



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

PILOT PAPER

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

DIY Ria Berhad is a trading company, dealing in construction materials. The company's accounting year end is 31 December. Below is the trial balance of DIY Ria as at 31 December 2013.

	RM'000	RM'000
Revenue		382,500
Cost of sales	202,500	
Land and Building (land element RM37.50 million) - cost	187,500	
Plant and Machinery - cost	90,000	
Vehicles	67,500	
Accumulated depreciation - 1 January 2013		
- Land and Building		22,500
- Plant and Machinery		45,000
- Vehicles		27,000
Distribution costs	81,000	
Administrative expenses	67,500	
Inventory at 31 December 2013	95,100	
Retained earnings at 1 January 2013		78,000
Tax paid	5,250	
Deferred taxation		7,500
Equity shares of RM1 each		225,000
8% redeemable preference shares of RM1 each		30,000
Share premium		15,000
8% Loan		30,000
Investment property	54,000	
Accounts receivable	24,000	
Accounts payable		27,000
Bank	12,000	
Suspense account		10,500
Dividends paid	13,650	
	900,000	900,000

In the course of preparing the financial statements, the following information were discovered.

1. Included in cost of sales is RM15.0 million related to the self constructed plant and machinery which was completed and ready for use as of 1 July 2013.
2. The income tax payable for the year is calculated to be RM6.0 million which does not include the changes to the statement of financial position of deferred tax liability. The carrying value of the net assets is RM45.0 million (excluding the revaluation of the land and building) more than their tax base at 31 December 2013. The income tax rate is 25%.
3. In order to raise funds for its expansion program, DIY Ria Berhad offered 3.0 million rights issue at RM3.50 each (market price RM4.00), to its existing shareholders during the year. All the shares were fully subscribed and fully paid and the amount was kept in the suspense account.
4. DIY Ria Berhad paid an equity dividend of 5 cents per share during the year. The rights issue does not qualify for the dividends payment.

5. Interest on the 8% loan has not been provided for the year.
6. In early January of 2013, the financial controller discovered a material fraud perpetrated by one of its accountants to an amount of RM3.0 million of the accounts receivable. Further investigation revealed that RM750,000 relates to the 2012 with the balance remaining took place in 2013.
7. DIY Ria Berhad has in issue 8% 30.0 million redeemable preference shares of RM1 each at par. These are redeemable at a premium of 10% in five years' time.
8. On 1 January 2013, the directors decided to revalue its land and building. A qualified surveyor has valued the land and building at RM 172.50 million of which RM45.0 million is related to the land. Surplus or deficit on revaluation will attract a provision for deferred taxation.
9. In November 2013, floods affecting the warehouse destroyed goods of carrying value of RM3.0 million. This amount was subsequently written off as part of cost of sales. The company filed for an insurance claim for that amount and it has been approved. However, as at the financial year end, DIY Ria Berhad has not yet received the claim and no accrual had been made.
10. On 31 December 2013, DIY Ria Berhad factored its accounts receivable with a book value of RM7.50 million to Euro-Asia Finance and received an immediate payment of RM6.60 million. DIY Ria Berhad will pay Euro-Asia Finance 3% per month for any uncollected balance and will refund to Euro-Asia Finance any outstanding factored receivable after six months. DIY Ria Berhad has derecognised the receivable in its books and charged RM900,000 as part of administrative expenses. Had the accounts receivable not been factored, DIY Ria Berhad would have to make an allowances for doubtful debts of 10%.
11. During the year, the investment property was valued by professional valuers at RM60 million.
12. The depreciation rates for the non current assets are as follows:

Land and building	: 2%
Plant and machinery	: 5%
Vehicles	: 8%
13. It is the company's policy to charge all depreciation on its non current assets to cost of sales.

Required:

Prepare in a form suitable for publication and in compliance with the relevant financial reporting standards the following financial statements of DIY Ria Berhad for the year ended 31 December 2013:

- a. **A statement of profit or loss and other comprehensive income;**
- b. **A statement of changes in equity; and**
- c. **A statement of financial position.**

[Total: 30 marks]

Question 2

A-L Enterprise is a sole proprietorship wholesale business selling household kitchen wares. For the year ending on 31 December 2013 Alan Lee, the proprietor did not keep a complete record of his business transactions, but was only able to furnish the following information pertaining to the business.

(a) A summary of the business bank current account, based on the monthly bank Statements.

	(RM)
Balance in the bank: as at 1 January 2013	10,000
Receipts from trade receivables	<u>300,000</u>
	<u>310,000</u>
Payments	
Operating expenses	13,700
Purchase of non current assets	30,000
Rental expenses	24,000
Drawings	9,000
Payments to trade payables	<u>180,000</u>
	<u>256,700</u>

(b) A summary of the business cash receipts and payments

	(RM)
Cash balance: as at 1 January 2013	8,000
Receipts from cash sales	<u>45,000</u>
	<u>53,000</u>
Cash Payments	
Employees' salaries	24,000
Operating expenses	8,000
Purchases	<u>12,500</u>
	<u>44,500</u>

(c) Additional information

	As at <u>01/01/2013</u> (RM)	As at <u>31/12/2013</u> (RM)
Non current assets	28,000	55,000
Accrued rental expenses	1,000	2,000
Prepaid operating expenses	1,500	2,300
Trade receivables	72,000	50,000
Trade payables	45,000	58,000
Inventories	36,000	30,000

(d) Other information

- (i) A credit customer returned some goods with a value of RM3,000.
- (ii) Alan took some kitchen wares, which was purchased at RM2,500 for his domestic use.
- (iii) The rental expenses included RM800 per month for the rental of Alan Lee's family residential apartment and the remainder was for the business premises.
- (iv) A sum of RM2,600 was written off the trade receivables as bad debts.
- (v) During the year cash discounts of RM1,100 were from received trade creditors while cash discounts of RM800 were allowed to trade debtors.
- (vi) Goods costing RM3,800 were returned to suppliers.

Required

Prepare the following for A-L Enterprise:

- (a) **Statement of Affairs as at 1 January 2013**
- (b) **Statement of Profit or Loss and other Comprehensive Income for the year ended on 31 December 2013.**
- (c) **Statement of Financial Position 31 December 2013.**

All necessary workings must be appropriately shown.

[Total: 25 marks]

(The rest of the page is blank)

Question 3

CTH Venture is a partnership business, selling office equipment. The partners are Chan, Teoh and Heng. Shown below is CTH Venture's trial balance as at 31 December 2013.

	Debit (RM)	Credit (RM)
Capital		
Chan		50,000
Teoh		40,000
Heng		30,000
Current Account		
Chan		14,000
Teoh		4,000
Heng	5,000	
Drawings (in cash)		
Chan	7,000	
Teoh	20,000	
Heng	3,000	
Non current assets (at cost)	180,000	
Accumulated depreciation- non current assets		34,200
Inventory (at 1 January 2013)	45,800	
Operating expenses	40,000	
Trade receivables and payables	68,000	58,000
Employees' salaries	75,000	
Cash in bank	44,000	
Bank loan		30,000
Interest on bank loan	2,400	
Purchases and Sales	<u>220,000</u>	<u>450,000</u>
	<u>710,200</u>	<u>710,200</u>

Other information

- (a) Inventory as at 31 December 2013 was RM48,000.
- (b) At the end of 2013, there was an outstanding operating expense of RM5,520. The operating expenses include RM3,000 being repairs for Teoh's personal motor vehicle and the remaining are business operating expenses.
- (c) The RM30,000 bank loan carries an interest rate of 10% per annum.
- (d) The non-current assets are depreciated at 10% per annum, using the reducing balance method.
- (e) The partnership agreement provides for the following:
 - (i) Profit or loss sharing ratio is 3:2:1 respectively for Chan, Heng and Teoh.
 - (ii) Interest of 8% per annum on the partners' capital. There will be no interest on partners' current accounts.
 - (iii) Interest is chargeable only on the cash drawings by partners. In 2013, the interest on cash drawings of RM1,000, RM4,000 and RM500 were respectively chargeable to Chan, Teoh and Heng.
 - (iv) Partners' annual salaries are as follows: RM6,000 for Teoh, RM24,000 each for Chan and Heng.

Required

Prepare the following for CTH Venture:

- (i) Statement of Profit or Loss and other Comprehensive Income for the year ended 31 December 2013.**
- (ii) Statement of Appropriation of Profit or Loss for the year ended 31 December 2013.**
- (iii) Each partner's Current Account (using the "T" account format).**
- (iv) Statement of Financial Position as at 31 December 2013.**

All necessary workings must be appropriately shown.

[Total: 25 marks]

(The rest of the page is blank)

Question 4

Sun-Ray Sdn Bhd is trading company, but also derived income from investments. Given below are the financial statements, as follows:

Statement of Profit or Loss and other Comprehensive Income For the year ended on 31 December 2013

	(RM)
Revenue	599,400
Less: Cost of sales	<u>(124,065)</u>
Gross profits	475,335
Less: Expenses	<u>(90,414)</u>
Profit from operations	384,921
Add: Investment income	<u>1,314</u>
	386,235
Less: Finance cost	<u>(10,593)</u>
Profit before tax	375,642
Less: Taxation	<u>(70,713)</u>
Profit after tax	<u>304,929</u>

Statement of Financial Position As at 31 December 2013 and 2012

	31/12/2013		31/12/2012	
	(RM)	(RM)	(RM)	(RM)
Non-current assets				
Property, plant & equipment		951,000		669,378
Investments		<u>75,000</u>		<u>90,000</u>
		1,026,000		759,378
Current assets				
Inventory	223,002		213,585	
Trade receivables	160,698		104,142	
Cash in Bank	<u>24,150</u>		<u>16,203</u>	
	<u>407,850</u>		<u>333,930</u>	
Current liabilities				
Trade payables	121,377		153,528	
Tax payable	<u>71,901</u>		<u>65,907</u>	
	<u>193,278</u>		<u>219,435</u>	
Net working capital		<u>214,572</u>		<u>114,495</u>
		1,240,572		873,873
Financed by:				
Non-current liabilities				
6% Bank loan		159,000		186,000
Equity				
Share capital	294,000		210,000	
Share premium	157,218		101,199	
Revaluation reserve	90,858		64,107	
Retained profits	<u>539,496</u>	<u>1,081,572</u>	<u>312,567</u>	<u>687,873</u>
		1,240,572		873,873

Additional information:

- (a) In the year 2013, Sun-Ray Sdn Bhd sold a piece of equipment receiving RM4,950. The equipment sold had a carrying value of RM2,250. No other of property, plant and equipment was disposed in 2013. Some of the properties, plant and equipment were revalued in 2013.
- (b) Profit from operations is stated after charging RM32,700 for depreciation. There was a gain of RM1,875 on disposal of investments and gain on disposal of equipment.
- (c) Sun-Ray Sdn Bhd's share capital consists of ordinary share of RM1.00 each. During the year 2013, bonus shares of one (1) share for every 5 ordinary shares held were issued to existing shareholders. The bonus shares were issued out of the share premium.

Required:

Prepare a statement of cash flow for Sun-Ray Sdn Bhd for the year ended 31 December 2013 in accordance with MFRS 107 Cash Flow Statement, using indirect method. (Note on Cash and Cash Equivalent is not required).

[Total: 20 marks]

(END OF QUESTION PAPER)