Cash flows from investing activities	
Investment income received	1,314
Proceeds from sale of plant	4,950
Purchase of property, plant and equipment	(289,821)
Sales of investments	<u>16,875</u>
	(266,682)
Cash flows from financing activities	
Dividend paid	(78,000)
Proceeds from issue of shares	140,019
Redemption of debentures	(27,000)
Net cash from financing activities	<u>35,019</u>
Net increase in cash and cash equivalents	<u>7,947</u>
Cash and cash equivalents at the beginning of period	<u>16,203</u>
Cash and cash equivalents at the end of period	<u>24,150</u>

**[End of marking scheme]**