



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

JUNE 2023

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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 booklet.
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 following trial balance was extracted from the books of Kreati Bhd a construction company on 31 July 2022.

	<b>Debit</b>	<b>Credit</b>
	<b>RM' million</b>	<b>RM' million</b>
Share Capital of RM5 each		196
Revaluation surplus		112
4% cumulative redeemable preference shares 2026		56
Intangible assets at the valuation	84	
Revenue		1,041.6
Cost of Sales	618.8	
Distribution cost	128.8	
Administration expenses	207.2	
Land and building at the valuation	173.6	
Plant & Equipment at a cost	168.0	
Accumulated depreciation as at 1 August 2021 – Plant		56
10% Debenture (issued on August 2021)		112
Provision for warranty		42
Inventory at 31 July 22	50.4	
Cash and bank balances	78.4	
Retained earnings reserve 1 August 2021		229.6
Trade receivables and trade payables	193.2	78.4
Interest paid	11.2	
Financial assets at fair value 1 August 2021	196	
Corporate tax	14	
	<b>1,923.6</b>	<b>1,923.6</b>

### Additional Information:

1. On 1 February 2022, the preference shares were put on the market. The year's preferred dividend has not yet been planned for. The board of directors wants to make this payment.
2. Before the date of report, the board of directors of Kreati Bhd decided to propose an equity dividend of RM0.40 per equity share. All shares on the market are entitled to the full dividend.
3. The remaining amount on the tax liability account is the corporation tax balance. The liability for the current year is anticipated to be RM3 million.
4. Throughout the year, the board of directors determined that the company's brand was extremely valuable. They hired a professional firm to determine its worth. The professional firm estimated that the brand was worth RM30 million. Consequently, this amount was credited to the "revaluation surplus" by the directors. There should be no amortisation charged on intangible assets.
5. Kreati Bhd offers a 12-month warranty on goods and services supplied. It is expected that, on average, 4% of such goods or services will prove faulty. The average cost of rectifying flaws is 120% of sales prices.
6. Financial assets consist of equity investments. An election has been made to recognise all remeasurement gains or losses in "other comprehensive income" under IFRS 9 Financial Instruments. The fair value of these investments at 31 July 2022 was RM76 million. No acquisitions or disposals occurred during the year. Kreati Bhd uses revaluation surplus to accumulate gains and losses on these investments.

7. Land and buildings consist of the fair value of buildings held as of 1 August 2021 (valued at that date) plus the capitalised cost of new buildings constructed during the year, which is RM17 million. However, RM3.5 million allocated for indirect labour costs of the construction project were charged to "administrative expenses" and have not been capitalised.

A portion of the debentures has been used directly to fund the construction work. Interest on this portion for the year amounted to RM1.2 million, is included under "interest paid." As of 1 August 2021, the useful life of the old buildings is thirty (30) years. The new structure has a 50-year useful life from its completion date of July 31, 2022. No depreciation was charged for the year. Buildings are depreciated on a straight line basis over their useful life.

Plant & equipment is depreciated at 25% per annum using reducing balance.

All depreciation is charged to cost of sales.

8. The revenue includes RM22 million for goods sold on consignment (sale-or-return) to a customer. These transactions were recorded in the books as regular sales and included a 30% profit margin on the selling price. To date, the customer has not indicated whether she intends to keep or return the items.

**Required:**

**Prepare the following, 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 July 2022.** (13 marks)
- (b) **A Statement of Changes in Equity for the year ended 31 July 2022.** (5 marks)
- (c) **A Statement of Financial Position as at 31 July 2022.** (12 marks)

**[Total: 30 marks]**

**Question 2**

- (a) Bright Sunshine Florist (BSF) sells fresh flowers. For the purpose its business, BSF has a current account in United AA Bank (UAAB), with overdraft facilities. BSF conducts monthly review of its "Cash in Bank" balances.

As at 1 April 2023, there was a balance of RM3,800 in the "Cash in Bank", as shown in BSF's Cash Book as well as in the Bank Statement. However, on 30 April 2023, BSF's Cash Book shows an overdraft of RM1,780, while the Bank Statement shows an overdraft of RM1,840.

Entries in Cash in Bank Account in the Cash Book show the following:

	note	RM	RM
1 April 2023: Balance of cash in bank			3,800
Received payment by cheque (No. AMB 2475)	1		2,120
Received payment by cheque (No. NFB 6653)	2		<u>1,000</u>
			6,920

Made payments by cheques as follows:			
Cheque Number UAAB 3795	3	1,500	
Cheque Number UAAB 3796		1,800	
Cheque Number UAAB 3797	4	3,300	
Cheque Number UAAB 3798		<u>2,100</u>	<u>(8,700)</u>
30 April 2023: Overdraft			<u>(1,780)</u>

The Bank Statement (issued by UAAB) for April 2023 shows the following entries:

	Note	Debit RM	Credit RM	Balance RM	
Balance (as at 1 April 2023)				3,800	Cr.
Cheque Number AMB 2475	1		2,210	6,010	Cr.
Credit transfer	5		500	6,510	Cr.
Cheque Number UAAB 3796		1,800		4,710	Cr.
Cheque Number UAAB 3797	4	3,000		1,710	Cr.
Cheque Number UAAB 3798		2,100		(390)	Dr.
Cheque Book		150		(540)	Dr.
Bank Charges		100		(640)	Dr.
Debit transfer	6	1,200		(1,840)	Dr.
Overdraft (as at 30 April 2023)				(1,840)	

Note:

1. A cheque (No. AMB 2475) for an amount of RM2,210, received from a trade debtor was wrongly debited as RM2,120 in the Cash in Bank Account (in the cash book).
2. A cheque (No. NFB 6653), for an amount of RM1,000, received from a trade debtor has not been cleared for payment by the payer's bank.
3. Cheque (No. UAAB 3795) for an amount of RM1,500 has not been presented for payment.
4. Cheque (No. UAAB 3797) for an amount of RM3,300 was wrongly recorded as RM3,000 in the Bank Statement.
5. A purchaser had transferred RM500 to the BSF's bank account at UAAB but has yet to notify BSF.
6. Based on the standing instruction to UAAB, the bank had transferred payment of RM1,200 for fire insurance premium. This amount has yet to be recorded in the cash book.

**Required:**

- (i) **Update the Cash in Bank Account (in the Cash Book) for the month of April 2023.**  
(5 marks)
- (ii) **Prepare the Bank Reconciliation Statement for the month of April 2023.**  
(3 marks)

**(b)** Harimau Kitchen-ware Sdn Bhd (HKSB) sells a wide variety of stainless steel cooking utensils. HKSB conducts quarterly updating of its accounts. At the end of the first quarter of 2023, HKSB' trial balance (as at 31 March 2023) prepared by its bookkeeper shows a total of RM12,350 in the "debit column" while the total in the "credit column" is RM11,097. A suspense account for the difference has drawn up. Upon reviewed of HKSB's accounting records, the HKSB's Assistant Account identified the following errors:

1. RM1,225 of credit sales to SMK-Kulai. The sales account was wrongly credited for RM1,252 and RM1,225 was wrongly debited to SMJK-Kulim.
2. Cash payment of RM1,500 for Delivery Expenses was correctly recorded in the Delivery Expenses Account, but no corresponding entry was made in the Cash Account.
3. A trade debt amounting to RM2,600 due from Johan Agency was for goods sold three years ago. When this amount was written off as bad debt, a debit entry was made to Sales Account, and a credit entry was made to Johan Agency Account. HKSB does not maintain any Allowance for Bad Debt Account.
4. Cash sales of RM1,260 to a walk-in customer. The Cash Account was credited for the amount of RM1,200, while RM1,620 was debited to the Sales Account.
5. Paid RM4,000 cash for repair of HKSB's delivery van. HKSB's accounting records revealed a debit entry of RM4,000 was made in the Delivery Van Account and a credit entry in the Cash Account.
6. Goods costing RM1,300 were returned to a supplier (ABC Enterprise). The amount for this transaction was debited to the Purchases Return Account, and also debited to ABC Enterprise Account.

**Required:**

**(i) Set up a Suspense Account ("T" format) to facilitate and recording of correction of errors.**

(3.5 marks)

**(ii) Present the journal entries to record the necessary correction of errors (if any) and post the entries to the Suspense Account.**

(8.5 marks)

**[Total: 20 marks]**

### Question 3

Easi-Pek Enterprise (EPE) is a sole proprietorship business dealing in the F&B packing boxes. EPE does not keep proper set of accounts. However, from whatever records available, the following were revealed.

Balances as at:		1 Jan 2022	31 Dec 2022
	Notes	RM	RM
Trade Receivables		40,500	48,300
Cash in Hand	1	19,300	15,000
Cash in Bank	2	77,500	9,800
Inventories		82,560	75,490
Prepaid Rent		3,000	Nil
<b>Total Current Assets</b>		<b>222,860</b>	<b>148,590</b>
Non-current Assets (at cost)	3	380,000	330,000
Non-current Assets – Accumulated Depreciation	3	152,000	132,000
<b>Non-current Assets (carrying value)</b>	<b>3</b>	<b>228,000</b>	<b>198,000</b>
Trade Payables		33,600	42,200
Accrued Utility Expenses		2,000	1,500
<b>Total Current Liabilities</b>		<b>35,600</b>	<b>43,700</b>

Note:

- Cash in Hand are kept in the business safe-deposit box.
- Cash in Bank is the business current account in Maybank Bhd.
- Non-current assets consist of Fittings & Fixtures, of which a record of the cost, carrying value and accumulated depreciation is maintained.

Other information:

#### 1. Cash in Hand.

The balance of Cash in Hand (on 1 January 2022) together with the proceeds from Cash Sales during the year 2022 were utilised to pay for the following:

	RM
Employees' wages & salaries	68,000
Cash purchases	30,200
Payments to trade creditors	25,400
Other business operating expenses	30,600
Proprietor's household expenses	48,000
<b>Total cash payments</b>	<b>202,200</b>

#### 2. Cash in Bank (Business bank current account).

The summaries of the business current account for the year 2022 show the following:

	Note	RM
Receipt from:		
Trade debtors		41,200
Sale of old Fittings & Fixtures	4	60,000
<b>Total</b>		<b>101,200</b>
Payments for / to:		
Rent		21,000

Trade creditors		32,900
Utility expenses		26,000
Purchase of new Fittings & Fixtures		30,000
Purchases		20,300
Other business operating expenses		38,700
Total		<u>168,900</u>

Note 4: The fittings & fixtures that was sold had a carrying value of RM48,000, while the original cost was RM80,000.

For the year ended 31 December 2022, summaries of the following particulars were found in the records of EPE.

	RM
Sales returns	10,500
Purchases returns	7,400
Trade debts written off	6,000
Discount allowed	5,000
Discount received	3,500

**Required:**

**Based on the information available.**

**(a) Compute the following for the year 2022:-**

- (i) Cash sales**
- (ii) Total sales**
- (iii) Total purchases**
- (iv) Depreciation on the fixtures & fittings**

(12 marks)

**(b) Prepare the Statement of Income or Loss for the year ended 31 December 2022.**

(8 marks)

**(c) Prepare the Statement of Financial Position as at 31 December 2022.**

(5 marks)

**[Total: 25 marks]**

#### Question 4

Given below are the summarised financial statements of CEGI Sdn Bhd.

#### Statement of profit or loss and other comprehensive Income for the year ended 31 December 2022

	<b>RM'000</b>
Turnover	44,978
Cost of Sales	<u>(35,806)</u>
Gross Profit	<b>9,172</b>
Operating expenses/ other revenue:	
Depreciation - plant and equipment	(3,285)
Gain on disposal of plant	39
Loss on disposal of investment	(30)
Interest paid	<u>(48)</u>
Profit before tax	<b>5,848</b>
Tax expenses	<u>(2,710)</u>
Profit for the year	<b><u>3,138</u></b>

#### Statement of Financial Position as at 31 December 2022

<b>Assets</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Freehold property (at valuation)	101,230	69,050
Plant and equipment (at carrying value)	66,850	70,400
Investment	39,000	45,000
Inventory	5,785	4,052
Trade Receivable	7,005	5,600
Cash at Bank	970	750
	<b><u>220,840</u></b>	<b><u>194,852</u></b>
<b>Equity &amp; Liabilities</b>		
Share capital	140,000	118,000
Revaluation reserves	7,670	7,142
Retained profits	65,500	62,400
Deferred tax	125	101
Trade payable	7,157	6,688
Tax payable	48	76
Bank overdraft	340	445
	<b><u>220,840</u></b>	<b><u>194,852</u></b>



**Additional Information:**

1. During the year ended 31 December 2022, a plant with a carrying value of RM3,640,000 was disposed of at a profit.
2. For the year ended 31 December 2022, a small portion of investments were sold at a loss.
3. The increase in share capital was due to new shares issued for cash.
4. For the year ended 31 December 2022, some dividends were paid by CEGI Sdn Bhd out of retained profits available.

**Required:**

- (a) **Prepare a statement of cash flows for CEGI Sdn Bhd for the year ended 31 December 2022 in compliance with the requirement of MFRS 107 Statement of Cash Flows, using the indirect method.**

Notes to the account are not required.

(20 marks)

- (b) **Based on the Statement of Cash Flows prepared, briefly comment on the cash flows management pertaining to the investing and financing activities.**

(5 marks)

**[Total: 25 marks]**

**(END OF QUESTION PAPER)**