



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

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

JUNE 2021

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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 template.
5. All workings **MUST** be shown as marks will be awarded.

***DO NOT TURN OVER THIS PAGE UNTIL INSTRUCTED BY THE INVIGILATOR***

## Question 1

The trial balance for Jay Bhd as at 31 July 2020, is shown below:

	<b>Debit</b>	<b>Credit</b>
	<b>RM' million</b>	<b>RM' million</b>
Share Capital		220
Revaluation surplus 1 August 2019		24
Equity investment reserve		5.6
Investment property	128	
Revenue		240.8
Cost of Sales	76.8	
Distribution cost	24.4	
Administration expenses	12	
Land and building at cost (including land of RM24 million)	160	
Accumulated depreciation as at 1 August 2019		
– Buildings		8
Plant & Equipment at cost	260	
Accumulated depreciation as at 1 August 2019		
– Plant		124
Equity investments	33.6	
Equity dividend paid	9.4	
Inventory at 31 July 2020	24.8	
6% Debenture (issued on 1 March 2020)		80
Cash and bank balances	35.2	
Provision for warranty claim		12
Retained earnings reserve 1 August 2019		60.6
Corporation tax	1.6	
Trade receivables and trade payables	<u>27.6</u>	<u>18.4</u>
	<b><u>793.4</u></b>	<b><u>793.4</u></b>

### Additional Information:

1. Land and buildings are carried under the revaluation model, as permitted by MFRS 116. The most recent valuation took place on 31 July 2018, resulting in the values included in the trial balance above. The revaluation surplus of RM24 million resulted solely from these land and buildings. At this date, the buildings were estimated to have a useful economic life of 17 years and zero residual value. On 31 July 2020, the land and the buildings were revalued to RM20 million and RM90 million respectively. There was no change to the estimated useful life of the buildings. Depreciation is recognised on a straight line basis through cost of sales, and no depreciation has been charged for the year ended 31 July 2020.
2. The figure for equity investments represents the fair value of equities held at 1 August 2019 plus the cost of equities purchased during the year. As permitted by IFRS 9, 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' Jay Bhd takes such gains and losses to a separate component of equity. The fair value of the equity investments at 31 July 2020 was RM25 million.
3. Plant and equipment is being depreciated through cost of sales at 20% per annum reducing balance. On 31 July 2020, a piece of plant which cost RM40 million on 1 August 2018 was

sold for RM22 million. This transaction was recorded as debit cash and credit sales revenue of RM22 million.

4. Jay Bhd maintains a provision for warranty claims on goods sold, expected to arise in the future. At the reporting date, this provision was RM12 million. It has been agreed that this provision should be increased to RM17.5 million.
5. RM40 million was raised on 31 July 2020 through the issue of equity shares. This was correctly accounted for by crediting RM40 million to equity share capital.
6. The debentures were issued during the year. Interest is payable annually in arrears. As at 31 July 2020 no interest has been provided for or paid.
7. Corporation tax for the year was estimated at RM22 million. The balance in the trial balance is the excess after payment of corporation tax for year ended 31 July 2019.
8. Investment properties are accounted for under the fair value model of MFRS 140. The figure included in the trial balance represents the fair value of these properties at 1 August 2019. The fair value of these properties at 31 July 2017 was RM140 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 July 2020;** (12 marks)
- (ii) **A Statement of Changes in Equity for the year ended 31 July 2020;** (6 marks)
- (iii) **A Statement of Financial Position as at 31 July 2020.** (12 marks)

**[Total: 30 marks]**

## Question 2

- (a) SM Store is a wholesaler of plastic kitchen-wares and prepares monthly trial balance at the end of each month. Its trial balance as at 30 April 2021 failed to agree, with a total amount of the credit column exceeded that of the debit column by RM13,560. In the interim, a Suspense Account was opened.

Upon going through the various books of account, the following errors were discovered:

1. Goods that were sold to a credit customer for RM12,590 subsequently returned by the customer was credited to the "Sales Returns Account" as RM12,950.
2. Cash discount of RM1,200 allowed to a trade receivable was debited to the "Discount Received Account".
3. Purchase of stock amounting to RM9,800 was credited to the "Purchases Account" as RM8,900.
4. Cash sales of RM2,750 was debited to the "Sales Account".

**Required:**

**Record in the General Journal the correction to the above errors (i.e. to show the necessary journal entries to correct the errors).**

(10 marks)

- (b) Ah Huat sells tib-bits at a trading lot of the food court in a supermarket. The tib-bits were supplied by a big tib-bits production chain that pays Ah Huat 20% commission based on the gross sales. Ah Huat had to pay RM1,000 per month for the rental of the trading lot and a monthly salary RM1,500 to a sales-assistant who helps in running Ah Huat's business.

For the year ended on 31 December 2020, the following are among the balances (as at 31 December 2020) extracted from the trial balance of Ah Huat's business:

Rental expense	RM14,000
Salary expense	RM16,500
Commission revenue	RM96,000

Further examination of Ah Huat's business records revealed the following:

1. Rental expense for trading lot for January and February 2021 were already paid in December 2020.
2. The salary of the sales-assistant for December 2020 was only paid in mid-February 2021.
3. The gross sales of tib-bits in 2020 amounted to RM450,000, thus the commission should only be RM90,000 for 2020. It was mutually agreed to contra the excess commission received by Ah Huat against the commission for 2021.

**Required:**

**For the year ended 31 December 2020, in relation to the above information, record / journalise the necessary year-end adjusting entries.**

(6 marks)

- (c) (i) Faridah operates a florist store in Petaling Jaya. For the purposes of her business Faridah maintains a bank current account, as well as a “Cash in Bank” account that is managed by her book-keeper. Upon receiving the monthly “Bank Statement” for May 2021, Faridah found that the closing credit balance as per “Bank Statement” was RM10,200, while the debit balance as per “Cash in Bank” was RM9,230.

Upon going through the relevant records, the following were found.

1. A cheque (No. PBB 01234), for the amount of RM950 was banked in on 29 May 2021, but was only cleared for payment on 2 June 2021.
2. A credit transfer of RM620 was made by a customer was credited in the bank statement on 26 May 2021, but was not recorded in the “Cash in Bank”.
3. Bank charges of RM60 has not been recorded in the “Cash in Bank” account.
4. On 20 May 2021, a cheque (No. UOB 383829) for the amount of RM1,360, issued to a supplier has not been presented for payment.

**Required:**

**Prepare a Statement of Bank Reconciliation for May 2021, commencing with the “balance as per Bank Statement”.**

(4 marks)

- (ii) Gopal operates a hardware business in Muar, Johor. For the purposes of his business Gopal maintains a bank current account with a local bank which also offers him overdraft facility of up to RM10,000. Gopal also maintains a “Cash in Bank” account that is managed by his book-keeper. The monthly “Bank Statement” for May 2021 shows an overdraft of RM7,500. However, his “Cash in Bank” account shows that he had overdrawn only RM5,175.

Upon going through the relevant records, the following were found.

1. Bank charges of RM100 has not been recorded in the “Cash in Bank” account.
2. Interest on overdraft, amounting to RM375 charged by the bank, has not been recorded in the “Cash in Bank” account.
3. A credit transfer of RM1,200 made by a customer on 28 May 2021 was received by the bank, but has not been recorded in the “Cash in Bank”.
4. A cheque (No. KLB 43012), for the amount of RM800 banked in on 4 May 2021 was returned as “dishonoured cheque”. This has not been reflected in the “Cash in Bank” account.
5. On 28 May 2021 a cheque (No. MLB 82912) for the amount of RM2,400, issued by Gopal to a supplier has not been presented for payment.

**Required:**

**Prepare the Bank Reconciliation Statement for May 2021, commencing with the “balance as per Cash in Bank”.**

(5 marks)

**[Total: 25 marks]**

### Question 3

Bobby Lee runs a sole-proprietorship business dealing in second-hand spare parts for motor vehicle. Among his customers are operators of workshops, while all his suppliers are scrape-yard operators. Bobby Lee does not maintain proper double-entry accounting records. He nevertheless keeps some records, particular pertaining to his trade receivables and trade payables as well as records for cash receipts and payments.

Below are particulars obtained from Bobby Lee's records:

Balances as at:	1 January 2020	31 December 2020
	RM	RM
Trade receivables	27,000	37,500
Trade payables	19,000	16,750
Fixture & Fittings (at cost)	80,000	90,000
Inventories	140,700	70,800

Below is the summarised record of cash receipts and payments in relation to the business for the year ending on 31 December 2020 furnished by Bobby Lee:

	RM	RM
Balance as at 1 January 2020		237,500
Receipts from:		
Trade receivables	90,200	
Cash sales	132,000	
Total receipts	<b>222,200</b>	
Cash payments for / to:		
Trade payables	45,000	
Cash purchases	28,000	
Salary (of employees)	72,000	
Rental expenses	33,000	
Employees' annual dinner	3,000	
Utility expenses	15,000	
Delivery expenses	20,000	
Other business operating expenses	50,000	
Total payments *	<b>266,000</b>	

\* Note: It was found that entries in the above record of cash receipts and payments do not include the two items stated below:

1. In June 2020, purchase of fixture & fittings for use in the business, costing RM10,000, fully paid for in cash.
2. During the year, from the cash proceeds from the business, Bobby Lee gave his wife a monthly allowance of RM5,000 for their family's household expenses.

**Other information:**

	<b>RM</b>
Discount received	1,200
Discount allowed	9,800
Purchases returns	9,000
Sales returns	25,000
Trade debts written off	3,500

**Additional information:**

1. As at 31 December 2020, rental expense for December 2020, amounting to RM3,000 has not been paid.
2. Bobby Lee had over-paid RM2,000 for utility expenses for the year 2020.
3. Delivery expenses paid in 2020 included a payment of RM1,500 that was owing to a transport company for delivery services provided in the year 2019.
4. It was found that in December 2019, Bobby Lee already paid RM1,000 as deposit for the employees' 2020 annual dinner. The annual dinner took place in February 2020.
5. Depreciation is to be provided on the fixtures & fittings at 10% p.a based on cost.
6. The Statement of Financial Position as at 31 December 2019 of the business correctly shows the balance of the Capital Account amounted to RM465,700.

**Required:**

**Prepare the following:**

- (i) **Find the amount of total credit sales and total credit purchases.** (5.5 marks)
- (ii) **Prepare a Statement of Profit or Loss for the year ended 31 December 2020.** (12 marks)
- (iii) **Prepare a Statement of Financial Position as at 31 December 2020.** (7.5 marks)

Note: Show all necessary workings.

**[Total: 25 marks]**

#### Question 4

The following are the financial statements of Cactusa Sdn Bhd.

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

	2020	2019
	RM'000	RM'000
<b>Assets</b>		
Property, plant and equipment (at carrying value)	4,449	4,127
Investments	273	287.5
Inventory	376	400
Trade receivables	406	298
Short term investments	65	78
Tax recoverable	32.5	0
Cash	<u>432</u>	<u>612.5</u>
<b>Total assets</b>	<b><u>6,033.5</u></b>	<b><u>5,803</u></b>
<b>Equity and Liabilities</b>		
Ordinary shares	3,550	3,400
Revaluation reserves	425	395
Retained earnings	718	678
Bank loan	71	120
10% Debenture	750	700
Deferred taxation	198	175
Bank overdraft	14.5	37.5
Trade payables	307	272.5
Current tax payable	<u>0</u>	<u>25</u>
<b>Total equity and liabilities</b>	<b><u>6,033.5</u></b>	<b><u>5,803</u></b>

#### Statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	RM'000
Sales	5,000
Cost of sales	<u>(3,500)</u>
	1,500
Operating expenses:	<u>(1,340)</u>
	160
Profit from disposal of investment	<u>15</u>
Profit Before Tax	175
Tax expense	<u>(55)</u>
Profit for the year	<u>120</u>



**Additional information:**

1. Included in the operating expenses is depreciation charges for the current period amounted to RM88,000.
2. A plant with a carrying value of RM59,200 was disposed off at a loss of RM22,500. Some non-current assets were revalued.
3. Some investments were disposed off.
4. Repayment of a bank loan was done during the year.
5. Dividends were paid during the year.
6. The short-term investment qualified as cash and cash equivalents.

**Required:**

- (i) **Prepare a statement showing the Cash flows from operating activities for Cactusa Sdn Bhd for the year ended 31 December 2020 in compliance with the requirement of MFRS 107 Statement of Cash Flows, using the indirect method.**  
(7 marks)
- (ii) **Prepare a statement showing the Cash flows from investing and financing activities for Cactusa Sdn Bhd for the year ended 31 December 2020 in compliance with the requirement of MFRS 107 Statement of Cash Flows.**  
(7 marks)
- (iii) **Prepare notes on cash and cash equivalent.**  
(4 marks)
- (iv) **Briefly comment on the cash flow management on the investing and financing activities of Cactusa Sdn Bhd.**  
(2 marks)

Show your workings.

**[Total: 20 marks]**

**(END OF QUESTION PAPER)**