



CHARTERED TAX INSTITUTE OF MALAYSIA (225750 T)  
(Institut Percukaian Malaysia)  
Registration Number: 199101015438 (225750-T)

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

JUNE 2022

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Student  
Registration No.

Date

Desk No.

Examination Centre

Time allowed: 3 hours

#### INSTRUCTIONS TO CANDIDATES

1. This paper consists of **FOUR** questions.
2. Answer **ALL** questions.
3. Each answer should begin on a separate answer template.
4. 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 Oracle Bhd as at 31 March 2021 is shown below:

	<b>Debit</b>	<b>Credit</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue		280,000
Cost of Sales	116,000	
Inventory as at 31 March 2021	19,000	
Trade receivables and trade payables	30,000	27,000
Freehold land	100,000	
Factory premises at cost	40,000	
Accumulated depreciation as at 31 March 2020 - factory		10,000
Plant & equipment at cost	100,000	
Accumulated depreciation as at 31 March 2020 – plant & equipment		36,000
Investment property as at 31 March 2020	33,000	
Financial asset	60,000	
Lease payment	10,000	
Taxation	3,000	
Equity investment reserve		4,000
Share Capital		287,000
Retained Earnings as at 1 April 2020	49,000	
Bank		15,000
Distribution cost	44,000	
Administration expenses	55,000	
	<b>659,000</b>	<b>659,000</b>

### Additional Information:

1. Oracle uses the fair value model to assess investment properties. The heating system in the investment property was upgraded at a cost of RM5 million in December 2020. This cost was rolled into the administration costs. The investment properties had a fair value of RM40 million as at 31 March 2021.
2. Depreciation on plant and equipment is charged at a rate of 20% per year on a reducing balance basis. In the year of purchase, a full year's depreciation is charged, while in the year of the disposal, none is charged. In October 2020, Oracle sold a piece of equipment purchased in March 2019. The equipment was purchased for RM10 million and sold for RM7 million. The proceeds of the sale were credited to the general ledger account on revenue.
3. Oracle decided to revalue the factory premises for the first time on 1 April 1 2020, to its market value of RM50 million. Prior to this revaluation, factory premises were depreciated over a 40-year useful life. The premises' remaining useful life as at 1 April 2020 was estimated to be 25 years. Oracle depreciates real estate on a straight line.
4. The financial asset represents an investment in equity shares, with the company electing to recognise gains and losses as other comprehensive income. Gains and losses are placed in a separate reserve known as the "equity investment reserve." The fair value of the financial asset on 31 March 2021 was RM55 million.

5. An income tax provision of RM6 million is required for the fiscal year ended 31 March 2021. The trial balance's taxation figure represents the under/over provision for the fiscal year ended 31 March 2020.
6. Revenue includes RM4 million in credit sales on 1 April 2020. Payment for these items will not be made until 31 March 2022. This customer has access to 10% market interest rates.
7. Oracle entered into a four-year lease agreement with Loreal Bhd for factory equipment on 1 April 2020. On this date, the equipment has a six-year estimated useful life. Annual payments of RM10 million are due on 1 April of each year. The lease's implicit interest rate is 10%, and the first payment of RM10 million was made on 1 April 2020.

**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 2021.**  
(12 marks)
- (ii) **A Statement of Changes in Equity for the year ended 31 March 2021.**  
(6 marks)
- (iii) **A Statement of Financial Position as at 31 March 2021.**  
(12 marks)

**[Total: 30 marks]**

**Question 2**

- (a) AB Enterprise (ABE) is in the business of supplying and selling electrical components. ABE's accounting year end is 31 December.

As at 1 January 2021, the following are the respective balances in ABE's Trade Receivable and Allowance for Doubtful Debts accounts:

	<b>RM</b>	
Trade Receivable A/C	80,000	
Allowance for Doubtful Debts A/C	4,800	(being 6% of Trade Receivable)

The following are the summaries of related transactions for the year ended 31 December 2021:

		<b>RM</b>
1.	Credit sales	65,000
2.	Payments (in cash) received from trade receivables	59,000
3.	Cash discount allowed to trade receivables	3,000
4.	Trade debts written off as bad debts	4,000

Other information:

On 31 December 2021, ABE decided to increase its Allowance for Doubtful Debts A/C to 8% of the outstanding balance of its Trade Receivable A/C as at that date.

**Required:**

**Record the above in the Trade Receivable A/C, Allowance for Doubtful A/C and Bad Debt A/C.**

**(Show all necessary workings)**

(7 marks)

- (b)** Fresh Bloom Florists (FBF) is a wholesaler of fresh flowers. FBF prepares monthly Trial Balance to keep track of its book-keeping and accounting records. When the Trial Balance for March 2022 was drawn up on 31 March 2022, the total of the debit column was RM1,100 more than that of the credit column. As such, a "Suspense Account" was opened to "balance" the Trial Balance.

Upon review of the book-keeping and accounting records for March 2022, the following were detected:

1. RM430 discount received from a trade creditor was wrongly debited to the "Cash Account" and credited to "Trade Debtor Control Account".
2. Cash of RM3,200 received from a trade debtor was correctly recorded in the Cash Account, but wrongly credited to the "Trade Debtor Control Account" as RM2,300.
3. RM1,200 sales return by a customer was correctly credited to the "Trade Debtor Control Account" but wrongly debited to the Purchase Return Account.
4. RM8,000 credit purchase of flower was wrongly credited to the "Trade Creditor Control Account" as RM800. No entry was made in the Purchase Account.
5. RM500 cash payment of wages was wrongly debited in the Cash Account and debited as "Delivery Expense".

**Required:**

**(i) Open a Suspense Account to "balance" the Trial Balance.**

**(ii) Record the necessary correction of errors in the General Journal and post to the Suspense Account.**

(10 marks)

- (c)** John Lee is the sole-proprietor of the Neighbourhood General Grocer (NGG). For the purposes of his business, John Lee has a bank account in Malaysia First Bank, and employs a part-time bookkeeper to manage the recording of transactions in relation to NGG's bank account.

For the month of May 2022, as at 1 May 2022, the Cash in Bank shows a debit balance of RM8,600, while the Bank Statement shows a credit balance of RM8,600.

However, as at 31 May 2022, the Cash in Bank shows a debit balance of 10,601, while the Bank Statement shows a credit balance of RM9,432.

Below are the particulars for the month of May 2022, as recorded in the Bank Account (in NGG's cash book).

**Cash in Bank A/C (in NGG's cash book)**

May		Note	RM	May		Note	RM
01	Balance b/d		8,600				
05	Cheque: No 0592	(1)	1,200				
18	Direct transfer 01		400				
20	Cash deposited	(2)	780	15	Cheque: M2578	(4)	700
27	Direct transfer 02	(3)	321	31	Balance c/d		10,601
			<u>11,301</u>				<u>11,301</u>
31	Balance b/d		<u>10,601</u>				

Below is the Bank Statement for May 2022 (issued by Malaysia First Bank)

May 2022		Note	debit RM	credit RM	Balance RM
01	Credit balance				8,600
02	Bank charges		200		8,400
06	Cheque book		150		8,250
10	Interest			100	8,350
15	Cheque returned (No. AB 7925)	(5)	500		7,850
18	Direct transfer: 01			400	8,250
20	Cash deposit	(2)		870	9,120
27	Direct transfer:02	(3)		312	<u>9,432</u>
31	Credit balance				9,432

Note: Upon review by the part-time book-keeper, the following were noted:

1. Cheque No: 0952, received from a customer was deposited on 5 May 2022, but has yet to be cleared for payment by the customer's bank.
2. Cash, amounting to RM780 was deposited on 20 May 2022, but was wrongly credited in the Bank Statement as RM870.
3. A direct transfer (02) of RM312 by a customer on 27 May 2022 was wrongly debited in the Cash in Bank Account as RM321.
4. Cheque M2578, issued to a supplier by John Lee has yet to be presented for payment.
5. Cheque (No. AB7925) received from a customer and deposited on 28 April 2022 was returned by the customer's bank apparently due is "insufficient fund".

**Required:**

**Based on the findings of the review above, and other information in the Bank Statement and Cash in Bank Account:**

- (i) **Update the Cash in Bank Account for May 2022.** (4 marks)
- (ii) **Prepare a Bank Reconciliation Statement as at 31 May 2022.** (4 marks)

**[Total: 25 marks]**

### Question 3

Super Tiles Centre (STC) is a sole-proprietorship business, selling ceramic tiles. Most of STC's customers are small building contractors carrying out minor renovations works for residential premises. The proprietor of STC does not keep complete and proper double-entry accounting records, other than complete records of its trade debtors and trade creditors, as well as cash receipts and payments records.

For the financial year ended on 31 December 2021, based on the records available, the following information is obtained:

Balances as at:	1 January 2021	31 December 2021
	RM	RM
Trade Receivables	76,000	84,000
Trade Payables	42,000	55,000
Accrued Rent	4,000	6,000
Inventory	20,000	34,500
Prepaid General Operating Expenses	2,000	4,500
Non-Current Assets (carrying value)	120,000	115,000

Other information:

For the year ended 31 December 2021, the following particulars are also made available:

	RM
Trade Debts written off	3,000
Discount Received	1,500
Discount Allowed	2,000
Sales Return	4,500
Purchases Return	3,000

Below is the summary of cash receipts and payments for the year ended 31 December 2021:

	RM	RM
Cash in Hand & in Bank (as at 1 January 2021)		78,000
<b>Receipts:-</b>		
Payments received from trade receivables	63,000	
Receipts from cash sales	40,000	
Proceed from sale of non-current asset	<u>12,000</u>	<u>115,000</u>
		193,000

<b>Payments:-</b>		
Payments made to trade payables	52,000	
Rent	22,000	
Cash purchase of ceramic tiles (inventory)	25,000	
Purchase of non-current assets	30,000	
General Operating Expenses	<u>44,000</u>	<u>173,000</u>
Cash in Hand & in Bank (as at 31 December 2021)		<u>20,000</u>

The Statement of Financial Position as at 31 December 2020 of STC reveals that under "Owner's Equity" the Capital of STC was RM250,000.

**Required:**

**Based on the above information, prepare the following for Super Tiles Centre.**

**(i) Determine the following:**

- a. Total sales and total purchases for the year 2021.**
- b. Gain or loss from sale of non-current asset and depreciation of non-current asset in 2021.**

(11 marks)

**(ii) Prepare the Statement of Profit or Loss for the year ended on 31 December 2021.**

(9.5 marks)

**(iii) Prepare the Statement of Financial Position as at 31 December 2021.**

(4.5 marks)

**[Total: 25 marks]**

#### **Question 4**

The following transactions are related to Ezju Bhd.

1. On 1 July 2020, Ezju Bhd acquired a franchise at an initial cost of RM540,000. The franchise has an indefinite useful life. On 1 July 2021, the company determines that the franchise has a fair value of RM324,000 and there will be no change in useful life.
2. Over the years, Ezju Bhd incurred expenditures that contribute to internally generated goodwill. On 15 August 2021, the directors have estimated RM2,800,000 as the costs of the internally generated goodwill.

Ezju Bhd adopts the cost model to account for its intangible assets. Ezju Bhd's financial year ends on 31 December each year.

**Required:**

**(i) Explain the appropriate accounting treatments of the above intangible assets as per *MFRS 138 Intangible Assets* for the year ended 31 December 2020 and 31 December 2021. Show an extract of the statement of profit or loss and the statement of financial position for the year ended 31 December 2021.**

(12 marks)

**(ii) Assuming that on 1 July 2021, there is a change in the useful life of franchise, from indefinite to finite. The useful life now is 6 years. Discuss the accounting treatments of the franchise as a result of this change. Show the journal entries to record the amortisation expenses and the change in value of the franchise for the year ended 31 December 2021.**

(8 marks)

Show your workings.

**[Total: 20 marks]**

**(END OF QUESTION PAPER)**