



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

JUNE 2018

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*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

On 2 June 2009, Ms Hana and Mr Ca formed a private company, known as Hanaca Sdn Bhd. The company deals with healthy snacks and has a few outlets in the southern region of peninsular Malaysia. Within a few years, the company has successfully expanded its business operation which includes manufacturing and processing of a range of healthy food. In order to raise additional capital for its expansion plan, the company offered its shares for public subscription and became a public listed company, known as Hanaca Bhd.

The issued and paid-up capital of Hanaca Bhd consists of RM4.5 million ordinary share capital of RM1 each.

The following is the trial balance of Hanaca Bhd as at 31 December 2017.

### Trial Balance as at 31 December 2017

		Debit	Credit
	Note	RM '000	RM '000
Property, plant and equipment	a	6,500	
Intangibles	b	1,726	
Inventory as at 31 December 2017		400	
Trade receivables		750	
Bank		675	
Ordinary shares of RM 1 each			4,500
Share Premium			1,000
Revaluation Reserve			980
Retained earnings as at 1 January 2017			880
8% Debenture			500
Deferred tax			380
Trade Payables			600
Revenue			3,600
Cost of sales		1,100	
Operating expenses		850	
Tax expense		269	
Directors' emoluments		130	
Finance expense		40	
		<b>12,440</b>	<b>12,440</b>

### Note:

a. Property, plant and equipment

	Freehold Land	Building	Plant & equipment	Motor Vehicle	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Cost/valuation</b>					
As at 1 January 2017	2,216	3,600	2,450	940	9,206
Revaluation	-	200			200
Acquisition			68		68
Disposal	-		-	(240)	(240)
As at 31 December 2017	<u>2,216</u>	<u>3,800</u>	<u>2,518</u>	<u>700</u>	<u>9,234</u>

<b>Accumulated Depreciation</b>					
As at 1 January 2017	-	756	1,140	176	2,072
Current year	-	114	504	140	758
Disposal	-	-	-	(96)	(96)
As at 31 December 2017	<u>0</u>	<u>870</u>	<u>1,644</u>	<u>220</u>	<u>2,734</u>
<b>Carrying value at 31 December 2017</b>	<b><u>2,216</u></b>	<b><u>2,930</u></b>	<b><u>874</u></b>	<b><u>480</u></b>	<b><u>6,500</u></b>

b. Intangibles

	<b>RM '000</b>
Development cost	1,426
Research cost	200
Patent	<u>100</u>
<b>Bal as at 31 December 2017</b>	<b><u>1,726</u></b>

**Additional information:**

1. It is the company's policy to depreciate the building at 3% per annum on revalued amount. Plant and equipment and motor vehicle are depreciated based on cost at 20% per annum. Depreciation is charged to operating expenses. Full depreciation is provided in the year of purchase and none in the year of disposal.
2. During the year ended 31 December 2017, the company had incurred significant amount of expenditure on the development of new technology (see note b). The intangible assets have an estimated useful life of five (5) years. It is the company's policy to provide full year amortisation on intangible assets.
3. Closing inventory includes some obsolete and slow moving inventory costing RM52,000 that could be sold for only RM10,000.
4. On 6 June 2017, Hanaca Bhd sold a plant at a profit of RM40,000. This amount is credited to revenue.
5. A trade debtor of Hanaca Bhd made payments of RM25,000 on 29 December 2017. Hanaca Bhd only received the payments on 10 January 2018. Another trade debtor owing RM180,000 was declared bankrupt on 2 January 2018. The financial statements were approved by the board of directors on 31 March 2018.
6. An employee sued Hanaca Bhd for not providing safety measure that caused serious injury. The employee claimed compensation of RM200,000. Hanaca Bhd's lawyers are of the opinion that the company will very likely be liable. To date, only legal fees of RM15,000 has been recorded and charged to operating expenses.
7. The tax expense in the trial balance represents the amount paid for the year. The tax expense for the year is estimated to be RM412,000, inclusive of a decrease in deferred tax account of RM15,000.
8. On 27 December 2017, the board of directors of Hanaca Bhd had decided to:
  - a. issue one bonus share out of 10 shares held to its existing shareholders. All bonus shares are issued at RM1 each. Share premium are to be utilised for the bonus issues.
  - b. declare a 8% dividend for ordinary shares (excluding bonus issues).

None of the above transactions have been recorded in the relevant accounts.

9. All revenues and expenses are accrued evenly throughout the year.

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 December 2017;

(13 marks)

(ii) A Statement of Changes in Equity for the year ended 31 December 2017;

(7 marks)

(iii) A Statement of Financial Position as at 31 December 2017.

(10 marks)

[Total: 30 marks]

## Question 2

SSKW Sdn Bhd is in the business of manufacturing and selling stainless steel kitchenware. The company's financial year ends on 31 December. Below are some of the balances extracted from its trial balance as at 31 December 2017:

	<b>RM</b>
Inventories as at 1 January 2017	
- Raw materials (at cost)	325,000
- Work in progress (at cost)	461,700
- Finished goods	1,125,000
Purchases of raw materials	4,800,000
Manufacturing wages	1,540,000
Factory overheads	910,000
Bad debt	40,500
Electricity	450,000
Insurance premium	45,000
Quit rent & assessment	24,000
Selling overheads	250,000
Administrative overheads	322,000
Depreciation:	
Building	44,000
Plant & machinery	318,000
Office equipment	120,000
Motor vehicle	192,000
Sales	10,200,000

**Additional information:-**

1. Inventories as at 31 December 2017:

	<b>RM</b>
Raw materials (at cost)	250,000
Work in progress (at cost)	620,000
Finished goods	1,350,000

2. Accruals and prepayments as at 31 December 2017 are as follows:

	<b>Accruals</b>	<b>Prepayments</b>
	<b>RM</b>	<b>RM</b>
Electricity	22,000	
Insurance premium	-	5,000

3. The following expenses & depreciation are to be apportioned as follows:

	<b>Production</b>	<b>Administration</b>	<b>Selling</b>
Bad debt	-	-	100%
Electricity	70%	20%	10%
Insurance premium	60%	-	40%
Quit rent & assessment	80%	15%	5%
Depreciation: Building	80%	15%	5%
Depreciation: Plant & machinery	100%	-	-
Depreciation: Office equipment	-	100%	-
Depreciation: Motor vehicles	-	-	100%

4. Cost of goods manufactured to be transferred to statement of profit or loss amounted to RM9,200,000.

**Required:**

- (i) Prepare the manufacturing account (in a vertical format) for SSKW Sdn Bhd, clearly showing the Prime Cost, Cost of Production and Factory Profit for the year ended 31 December 2017.

(11 marks)

- (ii) Prepare the statement of profit or loss (in a vertical format) for SSKW Sdn Bhd, clearly categorising the expenses under the headings: Cost of Production, Selling Expenses & Administration Expenses for the year ended 31 December 2017.

(14 marks)

[Total: 25 marks]

### Question 3

- (a) The following balances as at 1 May 2018 are extracted from the books of Bukit Rabu Trader, a sole proprietorship business.

	RM
Trade Receivable	40,000
Allowances for Bad & Doubtful Debt	3,200

The following are the summaries of transactions for the month of May 2018:

Note		RM
1.	Credit sales	25,000
2.	Received cash payment from trade debtors	18,000
3.	Trade debts written off as bad debt	900
4.	At the end of May 2018, the Allowances for Bad & Doubtful Debts to be maintained should be 10% of the balance of Trade Receivable.	

**Required:**

**Prepare the journal entries to record the above transaction in the General Journal.**

**Note:**

Show all necessary workings. Indicate your answers by reference to the “notes” above. Narrations are not required.

**(9 marks)**

- (b) AH & Associates, a partnership business, has an accounting year ends on 31 December each year. Below are information pertaining to two machines that were purchased for use, and were subsequently disposed of by AH & Associates.

	Machine A	Machine B	Total
	RM	RM	RM
Cost of machine	50,000	80,000	130,000
Accumulated depreciation as at 1 January 2017	20,000	48,000	68,000
Cash proceed from disposal	27,000	36,000	63,000
Date of purchase	August 2015	May 2014	
Date of disposal	10 July 2017	19 June 2017	

Annual depreciation for both machines was at 20% on cost. Full year depreciation was charged in the year of purchase, while no depreciation was charged in the year of disposal.

**Required:**

**For the accounting year ending on 31 December 2017, show the necessary entries in the following accounts “T” accounts:**

- (i) Machine Account;
- (ii) Accumulated Depreciation Account;
- (iii) Disposal of Machine Account;
- (iv) Gain on Disposal of Machine Account;
- (v) Loss on Disposal of Machine Account.

**(16 marks)**

**[Total: 25 marks]**

#### Question 4

Given below are the summarised financial statements of Fantik Bhd.

#### Statement of Financial Position as at 31 December 2017

<b>Assets</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Freehold property (at valuation)	105,950	90,610
Plant and equipment (at carrying value)	35,750	29,380
Investment	7,800	9,750
Inventory	3,250	5,590
Trade Receivable	4,615	3,250
Cash at Bank	<u>1,326</u>	<u>1,430</u>
	<b><u>158,691</u></b>	<b><u>140,010</u></b>

<b>Equity and Liabilities</b>		
Ordinary shares of RM1.00 each	78,000	62,400
Share premium	19,500	10,920
Revaluation Reserves	15,340	13,000
Retained profit	27,092	28,118
Deferred tax	845	748
Trade payable	9,685	10,985
Tax payable	1,079	918
Bank overdraft	<u>7,150</u>	<u>12,921</u>
	<b><u>158,691</u></b>	<b><u>140,010</u></b>

#### Statement of profit or loss and other Comprehensive Income for the year ended 31 December 2017

	<b>RM'000</b>
<b>Turnover</b>	68,800
Cost of Sales	<u>(35,806)</u>
Gross Profit	<b>32,994</b>
Operating expenses	(28,860)
Interest paid	<u>(130)</u>
Profit before tax	<b>4,004</b>
Tax expenses	<u>(3,250)</u>
Profit for the year	<b><u>754</u></b>

#### Additional Information:

1. The operating expenses for the year ended 31 December 2017 include depreciation charges of RM980,000 and gain on disposal of property, plant and equipment.
2. During the year ended 31 December 2017, a machine with a carrying value of RM2,870,000 was sold at a profit of RM800,000.
3. Investment was sold at a loss of RM25,000.
4. For the year ended 31 December 2017, ordinary dividend paid by Fantik Bhd amounted to RM1,780,000.

**Required:**

**Prepare a statement of cash flows using the direct method for Fantik Bhd for the year ended 31 December 2017.**

Notes to the account are not required.

**[Total: 20 marks]**

**(END OF QUESTION PAPER)**