



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

DECEMBER 2018

---

*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 of Sakima Bhd as at 30 June 2018:

	RM'000	RM'000
Revenue		89,000
Cost of sales	40,000	
Operating expenses	17,000	
Freehold land	60,000	
Freehold building	90,000	
Plant and equipment at cost	25,000	
Accumulated depreciation as at 1 July 2017:		
Plant and equipment		5,000
Building		30,000
Dividends	3,000	
Inventory as at 30 June 2018	15,000	
Trade receivables	6,100	
Trade payables		15,000
Deferred tax liability as at 1 July 2017		1,000
Cash and bank balance	13,900	
Government grant		5,000
Loan note		20,000
Tax paid	3,500	
Equity shares of RM1 each		84,000
Retained profit as at 1 July 2017		24,500
	<b>273,500</b>	<b>273,500</b>

Additional information:

1. Inventory as at 30 June 2018 was valued at RM13,400,000.
2. On 1 July 2017, the directors of Sakima decided to use the revaluation model for its land and building. A qualified valuer valued the land to be RM75,000,000 and building was determined to be RM105,000,000. 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.
3. On 1 July 2017, Sakima acquired an equipment for RM10,500,000 with a useful life of 10 years. Transportation cost to bring the equipment to Sakima's factory was RM500,000. The acquisition has not been reflected in the books. A government grant of RM5,000,000 was received and recorded in the books. It is the policy of Sakima to treat the government grant using the deferred income method. Sakima had 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. On 1 July 2017, a RM20,000,000 loan note was issued at par. No interest will be paid on the loan. The loan will be redeemed on 30 June 2019 for an amount of RM25,950,000. The effective finance cost is 10% per annum.
6. On 1 April 2018, a customer sued Sakima for a breach of contract over faulty goods. The customer demanded RM1,000,000 as compensation. The company's lawyer was of the opinion that there is a high probability that Sakima will lose the case. Only legal costs of RM80,000 had been provided for and included in the operating expenses.

7. 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 RM2,900,000 inclusive of an increase in deferred tax liability of RM480,000.

**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**

Tan Seng Enterprise (TSE) a sole-proprietorship dealing in locally produced kitchen-wares. The owner of TSE did not maintain any proper accounting records of the business. However, the owner was able to furnish the following summarised information from whatever document and records relating to TSE:

1. Summarised information extracted from TSE's banking account for the year ended 31 December 2017:

	<b>RM</b>
Balance as at 1 January 2017:	<u>42,500</u>
<b>Amount deposited were receipts from:</b>	
Trade receivables	160,500
Disposal of old fixture	<u>10,000</u>
	<u>170,500</u>
<b>Payment by cheques to / for:</b>	
Trade payables	66,500
Personal & private expenses	12,000
Rental expenses (business premises)	28,000
Business sundry expenses	48,000
Salaries (employees)	<u>50,000</u>
	<u>204,500</u>

2. TSE's assets (excluding cash at bank and cash in hand) and liabilities as at 1 January 2017 and 31 December 2017 are as follows:

	<b>1 January 2017 RM</b>	<b>31 December 2017 RM</b>
<b>Assets</b>		
Fixtures (carrying value)	36,000	18,000
Trade receivables	19,800	29,500
Inventory at cost	21,000	14,600
Prepaid business sundry expenses	<u>3,800</u>	<u>2,600</u>
	<u>80,600</u>	<u>64,700</u>
<b>Liabilities</b>		
Trade payables	15,300	23,500
Accrued rental expenses (business premises)	<u>750</u>	<u>2,500</u>
	<u>16,050</u>	<u>26,000</u>

3. Summarised information extracted from TSE's cash in hand account for the year ended 31 December 2017:

	<b>RM</b>
Balance as at 1 January 2017:	<u>6,500</u>
Amount of receipts from cash sales	<u>33,000</u>
Payment by cash:	
To trade creditors	20,000
For business license	2,500
For purchases	<u>12,500</u>
	<u>35,000</u>

4. Additional information:

- a. RM600 cash discount was received from trade creditors while RM400 cash discount was given to trade debtors during the year.
- b. Trade debts of RM1,000 was written off during the year.
- c. The old fixture that was disposed / sold for RM10,000 in 2017 had a carrying value of RM9,000.
- d. During the year, goods costing RM2,000 were donated to a floods relief centre in Penang.

Required:

- (i) Determine the amount of capital as at 1 January 2017. (1 mark)
- (ii) Determine the amount of total sales and total purchases of TSE for the year ended 31 December 2017. (6 marks)
- (iii) Prepare Statement of Profit or Loss of TSE for the year ended 31 December 2017. (10.5 marks)
- (iv) Prepare Statement of Financial Position of TSE as at 31 December 2017. (7.5 marks)

Note: show all necessary workings

[Total: 25 marks]

### Question 3

- (a) Eshan Trading, a sole proprietorship has a current banking account in MyBank. The following are particulars pertaining to Eshan Trading's current account transactions for the month of October 2018:

#### Cash Book (Bank Column)

Date	Particulars	Debit RM	Date	Particulars	Credit RM
October 1	Balance b/d	2,400	October 8	Cheque: MB 10964	1,800
5	Goodwill Store	1,380	14	Cheque: MB 10965	450
9	Super Goodies	3,540	25	Cheque: MB 10966	2,240
21	Healthwise Coco	2,220	28	Cheque: MB 10967	3,300
25	KopiKola	1,150	31	Balance c/d	2,900
		<u>10,690</u>			<u>10,690</u>
31	Balance b/d	<u>2,900</u>			

Below is Eshan Trader's current account bank statement for October 2018 (issued by MyBank):

#### Bank Statement

Date	Particulars	Dr RM	Cr RM	Balance RM
October 1	Balance b/f			2,400 Cr
5	Goodwill Store		1,380	3,780 Cr
6	Sunrise Trading (PBB: No 11426)	3,190		590 Cr
7	Standing order: Ko-op Jaya	1,700		1,100 Dr
10	MB: 10964	1,800		2,910 Dr
12	Super Goodies		3,540	630 Cr
14	Credit transfer		1,800	2,430 Cr
17	Bank charges	100		2,230 Cr
19	MB 10965	540		1,790 Cr
28	Healthwise Coco		2,200	3,990 Cr

**Note:**

1. The receipt from Healthwise Coco was for the amount of RM2,200, but was wrongly recorded in the cash book as RM2,220.
2. The payment by cheque MB 10965 was for the amount of RM450, but was wrongly reflected in the bank statement as RM540.
3. Cheque (PB: No 11426) issued by Sunrise Trading which was deposited in August 2018 was returned due to insufficient fund in the payer's bank account.

**Required:**

- (i) Commencing with the cash book balance of RM2,900 on 31 October 2018, update the cash book.**

(8 marks)

- (ii) Prepare the bank reconciliation statement for Eshan Trading as at 31 October 2018.**

(7 marks)

- (b)** All-Stars Enterprise's Trial Balance as at 30 September 2018 has a total of 162,500 in the debit column exceeding the total in credit column by RM2,360. Accordingly, All-Stars Enterprise's bookkeeper posted the difference to a Suspense Account. Later the following errors were discovered in the books of All-Stars Enterprise:

1. An amount of RM850 for travelling expenses had not been recorded in the Travelling Expenses Account.
2. Goods returned by a credit customer, amounting to RM2,570 was credited to the Purchases Returns Account, although a correct entry had been made in the credit customer's accounts.
3. A payment of RM2,580 by cheque for utility expenses had been correctly entered into the Bank Account but wrongly debited to the utility expenses account as RM5,280.
4. Cash sales of RM3,250 had been posted in the Bank Column of the Cash Book while the double entry had not been completed.
5. Discount of RM1,200 received from a trade creditor was debited to the Discount Received Account.

**Required:**

- (i) Prepare Journal entries, without narrations, to correct the above errors.**

(6.5 marks)

- (ii) Prepare and balance the Suspense Account.**

(3.5 marks)

**[Total: 25 marks]**

#### Question 4

Joany Bhd is a public listed company. The following are the financial statements for the year ended 30 June 2017 and 30 June 2018:

#### Statement of Profit or Loss for the year ended 30 June 2018

	<b>RM'000</b>
Revenue	70,000
Cost of sales	(43,500)
Gross profit	<b>26,500</b>
Operating costs	(14,600)
Finance costs – interest on loan - interest on lease	( 200) ( 420)
Profit before tax	<b>11,280</b>
Income tax expense	(7,600)
<b>Profit for the year</b>	<b>3,680</b>

#### Statement of Financial Position as at 30 June

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non – current assets</b>		
Property, plant and equipment	45,020	35,986
Investments	8,000	7,600
<b>Current assets</b>		
Inventory	7,000	6,200
Accounts receivable	8,280	7,370
Bank	4,100	2,814
Cash	200	30
<b>Total assets</b>	<b>72,600</b>	<b>60,000</b>
<b>Equity</b>		
Ordinary shares	24,000	22,400
Retained earnings	24,900	23,514
<b>Non- current liabilities</b>		
6% Loan	6,000	
Deferred taxation	2,900	2,016
Finance lease obligation	4,500	3,500
<b>Current liabilities</b>		
Finance lease obligation	2,300	1,820
Accounts payable	5,780	5,000
Tax payable	2,220	1,750
<b>Total equity and liabilities</b>	<b>72,600</b>	<b>60,000</b>

Additional information:

1. Some investments were acquired during the year.
2. All the new issue of shares were for cash.
3. On 1 January 2018, Joany Bhd acquired additional plant under finance lease. The plant had a fair value of RM1.5 million. There were no disposals of non-current assets. Depreciation charged on the property, plant and equipment for the year was RM880,000.
4. During the year, Joany Bhd paid dividends to its shareholders.

**Required:**

- (i) **Prepare a Statement of Cash Flows for Joany Bhd for the year ended 30 June 2018 in accordance with MFRS107 *Statement of Cash Flows using indirect method.***  
(15 marks)
- (ii) **Comment on the cash flow management of Joany Bhd as revealed by the statement of cash flow.**  
(5 marks)

**[Total: 20 marks]**

**(END OF QUESTION PAPER)**