



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING AND REPORTING

SEPTEMBER 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 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

You are the newly appointed financial accountant to PKK Berhad, a manufacturing company. You have extracted the following trial balance below, as of 31 December 2023.

	Debit	Credit
	RM	RM
Trade Receivables /Trade Payables	255,400	188,715
Retained earnings at 31 December 2022		1,236,763
Purchase/Revenue	875,300	1,480,200
Motor Vehicles	144,000	
Accumulated depreciation – Motor Vehicles at 31 Dec 2022		51,600
Buildings	974,400	
Accumulated depreciation – Buildings at 31 Dec 2022		275,220
Administrative Expenses	293,766	
Allowance for bad and doubtful debts		11,160
Bank	312,870	
Current Tax Payable		30,000
Distribution costs	274,692	
Income Tax	28,000	
Inventory at 31 December 2022	141,480	
Investment (5% interest rate)	250,000	
Investment Income		6,250
Share Capital		60,000
Long Term Loan		210,000
	3,549,908	3,549,908

Additional Information:

1. Depreciation is to be charged as follows:

Buildings	2% Straight Line on cost
Motor Vehicles	15% Straight Line on cost

No depreciation is charged in the year of sale and a full year's depreciation is charged in the year of purchase. Revaluation losses are split evenly between Administrative Expenses and Distribution Costs.

On 31 December 2023, the buildings were revalued by a professional valuer at RM850,000.

2. PKK Berhad's inventory was counted on 31 December 2023 and amounted to RM286,400 at cost. On that date, one of the counting team forgot to count the inventory placed on one bay of a warehouse. This bay was counted on 2 January 2024 and the inventory counted was valued at RM12,600 on this date. However, inventory was sold from that bay on 1 January 2024 at a selling price of RM1,600. PKK Berhad makes a 20% margin on its sales.
3. Investment income has only been received for the first six months of 2023.
4. A credit sale of RM4,800 was debited to bank and credited to trade payables by mistake.
5. PKK Berhad made a tax payment on 23 December 2023 of RM46,000.
6. PKK Berhad sold a motor vehicle on 1 September 2023 for RM6,000 and the money received was banked in. The company purchased this motor vehicle on 1 April 2019 for RM25,000.
7. PKK Berhad purchased and paid for a building amounting to RM200,000 on 1 July 2023.

8. PKK Berhad purchased goods on credit from a UK supplier for £12,000 on 1 November 2023 but incorrectly recorded this as RM12,000 in its accounts on that date. On 10 December 2023, PKK Berhad paid £8,000 to the UK supplier but again entered the amount incorrectly in its accounts as a payment of RM8,000. The balance owing was unpaid at year-end. The exchange rates were as follows:

1 November 2023	RM1 = £0.75
10 December 2023	RM1 = £0.80
31 December 2023	RM1 = £0.90

9. PKK Berhad recovered a bad debt of RM3,100 in December 2023. This amount was banked in but was not recorded in its financial statements. The company has also decided to provide for the allowance of bad and doubtful debts at the rate 4%.
10. All the relevant expenses in the trial balance are to be split evenly between Administrative Expenses and Distribution Costs.

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

DIY Plumber Mart (DPM) sells plumbing products, such as water taps, PVC pipes, glue and other plumbing related supplies. The proprietor of DPM does not maintain a complete double entry accounting records. However, based on whatever records related to DPM's business operations that are available, the following summarised information are available.

Balances as at		1 January 2023	31 December 2023
	notes	RM	RM
Trade Receivables		139,000	245,100
Inventories		78,300	54,700
Cash in Bank	(a)	68,900	29,400
Trade Payables		198,000	121,500
Accrued Utility Expenses		4,000	nil
Prepaid Rental Expenses		nil	2,000
Non-current Assets (Net Book Value)	(b)	250,000	220,000
Bank Loan		50,000	30,000

Note (a): Details pertaining to Cash in Bank

		RM	RM
Balances as at 1 January 2023			68,900
Receipts from the following:			
Trade Receivables		180,400	
Proceeds from sales		<u>120,000</u>	<u>300,400</u>
			369,300
Payments for the following:			
Trade Payables		147,600	
Rental Expenses		26,000	
Transport Expenses		48,000	
Purchases		95,300	
Re-payment of Bank Loan		20,000	
Payment of interest on bank loan		<u>3,000</u>	<u>(339,900)</u>
Balance as at 31 December 2023			<u>29,400</u>

Note (b): During the year, non-current assets (with a carrying value of RM60,000) was sold for RM60,000 cash, while additional non-current assets costing RM40,000 were acquired and paid for in cash (see information on Cash in hand transactions below).

Other information:

- (i) Transactions pertaining to cash in hand during the year ended 31 December 2023:

	RM	RM
Receipts from cash sales		236,400
Proceeds from sale of non-current assets		<u>60,000</u>
		<u>296,400</u>
Cash payments for the following:		
Employees' salaries	90,000	
Utility expenses	38,000	
Purchases (of trading stock)	72,000	
Other business operating expenses	56,400	
Purchase of non-current assets	<u>40,000</u>	
	<u>296,400</u>	

- (ii) Information pertaining to Trade Receivables and Trade Payables.

	RM
Discount Allowed	4,100
Discount Received	2,300
Sales Returns	23,600
Purchases Returns	18,700
Trade Debts – written off	30,100

Required:

Based on the information available:

(a) Compute the following:

(i) Capital as at 1 January 2023;

(ii) Total sales in year 2023;

(iii) Total purchases in year 2023.

(11.5 marks)

(b) Prepare the Statement of Income or Loss for the year ended 31 December 2023.

(9 marks)

(c) Prepare the Statement of Financial Position as at 31 December 2023

(4.5 marks)

[Total: 25 marks]

Question 3

Two small business entities, namely the Popular Ceramic Store (PCS) and Unique Ceramic Centre (UCC), both located in Shah Alam, are in the business of trading in ceramic products such as ceramic mugs, cups and vase.

Below are the Financial Statements of PCS and UCC, and other relevant information.

Income Statement for the year ended 31 December 2023

	Popular Ceramic Store	Unique Ceramic Centre
	RM	RM
Sales	900,000	700,000
Less: Cost of goods sold	<u>630,000</u>	<u>560,000</u>
Gross profit	270,000	140,000
Less: Operating expenses	<u>225,000</u>	<u>105,000</u>
Net profit	<u>45,000</u>	<u>35,000</u>

Statement of Financial Position as at 31 December 2023

	Popular Ceramic Store	Unique Ceramic Centre
	RM	RM
Current Assets		
Cash	40,000	25,000
Trade receivables	160,000	90,000
Inventories	<u>180,000</u>	<u>215,000</u>
Total current assets	380,000	330,000
Non-current Assets	<u>120,000</u>	<u>100,000</u>
Total assets	<u>500,000</u>	<u>430,000</u>
Current Liabilities		
Trade payables	200,000	115,000

Non-current Liabilities		
bank loan	<u>60,000</u>	<u>80,000</u>
Total liabilities	260,000	195,000
Owner's Equity		
Capital	<u>240,000</u>	<u>235,000</u>
	<u>500,000</u>	<u>430,000</u>

Other information:

	Popular Ceramic Store	Unique Ceramic Centre
(i) Credit sales in the year 2023	RM700,000	RM270,000
Cash sales in the year 2023	<u>RM200,000</u>	<u>RM430,000</u>
Total sales	<u>RM900,000</u>	<u>RM700,000</u>
(ii) Inventories (as at 1 January 2023)	RM132,000	RM155,000

Required:

(a) Compute the following financial ratios respectively for PCS and UCC:

- (i) **Current ratio**
- (ii) **Quick 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**

Show all the relevant formulae and proper workings.

(7 marks)

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

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

(13 marks)

[Total: 20 marks]

Question 4

Namtso Bhd was established in the year 2020. Below are the company's intangible assets for the year ended 31 December 2022.

Intangible assets	Carrying amount (RM)
Research and developments	243,900
Patent	55,900

The following are related to Namtso Bhd for the year ended 31 December 2023.

1. On 1 January 2023, the management of Namtso Bhd noted that patent is no longer producing any products, and decided to terminate that patent.
2. The existing research and development has a remaining useful life of 3 years. During the year 2023, Namtso Bhd incurred additional expenditures on research and development:

	RM
Research costs	24,000
Development costs	175,800

The new development costs fulfilled all the criteria for capitalisation.

3. Namtso Bhd adopts the cost model to account for its intangible assets, and amortise over its useful life of 5 years, and a full year amortisation should be provided in the year of capitalisation.
4. Namtso Bhd's financial year ends on 31 December each year.

Required:

As per MFRS 138 Intangible Assets,

- (i) Define intangible assets. (4 marks)
- (ii) Explain the appropriate accounting treatments for each of the above intangible assets for the year ended 31 December 2023. (8 marks)
- (iii) Show the journal entries to record the above transactions for the year ended 31 December 2023. (narration is not required) (6 marks)
- (iv) Show an extract of the statement of profit or loss and the statement of financial position for the year ended 31 December 2023. (3 marks)
- (v) Prepare a schedule of movement for the research and development costs. (4 marks)

Show your workings.

[Total: 25 marks]

(END OF QUESTION PAPER)