



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

DECEMBER 2023

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 following trial balance relates to Apple Berhad (Apple) as at 31 July 2023:

	Debit	Credit
	RM'million	RM'million
Property at valuation as at 1 August 2022		
- Land	15,000	
- Building	60,000	
Plant and equipment at cost	11,070	
Accumulated depreciation as at 1 August 2022		
- Plant and equipment		6,195
Inventories as at 31 July 2023	4,050	
Trade receivables	7,770	
Bank	3,840	
Cost of sales	16,800	
Distribution costs	1,950	
Administrative expenses	1,980	
Equity shares		49,620
Deferred tax liability		900
Retained earnings as at 1 August 2022		13,590
Revenue		45,765
Revaluation surplus		1,500
5% loan notes		3,000
Trade payables		1,890
	122,460	122,460

Additional Information:

- During the financial year ended 31 July 2023, Apple was sued by a customer for RM2 million for breach of contract over a cancelled order. Apple has obtained a legal opinion that there is a 60% chance that Apple will lose the case. The claim has not been provided yet.
- The building had a remaining life of 20 years at 1 August 2022. The company's policy is to revalue its property at each year end. On 31 July 2023, it was valued at RM76,000 million. Ignore deferred tax on the revaluation.

Depreciation on non-current assets is as follows:

Building	Straight line basis
Plant and equipment	Reducing balance at 20%

Depreciation on the building and plant and equipment is charged to cost of sales.

- The directors have estimated the provision for income tax for the year ended 31 July 2023 at RM3.9 million. The required deferred tax provision at 31 July 2023 is RM1.2 million.
- The 5% loan notes were issued at par on 1 February 2023.
- Apple paid an equity dividend of RM800,000 during the year ended 31 July 2023. The dividend payment has not been recorded yet.

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 2023.** (12 marks)
- (b) **A Statement of Financial Position as at 31 July 2023.** (13 marks)
- (c) ***MFRS 108 Accounting Policies, Changes in Accounting Estimates, and Errors* establishes criteria for selecting accounting policies and specifies the circumstances under which an entity may change an accounting policy. The standard also addresses the accounting treatment of changes in accounting policies, changes in accounting estimates, and prior period error correction.**

Explain the accounting treatment needed to record (1) a change in accounting policy, (2) a change in accounting estimate, and (3) an error correction.

(5 marks)

[Total: 30 marks]

Question 2

Deco-Light Supplier (DLS), sells a wide variety of solar powered electric decorative light. DLS sells the decorative light to some walk-in customers, although most of its customers are small retailers. The sole proprietor of DLS does not maintain a proper double entry accounting recording system. However, from whatever records that were kept, the following are the summarised information available.

Balances as at	1 January 2022	31 December 2022
	RM	RM
Trade Receivables	190,000	240,000
Prepaid Utility Expenses	4,000	-
Prepaid Rental Expenses	-	5,000
Inventories	246,000	215,000
Cash in Hand	40,000	30,000
Cash in Bank	<u>50,000</u>	<u>42,000</u>
Total Current Assets	530,000	532,000

Non-current Assets:-		
Cost	500,000	670,000
Carrying Value	300,000	336,000

Trade Payables	270,000	330,000
Accrued Rental Expenses	<u>10,000</u>	<u>-</u>
Total Current Liabilities	280,000	330,000
Non-current Liabilities	160,000	160,000

Other information:

1. The following are relevant to the year ended 31 December 2022:

	RM
Purchases returns	8,000
Sales returns	10,000
Bad debts written off.	6,200
Discount allowed	2,200
Discount received	2,800

2. Cash in Hand

		RM
Balance as at 1 January 2022		40,000
Receipts from Trade Receivables	35,000	
Cash sales	<u>33,000</u>	<u>68,000</u>
		108,000
Payments for / to:		
Trade payables	28,000	
Other operating expenses	<u>50,000</u>	<u>(78,000)</u>
Balance as at 31 December 2022		30,000

3. Cash in Bank

		RM
Balance as at 1 January 2022		50,000
Receipts from Trade Receivables	63,000	
Sales	252,000	<u>315,000</u>
		365,000
Payments for / to:		
Trade payables	33,000	
Rental expenses	70,000	
Utility expenses	25,000	
Purchase of non-current assets	170,000	
Other operating expenses	25,000	<u>(323,000)</u>
Balance as at 31 December 2022		42,000

Required:

Based on the information available.

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

- (i) Capital as at 1 January 2022
- (ii) Depreciation for the year 2022 on the non-current assets
- (iii) Total sales
- (iv) Total purchases

(11 marks)

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

(8.5 marks)

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

(5.5 marks)

[Total: 25 marks]

Question 3

Both AB Enterprise (ABE) and YZ Trading (YZT) are sole proprietorship businesses, selling stationery products. Both businesses are located within the vicinity of a commercial centre in Petaling Jaya, Selangor.

Below are the concise Income Statements for the year ended 31 December 2022 and the Statements of Financial Position as at 31 December 2022 of the respective businesses.

Income Statement for the year ended 31 December 2022

	AB Enterprise	YZ Trading
	RM	RM
Sales	1,300,000	2,200,000
Less: Cost of goods sold	<u>870,000</u>	<u>1,476,000</u>
Gross profit	430,000	724,000
Less: Operating expenses	<u>260,000</u>	<u>494,000</u>
Net profit	170,000	230,000

Statement of Financial Position as at 31 December 2022

	AB Enterprise	YZ Trading
	RM	RM
Current Assets		
Inventories	180,000	398,000
Trade receivables	50,000	215,000
Cash in Hand & in Bank	<u>100,000</u>	<u>80,000</u>
Total current assets	330,000	693,000
Non-current Assets	<u>290,000</u>	<u>250,000</u>
Total assets	620,000	943,000
Current Liabilities		
Trade payables	140,000	300,000
Non-current Liabilities	<u>90,000</u>	<u>100,000</u>
Total liabilities	230,000	400,000
Owner's Equity		
Capital	<u>390,000</u>	<u>543,000</u>
	620,000	943,000

Other information:

	AB Enterprise	YZ Trading
	RM	RM
Credit sales in the year 2022	240,000	1,200,000
Cash sales in the year 2022	<u>960,000</u>	<u>800,000</u>
Total sales	1,200,000	2,000,000
Inventories as at 1 January 2022	210,000	350,000

Required:

(a) Based on the information above, compute the following financial ratios respectively for AB Enterprise and YZ Trading:-

- (i) Current ratio
- (ii) Acid test ratio
- (iii) Inventory turnover (in days)
- (iv) Average collection period (in days)
- (v) Gross profit margin (in percentage)
- (vi) Net profit margin (in percentage)
- (vii) Return on capital employed (in percentage)

Show all the relevant formulae and proper workings.

(7 marks)

(b) Based on the information above, and the ratios in part (a), present a comparative analysis of the implications and significance of the ratios pertaining to AB Enterprise and YZ Trading in relation to the following:

- (i) Liquidity
- (ii) Efficiency
- (iii) Profitability

(13 marks)

[Total: 20 marks]

Question 4

In September 2022, Nepawa Bhd purchased a property for the purpose of investment. Nepawa paid RM360,000 as deposit and the balance of purchase price was financed by a bank loan of RM560,000. Effective from 1 October 2022, this property was rented out to Inari Bhd for a monthly rental of RM15,000. Below are the expenditures incurred on the property for the year ended 31 March 2023.

	RM
Purchase price	920,000
Professional and Legal fees	25,400
Stamp duty	37,000
Maintenance costs	11,900
Interest expenses	28,800
	<u>1,023,100</u>

It's the company's policy to account for all investment properties using the fair value model.

On 1 July 2023, based on a valuation report, this investment property is expected to have a fair value of RM1,100,000. The management decided to record this change with immediate effect.

Required:

- (a) Explain the appropriate accounting treatments of the above investment property as per *MFRS 140 Investment Property* for the year ended 31 March 2023. Show the journal entries to record the above transactions. Show an extract of the statement of profit or loss and the statement of financial position for the year ended 31 March 2023. (20 marks)
- (b) Assuming that at the reporting period, the fair value of the investment property is RM1,200,000. Show the journal entries to record the change in fair value, and show an extract of the statement of profit or loss and the statement of financial position for the same reporting period.

Show your workings.

(5 marks)

[Total: 25 marks]

(END OF QUESTION PAPER)