



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

PROFESSIONAL EXAMINATION

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

DECEMBER 2022

*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 of Infinity Zee Bhd as at 31 March 2022 is shown below:

	Debit	Credit
	RM' million	RM' million
Share Capital		260
Revaluation surplus		40
Equity investment reserve		30
Intangible assets at cost	80	
Revenue		450
Cost of sales	160	
Distribution cost	25	
Administration expenses	185	
Land and building at valuation	200	
Accumulated depreciation as at 1 April 2021- Buildings		20
Plant & Equipment at cost	170	
Accumulated depreciation as at 1 April 2021 – Plant & Equipment		50
Financial assets	64	
Provision for restoration costs at 1 April 2021		20
Inventory as at 31 March 2022	42	
Cash and bank balances	60	
Retained earnings		136
Trade receivables and trade payables	50	30
	1,036	1,036

Additional Information:

1. The directors estimate that the corporation tax liability for the year will be RM7.5 million.
2. Financial assets are equity investments for which the company has elected to record gains and losses at fair value in Other Comprehensive Income (OCI). Any such gains and losses are allocated to a distinct component of equity. The fair value of the equity investments held on 31 March 2022 was RM58.5 million.
3. Intangible assets are intellectual property assets that are developed and capitalised in accordance with *MFRS 138 Intangible Assets*. It has been decided to amortise the intangible assets effective from the year ended 31 March 2022, on a straight-line basis over their useful economic life of 13 years. In April 2021, an amount of RM11 million was charged to administration expenses for the development of a new patent. This patent meets the *MFRS 138 Intangible Assets* capitalisation criteria and should be amortised in accordance with the policy stated above. All amortisation are charged to the cost of sales.
4. Revenue includes a RM10 million agreed-upon price for the sale of a piece of plant. This plant originally costs RM30 million and had been depreciated by RM24 million as of 1 April 2021. Except for the RM10 million in cash and in revenue, no other entries were made in relation to this transaction.
5. The figures for land and buildings comprised of RM20 million for land and RM180 million for buildings. During the year, Infinity Zee Bhd constructed a new building on an existing land owned by the company. The following items charged to the administration expenses are related to the construction of this building.

	RM' million
Construction materials	18
Direct labor	8
Professional fees incurred	1
Management time and overhead apportionments	1

A revaluation took place on 31 March 2022, revealing a valuation of RM25 million for land and RM210 million for buildings, including the new building. Buildings are depreciated at 2% of cost or valuation, with a full year's charge in the year of acquisition and no charge in the year of disposal. Plant and equipment are depreciated at a rate of 25% on carrying value, with a full year's charge in the year of acquisition and no charge in the year of disposal. All depreciation are charged to the cost of sales.

6. Provision for restoration costs was related to another completed building. As per requirement, when this building is demolished at the end of its economic life, the site must be restored. The estimated cost of restoration is capitalised as a provision at the time of construction. The value stated in the trial balance is the carrying value of this provision. Its initial measurement used a 5% discount rate. The building is expected to have several years of economic life.

Required:

Prepare the following for Infinity Zee Bhd, in a form suitable for publication, after taking into consideration the above information:

- (a) **A Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2022.** (12 marks)
- (b) **A Statement of Changes in Equity for the year ended 31 March 2022.** (6 marks)
- (c) **A Statement of Financial Position as at 31 March 2022.** (12 marks)

[Total: 30 marks]

Question 2

Two companies, namely Meow-Wolf Sdn Bhd (MWSB) and Doggie-Catty Sdn Bhd (DCSB) are in the business of selling pet food, supplements and related products. Both companies are located in the same township in Petaling Jaya, and their customers are operators of "pet hotel" and veterinary clinics that purchase in bulk and on credit as well as dog and cat owners who make cash purchases.

Below are the summarised statements of profit or loss for the year ended 31 December 2021 of MWSB and DCSB.

		MWSB	DCSB
		RM	RM
	Total sales	900,000	600,000
Less:	Cost of goods sold	<u>585,000</u>	<u>390,000</u>
	Gross profits	315,000	210,000
Less:	Operating expenses	<u>207,000</u>	<u>174,000</u>
	Net profits	<u>108,000</u>	<u>36,000</u>

The summarised statements of financial position as at 31 December 2021 of MWSB and DCSB are presented below:

	MWSB		DCSB	
	RM	RM	RM	RM
Current assets				
Cash	150,000		80,000	
Trade receivables	410,000		140,000	
Inventories	<u>280,000</u>	840,000	<u>200,000</u>	420,000
Less: Current liabilities				
Trade payables	460,000		250,000	
Accrued expenses	<u>100,000</u>	<u>(560,000)</u>	<u>30,000</u>	<u>(280,000)</u>
		280,000		140,000
Non-current assets		<u>578,000</u>		<u>260,000</u>
		858,000		400,000
Non-current liabilities				
Bank loan		150,000		64,000
Owner's equity				
Capital		600,000		300,000
Retained earnings		<u>108,000</u>		<u>36,000</u>
		858,000		400,000

Required:

Based on the above information:

(a) Compute the following financial ratios for each of the two companies:

- (i) Current ratio**
- (ii) Quick ratio**
- (iii) Gross profit margin**
- (iv) Net profit margin**
- (v) Return on investment**

Note:

show the appropriate formulae and proper workings

(5 marks)

(b) Based on the above ratios, present a comparative discussion on the significance and implications of the respective ratios in respect of (1) financial liquidity and (2) financial performance of each of the two companies.

(15 marks)

[Total: 20 marks]

Question 3

EZ Paint Enterprise (EZPE) is a sole proprietorship business dealing in the selling of paint. EZPE's customers mainly consist of small-time contractors and "do-it-yourself" individuals. The proprietor of EZPE does not keep a proper full set of account of his business.

The following information is obtained from the incomplete records of EZPE.

Balances as at:	1 January 2021	31 December 2021
	RM	RM
Prepaid rent	6,000	Nil
Accrued transport expense	2,000	1,000
Trade receivables	25,000	30,000
Trade payables	35,000	28,000
Inventories	30,000	40,000
Non-Current Assets (carrying value)	240,000	260,000

Other information:

- Summary of **Cash in Bank** record of EZPE for the year ended 31 December 2021:

		RM	RM
Balance (as at 1 January 2021)			140,000
Receipts:-			
Received from trade debtors		95,000	
Additional capital contribution		150,000	
Sale of non-current asset	<i>Note (a)</i>	<u>25,000</u>	<u>270,000</u>
			410,000
Payments:-			
Payments to trade creditors		55,000	
Rent		78,000	
Transport expenses		30,000	
Staff salaries		60,000	
Other operating expenses		<u>124,000</u>	<u>(347,000)</u>
Balance (as at 31 December 2021)			<u>63,000</u>

Note (a): The non-current asset that was sold during the year 2021 had a carrying value of RM40,000.

- Summary of EZPE's **Cash in Hand** record for the year ended 31 December 2021:

	RM	RM
Balance (as at 1 January 2021)	10,000	
Receipts:-		
Cash sales	<u>280,000</u>	<u>290,000</u>
Cash disbursements:		
Salaries of proprietor	70,000	
Purchase of non-current asset	80,000	
Purchase of inventories	<u>115,000</u>	<u>(265,000)</u>
Balance (as at 31 December 2021)		<u>25,000</u>

3. For the year ended 31 December 2021, the summaries of the following particulars were found in the record of EZPE.

	RM
Sales returns	10,000
Purchases returns	12,000
Trade debts written off	8,000
Discount allowed	3,000
Discount received	4,000

Required:

Based on the information available, prepare the following for EZPE.

- (a) **Balance of the capital of EZPE's business as at 1 January 2021.** (4 marks)
- (b) **Reconstruct the Trade Receivable Accounts and Trade Payable Accounts to respectively determine the credit sales and credit purchases for the year ended 31 December 2021.** (6.5 marks)
- (c) **A Statement of Profit or Loss for the year ended 31 December 2021.** (9 marks)
- (d) **A Statement of Financial Position as at 31 December 2021.** (5.5 marks)

Show all appropriate workings.

[Total: 25 marks]

Question 4

Below is Newton Sdn Bhd's statement of profit or loss for the year ended 31 December 2021 and the statements of financial position as at 31 December 2020 and 2021.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

		RM'000
	Turnover	94,800
Less:	Cost of sales	(56,700)
	Gross profit	38,100
Less:	Operating expenses	(26,740)
	Finance expenses	(9,400)
Add:	Gain on foreign exchange	630
	Profit before tax	2,590
Less:	Taxation	(2,125)
	Profit for the year	465

Statement of Financial Position as at 31 December

	2021	2020
	RM'000	RM'000
Assets		
Property, plant and equipment	111,190	109,130
Intangible assets	12,300	10,500
Trade receivables	7,202	5,780
Inventories	4,268	5,560
Cash at bank	5,262	3,538
Tax Recoverable	648	-
	140,870	134,508
Equity and liabilities		
Share capital	91,500	80,000
Retained profits	8,390	7,970
Reserves	5,400	5,200
9% Debenture	10,000	12,000
Deferred tax	5,250	4,880
Long term loan from foreign bank	9,740	10,370
Trade payables	10,500	12,700
Tax Payable	-	1,300
Other payables	90	88
	140,870	134,508

Additional information:

1. Included in the above operating expenses are the following:

	RM'000
Depreciation:	
Building	5,400
Plant and machinery	2,160
Motor vehicles	4,800
Amortisation of development expenses	220
Loss on disposal of plant	9

2. One of the plants was disposed for cash. The carrying value of this plant was RM60,000.
3. The increase in reserve was due to revaluation of property, plant and equipment.
4. During the year, Newton Sdn Bhd had incurred some development expenditure which was qualified to be capitalised.
5. Some 9% debentures were redeemed at par on 1 December 2021.
6. Dividend was paid out of retained profits available.
7. The increase in the share capital was due to new shares issued for cash.

Required:

- (a) **Prepare a Statement of Cash Flows of Newton Sdn Bhd for the year ended 31 December 2021, using the direct method.**
(19 marks)
- (b) **Prepare a statement to reconcile the profit before tax to the cash flow generated from operations.**
(6 marks)

[Total: 25 marks]

(END OF QUESTION PAPER)