



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

DECEMBER 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

Ryan Berhad prepared its financial statements for the year ended 31 March. The company had extracted the following trial balance at 31 March 2019.

	Debit	Credit
	RM 'million	RM 'million
Equity shares		120
Revaluation surplus		10
Equity investment reserve		15
7% Debentures		40
Revenue		372
Cost of Sales	221	
Distribution cost	46	
Administration expenses	74	
Land and building at valuation 1 April 2018	62	
Plant & Machinery	60	
Accumulated depreciation 1 April 2018 – Plant & machinery		20
Intangible assets at cost	30	
Financial assets at fair value 1 April 2018	70	
Inventory at 31 March 2019	18	
Trade receivables and trade payables	69	28
Cash and bank	26	
Suspense account	11	
Retained earnings reserve 1 April 2018		<u>82</u>
	687	687

Additional Information:

1. Plant & machinery was depreciated at 25% per annum straight line from the date of purchase to the date of sale. On 1 October 2018, a piece of plant was purchased at a cost of RM12 million. This replaced another piece of plant which had cost RM8 million some years ago and was fully depreciated prior to 31 March 2018. A trade-in allowance of RM1 million was received for the old plant. The only entries made to record this transaction was credit cash and debit suspense with the net payment of RM11 million. No other item of plant was more than three years old at 1 April 2018.
2. The figure for financial assets represents the fair value of equities held at 1 April 2018. As permitted by IFRS 9 Financial Instruments, an election was made at the date of purchase to account for any fair value gains and losses on all these equity investments through "other comprehensive income". Ryan Berhad takes such gains and losses to a separate component of equity, the equity investment reserve. The fair value of the equity investments at 31 March 2019 was RM63.5 million. No equities were purchased or sold during the year.

3. Ryan Berhad applied the revaluation model of MFRS 116 Property, Plant & Equipment to its land and buildings. The revaluation surplus reserve related entirely to previous revaluations of this category of asset. A revaluation took place on 31 March 2018 and resulted in the fair value of RM62 million shown above. This figure included RM22 million in respect of land. The buildings were deemed to have a 40-year useful economic life remaining at that date. No depreciation has yet been charged for the accounting period ended on 31 March 2019. All depreciation is charged to cost of sales.
On 31 March 2019, a further revaluation took place which revealed a fair value of RM24 million for the land, and RM41 million for the buildings. This is to be recorded in the books in accordance with the accounting policy of Ryan Berhad.
4. The 7% debentures were issued on 1 April 2018 at par value. There is a premium payable on redemption which has the effect of raising the effective annual finance cost to 8.5%. Coupon interest is payable annually in arrears. No interest has been provided for or paid as at 31 March 2019.
5. Corporation tax for the year was estimated at RM0.5 million.
6. An equity dividend of RM0.06 per ordinary share was proposed before the reporting date and is expected to be approved at the next AGM. No entry has yet been made to reflect this proposal.
7. Intangible assets consist of capitalised development costs of RM30 million. These relate to products in development at 1 April 2018. No revenue has yet been earned from any of these products. They are all expected to be successful once ready for market, with the exception of one project. The amount previously capitalised in respect of this project was RM6 million. However, adverse developments have led to the decision to abandon the project as it was unlikely to be successful in the marketplace. During the year further expenditure was incurred on other qualifying projects and was charged to administration expenses. The amounts are as follows:

a.	Prototype development costs	RM 3 million
b.	Marketing research to determine the optimal selling strategy	RM 1 million
c.	Basic research which may lead to future projects	RM 4 million

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 31 March 2019;** (12 marks)
- (ii) **A Statement of Changes in Equity for the year ended 31 March 2019;** (6 marks)
- (iii) **A Statement of Financial Position as at 31 March 2019.** (12 marks)

[Total: 30 marks]

Question 2

Albert and Bobby were partners of AB Enterprise, sharing profit and loss in the ratio of 3/5 for Albert and 2/5 for Bobby. Since the partnership business had been suffering losses and facing cash flow problems, Albert and Bobby decided to dissolve their partnership business.

Below is the Statement of Financial Position (as at 31 December 2018) of AB Enterprise (just prior to the dissolution of the partnership).

	RM	RM
Non-current assets		
Fixtures & Fitting		4,000
Machinery		18,000
Motor van		<u>10,000</u>
		32,000
Current assets		
Cash in Hand	1,500	
Inventory	6,000	
Trade Debtors	<u>9,000</u>	<u>16,500</u>
		<u>48,500</u>
Current liabilities		
Trade Creditors		38,000
Owners' Equity		
Capital – Albert	12,000	
Capital – Bobby	<u>10,000</u>	
	22,000	
Losses	<u>(11,500)</u>	<u>10,500</u>
		<u>48,500</u>

Other information:

1. Albert took over the motor van at the agreed value of RM8,000.
2. Dissolution expenses amounted to RM1,100.
3. The following assets were sold for cash to third parties:
 - Inventory: RM5,000;
 - Fixtures & fittings: RM3,500 and;
 - Machinery: RM15,000
4. Only RM8,500 was recovered from trade debtors.
5. Paid all trade creditors after receiving cash discount of 5%.
6. The profit and loss sharing ratio was 3:2, respectively for Albert and Bobby.
7. Upon the dissolution of the partnership, any deficiency in a partner's capital account was settled in cash by the partner concerned.
8. The dissolution of partnership took effect on 31 December 2018.

Required:

Write up the following accounts arising for the dissolution of the partnership:

- (i) Cash in Hand account (6 marks)
- (ii) Realisation account (11.5 marks)
- (iii) Capital account – Albert (4 marks)
- (iv) Capital account – Bobby (3.5 marks)
- [Total: 25 marks]**

Question 3

Ah Seng, the sole-proprietor of a plastic container business in Melaka did not maintain double entry books of account. Ah Seng did not have any bank account and also did not maintain a proper cash account. The business cash book showed a balance of RM25,000 cash in hand on 1 January 2018.

An examination of the business' records reveals the following balances:

Balance as at:	1 January 2018	31 December 2018
	RM	(RM)
Trade Debtors	18,000	25,000
Inventory	9,800	13,200
Fixtures & Fittings (carrying value)	10,000	17,500
Trade Creditors	6,000	4,500
Accrual: Rent	3,000	5,000
Prepaid: Salaries of an employee	2,000	-
Prepaid: Other operating expenses	-	500

The examination of the business records also revealed the summary of the following cash transactions during the year:

	RM
Receipts from trade debtors	60,800
Receipt from sale of some old fixtures & fittings (carrying value of RM6,000)	4,000
Payments to trade creditors	34,000
Purchase of new fixtures & fittings	15,000
Salaries of an employee	12,000
Rent of business premises	4,500
Other operating expenses	11,800
Drawings	3,000
Sales	8,000
Purchases	5,000

Other information:

	RM
Discount received	1,700
Discount allowed	3,300
Returns inward	4,000
Returns outward	2,800
Bad debts written off	2,200

Required:

- (i) **Reconstruct the Cash In Hand account.** (6 marks)
- (ii) **Calculate the amount of total sales and the total purchases.** (6.5 marks)
- (iii) **Prepare the Statement of Income and Expenses for the year ended 31 December 2018.** (7.5 marks)
- (iv) **Prepare the Statement of Financial Position as at 31 December 2018.** (5 marks)

Note:

Show all necessary workings

[Total: 25 marks]

Question 4

Below are the statements of financial position of Nura Sdn Bhd as at 30 June 2018 and as at 30 June 2019:

Statement of financial position as at 30 June

	2019	2018
	RM'000	RM'000
Assets		
Freehold land	2,450	2,300
Plant and Machinery (at carrying value)	740	690
Investments	235	265
Inventory	214	374
Trade receivable	210	187
Bank		11
Cash	13	27
Total assets	3,862	3,854
Equity and Liabilities		
Ordinary shares	2,000	1,900
Retained earnings	1,177	1,373
Revaluation reserve	150	-
8% loan stock	200	-
Deferred taxation	68	76
Trade payable	216	482
Overdraft bank	6	-
Tax payable	45	23
Total equity and liabilities	3,862	3,854

Additional information:

- Profit after tax of RM362,000 was after charging and crediting:
 - depreciation on plant and equipment amounting to RM51,000.
 - loss on disposal of equipment of RM6,000. The equipment sold had a carrying value of RM48,000.
 - finance expenses amounting to RM20,000.
 - profits on disposal of investments of RM9,000.
 - tax expense for the year ended 30 June 2019 amounting to RM41,000.
- Freehold land was revalued at the beginning of the accounting year.
- 8% loan stock was issued during the year.
- Some dividends were paid.
- The increase in the issued share capital was due to the new issue of shares for cash.

Required:

- Prepare a statement of cash flows of Anura Sdn Bhd for the year ended 30 June 2019 using the indirect method. Show all workings.
(15 marks)
- Based on the statement of cash flows prepared, comment on the cash flows management on operating, investing and financing activities.
(5 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)