



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING AND REPORTING

MARCH 2024

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

Flory Berhad is a company involved in the manufacturing of solar heating systems for the construction industry. The following trial balance was extracted from its books as at 31 December 2023.

	Debit	Credit
	RM	RM
Trade Receivables /Trade Payables	345,875	248,750
Retained earnings		478,534
Purchase/Revenue	4,875,260	7,542,520
Other Receivables	40,000	
Motor Vehicle at cost - 1 January 2023	468,500	
Accumulated depreciation – Motor Vehicle – 1 January 2023		190,000
Equipment at cost - 1 January 2023	864,050	
Accumulated depreciation – Equipment – 1 January 2023		220,000
Building at cost - 1 January 2023	2,242,500	
Accumulated depreciation – Building – 1 January 2023		580,000
Administrative Expenses	248,750	
Allowance for bad and doubtful debts		12,601
Bank	394,600	
Current Tax Payable		36,000
Distribution costs	786,520	
Finance costs	36,200	
Income Tax Expense	163,000	
Inventory at 1 January 2023	284,650	
Investment (4% interest rate)	200,000	
Investment Income		4,000
Share Capital		180,000
Debentures		1,457,500
	10,949,905	10,949,905

Additional Information:

1. Depreciation is to be charged as follows:

Buildings	2% Straight Line on cost
Equipment	16% reducing balance
Motor Vehicles	20% Straight Line on cost

Depreciation for the year is charged in full in the year of disposal and none in the year of acquisition and is allocated evenly between distribution costs and administrative expenses.

2. Flory Berhad spent RM60,000 by cheque on the initial design work of a new product in 2023. This design is expected to be developed over the next two years and to be tested in preparation for production in three years. Separately, Flory Berhad spent RM100,000 (paid by cheque) on testing a new internal-designed production system that will be operational during the following fiscal year. This new system should reduce production costs by 10%. Flory Berhad has not recorded this expenditure in its financial statements. Flory Berhad uses a 10% annual amortisation rate, which is added to the cost of sales.
3. Flory Berhad recovered 80% of a bad debt of RM6,000 which was previously written off to administration expenses in August 2023. Allowance for doubtful debts should be set at 4% and is allocated evenly between distribution costs and administrative expenses. No records were made.

4. Flory Berhad's inventory worth RM8,000 was stolen in November 2023. Flory Berhad has an insurance policy that covers inventory theft, and the company was fully compensated by its insurance company in February 2024.
5. An investment income of RM4,000 was received during 2023. The remaining balance of investment income was received in February 2024.
6. Flory Berhad conducted an inventory count at the end of the fiscal year, which revealed that the year-end inventories at cost totalled RM268,460. This figure includes RM3,200 in slow-moving inventory at cost. It is estimated that these inventory will be sold at a 40% discount on the selling price. Flory Berhad charges a 20% markup on these items.
7. Equipment costing RM150,000 was purchased and paid for by cheque in November 2023. This transaction has not been recorded.
8. A building was sold for RM140,000 on 31 October 2023. The cheque received from this sale was lodged to the bank account. This building was purchased in 2005 for RM200,000. This transaction has not been recorded.
9. In January 2024, Flory Berhad declared dividends of RM40,000 for the year-ended 31 December 2023. The financial statements are not authorised for issue until May 2024. Flory Berhad included the following entry into its financial statements in respect of this declaration:

Debit	Other receivables	RM40,000
Credit	Retained earnings	RM40,000

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 December 2023.** (15 marks)
- (b) **A Statement of Financial Position as at 31 December 2023.** (15 marks)

[Total: 30 marks]

Question 2

- (a) Greenergy Sdn Bhd (GSB) is a wholesaler of mini solar panels, whose customers are mainly retailers who purchase solar panels on credit. GSB's accounting year end is 31 December.

The following are particulars pertaining to GSB's account receivables and allowance for doubtful debt, etc.

1.	Balance as at 1 January 2023:	RM
	Trade Receivables	41,000
	Allowance for doubtful debts	4,100

2.	Summaries of payments received, sales and bad debts during the year ended 31 December 2023	RM
	Payments (by cheques) received from trade receivables	26,900
	Credit sales	22,400
	Bad debts written off	3,500

3.	As at 31 December 2023
	To maintain an Allowance for doubtful debts at 10% of Trade Receivable

Required:

For the year ended 31 December 2023, post the above transactions to the following accounts:

- (i) Trade receivables accounts
- (ii) Bad and doubtful debt accounts
- (iii) Allowance for doubtful debts accounts

(13 marks)

Show all necessary workings

- (b) C.K. Wong is the sole-proprietor of a business that produces and sells confectionery ingredients to retailers. For the purpose of his business, C.K. Wong has a current account with SME Bank Bhd, and maintains simple records of receipts and payments.

- i. Below are the Cash in Bank records of receipts, payments and balances for January 2024.

		RM	RM
01/01/2024	Balance (overdraft)		(5,320)
	Receipts deposited into Cash in Bank account		
04/01/2024	Cash deposit	3,410	
15/01/2024	Deposit; cheque (No. PBB 40592)	970	
24/01/2024	Deposit cheque (No. MBB 14679)	<u>3,120</u>	<u>7,500</u>
			2,180
	Payments (by cheques)		
05/01/2024	Cheque: (No. SME 10432)	850	
18/01/2024	Cheque: (No. SME 10433)	550	
27/01/2024	Cheque: (No. SME 10434)	<u>400</u>	<u>(1,800)</u>
31/01/2024	Balance		<u>380</u>

- ii. C. K. Wong's current account bank statement for January 2024 (issued by SME Bank Bhd)

January 2024	Particulars	Withdrawal RM	Deposits RM	Balance RM
01	Balance (overdraft)			(5,320)
04	Cash deposit		3,140	(2,180)
10	Credit transfer		1,250	(930)
15	Deposit; cheque (No. PBB 40592)		790	(140)
18	Cheque: (No. SME 10433)	550		(690)
21	Deposit cheque (No. MBB 14679)		3,120	2,430
22	Bank charges	100		2,330
27	Cheque: (No. SME 10434)	420		1,910
28	Cheque (No. CB 67892) returned	650		1,260

C. K. Wong noticed that the bank statement for January 2024 (issued by SME Bank Bhd) shows an overdraft of RM5,320 as at 01 January 2024, which matches with the figure as shown in his Cash in Bank record. However, as for the closing balance as at 31 January 2024, the bank statement shows a balance of RM1,260, while his Cash in Bank record shows a balance of only RM380.

C. K. Wong requested you to assist him to reconcile the differences between his Cash in Bank records and the bank statement. Upon inspecting C. K. Wong's Cash in Bank record and bank statement you found the following:

- On 10 January 2024, a credit transfer of RM1,250 to C. K. Wong bank account by a customer has not been recorded in C.K. Wong's record.
- Cheque (No. PBB 40592) for the amount of RM790 deposited on 15 January was wrongly recorded in C.K. Wong's record as RM970.
- Cheque (No. SME 10432) has not been presented for payment.
- Cheque (No. CB 67892) issued by a customer in November 2023 and deposited in December 2024 was dishonoured and returned on 28 January 2024.
- Cheque (No. SME 10434) for the amount of RM420 was wrongly recorded as RM400 in C.K. Wong's record.

Required:

- (i) **Make the necessary corrections to C. K. Wong's Cash in Bank record to update the correct balance for January 2024.** (8 marks)
- (ii) **Prepare the Statement of Bank Reconciliation for January 2024.** (4 marks)

[Total: 25 marks]

Question 3

Mat Salleh operates an organic fertiliser business. Most of his customers are vegetable farmers.

Mat Salleh has never kept any complete accounting records, but his book-keeper is able to furnish the following particulars pertaining to his organic fertiliser business:

Balances as at		1 January 2023	31 December 2023
	Note		
Motor Van: at cost	(1)	225,000	225,000
Motor Van: Accumulated depreciation		(45,000)	(90,000)
Fixtures & Fittings: at cost	(2)	120,000	140,000
Fixtures & Fittings: Accumulated depreciation		(24,000)	(34,000)
Inventory		87,500	77,500
Cash in Bank	(3)	53,750	78,500
Cash in Hand	(3)	10,500	8,000
Account Receivables		49,750	56,200
Employees' Salaries: prepaid		9,500	nil
Account Payables		27,500	31,750
Bank Loan interest expense: accrued		nil	2,500
Utility Expenses: accrued		3,000	nil
Long Term Bank Loan	(4)	125,000	125,000

Based on the Statement of Financial Position as at 31 December 2022, the balance in the Capital Account was RM331,500.

Note 1: Depreciation on motor van for the year is RM 45,000.

Note 2: In 2023, some old fixtures & fittings that cost RM20,000, with a carrying value of RM16,000 were sold for RM10,000. Depreciation on the remaining fixture & fittings for the year is RM14,000.

Note 3: Mat Salleh discloses that the balances in the Cash in bank and Cash in Hand not accounted for have been utilised to pay for his personal and private expenses.

Note 4: The long term bank loan was taken in March 2022 and carries an annual interest rate of 5%.

Other information:

- Summaries of the organic fertiliser business bank statement for 2023 revealed the following:

	RM
Receipts	
Receipt from Account receivables)	395,000
Receipt from sales of old fixtures & fittings (see Note 2)	10,000
Payments	
Payments to Account payables)	37,500
Purchase of new fixtures & fittings	40,000
Interest on bank loan	3,750
Other business operating expenses	64,500
Utility expenses	62,500

2. Cash Sales

During the year 2023, the organic fertiliser business recorded a total cash sales of RM350,000 (payments received in cash). The receipts for the cash sales were utilised to pay salaries of RM75,000 to two employees. The balance of the receipts from cash sales was used to pay for cash purchases.

3. During the year 2023, the following were recorded:

- Sales Returns: RM15,500
- Purchases Returns: RM21,000
- Bad Debt (trade debts) written off: RM4,500
- Discount allowed: RM3,000
- Discount received: RM4,000

Required:

In relation to Mat Salleh's organic fertiliser business, prepare the following:

(a) Statement of Profit or Loss for the year ended 31st December 2023.

(11.5 marks)

(b) Statement of Financial Position as at 31st December 2023.

(8.5 marks)

Show all necessary workings.

[Total: 20 marks]

Question 4

The following are extract from the financial statements of Riso Sdn Bhd.

Extracts of statements of financial position as at 30 June.

		2023	2022
	Note	RM'000	RM'000
Property, plant and equipment (at carrying value)	1(b)	3,875	3,147
Investments	1(e)	298	357
Inventory		189	374
Trade receivables		554	312
Cash		552	446
Shares Capital	2	3,550	3,000
Revaluation reserves	3	325	213
Retained earnings		797.9	568
12% Debenture	4	340	400
Deferred taxation		88	75
Bank overdraft		48	37
Trade payables		277	307.5
Tax payable		42.1	35.5

Notes:

1. Profit for the year is after charging and crediting the following:
 - a. Depreciation for the year amounted to RM169,790.
 - b. Loss on disposal of a plant amounted to RM6,301. This plant had a carrying value of RM41,500.
 - c. Interest expenses amounted to RM21,870.
 - d. Tax expenses of RM45,820.
 - e. Profit from disposal of investment amounted to RM23,450.
 - f. Dividend income from investment amounted to RM10,660.
2. The increase in the issued share capital was due to the issue of shares for cash.
3. The increase was due to revaluation of a freehold property.
4. RM60,000 12% debentures were redeemed on 1 June 2023 at par.
5. Dividend paid for the year amounted to RM265,000.

Required:

- (a) **Compute profit before tax for the year ended 30 June 2023.**

(3 marks)
- (b) **Prepare a statement showing the cash flows from operating activities and investing activities for Riso Sdn Bhd for the year ended 30 June 2023 in compliance with the requirement of MFRS 107 Statement of Cash Flows, using the indirect method.**

(14 marks)
- (c) **Prepare notes on cash and cash equivalent.**

(3 marks)
- (d) **Briefly comment on the cash flow management of Riso Sdn Bhd.**

(5 marks)

Show your workings.

[Total: 25 marks]

(END OF QUESTION PAPER)