



**FINAL EXAMINATION
BACHELOR OF ACCOUNTANCY (HONOURS)**

COURSE : FINANCIAL REPORTING AND MFRS III

COURSE CODE : ACC3094

DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES :

1. This question paper consists of **FOUR (4)** questions.
2. Answer **ALL** questions.
3. ALL answers must be hand-written.
4. Write down your Name, ID, Subject Code, and Section Number on the front page of your answer sheet.
5. After you have finished, scan your answer and save to PDF format with your Subject Code, Section No & Name as the file's name.
(Example of the file's name: **ACC3094 S1 Ahmad bin Albab**)
6. You must submit your assignment **ONLINE** through Learning Management System (LMS) (*or any other platform*) by (*the date*) before (*the time*).

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 9 printed pages including the front page

QUESTION 1

Zabaniah Bhd. Bhd a trader of rubber products, was incorporated in Malaysia with an authorized capital of RM5,000 consisting of 3,200 ordinary shares of RM1 each and 900 5% Non-cumulative preference shares of RM2 each. The trial balance of Zabaniah Bhd. Bhd for the year ended 2019 is as follows:

Non-current assets:	RM	RM
Land	960	
Building	912	
Plant and machinery	504	
Motor vehicles	192	
Accumulated depreciation 1 January 2019		
Building		168
Plant and machinery		120
Motor vehicles		36
Investment	180	
Inventories	132	
Trade receivables	678	
Bank	500	
Trade payables		72
Tax paid	48	
Ordinary Shares		2,386
5% Non-Cumulative Preference Shares		120
Retained profit		240
10% debentures		400
Sales		1,680
Cost of sales	588	
Administrative expenses	216	
Sales and distribution expenses	144	
Bad debts	48	
Directors remuneration	96	
Debenture interest	24	
	5,222	5,222

Additional information:

- i. Turnover for the year includes RM424 of credit sales and the goods on these sales was delivered to the customers on 10 January 2020. Zabaniah Bhd. Bhd sold these goods at cost plus 6% mark-up on cost.
- ii. On 10 October 2019 Zabaniah Bhd. Bhd bought a piece of land in Pakistan for Rs 3,200. Payment for the purchase of the land was settled using cash. On 31 December 2019, the fair value of the land was Rs 3,600. This transaction was totally omitted in the books of Zabaniah Bhd. Bhd during the year. Zabaniah Bhd. Bhd's functional currency is Ringgit (RM) and the company would like to incorporate the fair value of the land. The rates of exchange were:

Date	Rate
10/10/2019	RM1.00: Rs 8
31/12/2019	RM1.00: Rs 12

- iii. It is the company's policies not to depreciate non-current asset of land. The depreciation charge for the year was as follows:
 - a. Building – RM96
 - b. Plant and machinery – RM91.2
 - c. Motor vehicles – RM50.4

*Note: Motor vehicle was mainly used to deliver goods and services to the customers.

- iv. The Investment account consist of RM100 investments in quoted shares with a market value of RM160. The balance of the investments were shares in unquoted companies and the directors' valuation of these investments was RM90.
- v. Zabaniah Bhd. Bhd granted 16 units of its equity shares as bonus to its employees. Total staff cost before charging bonus was RM10. The fair value of the equity shares of Zabaniah Bhd. Bhd on the grant date was RM2.4 each. (staff costs are included as part of administration expense).
- vi. A letter from the Inland Revenue Board of Malaysia confirms tax payable for the company for the year was RM60.

At the end of the financial year, the tax base for the company's Property, plant and equipment was RM2,306. At the same time, it had other interest expense accrued for the year amounting RM50. Tax rules only recognize the expense when it is paid.

There were no balances brought forward in the deferred tax asset and deferred tax liability account of the company. There were no deferred tax implications on other assets and liabilities other than the above. Tax rate is 20%.

- vii. On 10 November 2019 the directors of Zabaniah Bhd. Bhd declared final proposed dividend of:

	RM
Ordinary dividend	12
Preference dividend	8

- viii. Both the 5% Non-cumulative preference shares and 6% Debentures are convertible to ordinary shares on 1 January 2030. (Note: For the purpose of calculation of diluted earnings per share the tax rate is 20%). The conversion rates are:

	Rate of conversion
5% Non-cumulative Preference shares	1 Ordinary shares for every 2 Preference shares held
6% Debenture	1 Ordinary shares for every RM2 of Debenture owed

Required:

Prepare the following financial statements for the year ended 2019 in accordance with the requirements of the Companies Act 2016 (as amended) and approved accounting standards for publication purposes:

- a. Statement of Profit or Loss and other Comprehensive Income for the year ended 31 December 2019. (13 marks)
- b. Statement of Changes In Equity for the year ended 31 December 2019. (3 marks)
- c. Statement of Financial Position as at 31 December 2019 and; (5 marks)
- d. Notes to accompany the above financial statements on:
- i. Property, plant and equipment,
 - ii. Basic earnings per share,
 - iii. Diluted earnings per share and
 - iv. Non-current asset of investments. (9 marks)
- (Total: 30 marks)

QUESTION 2

- a. On 1 January 2017, Selerasa Bhd. Bhd. purchased a machine costing RM800,000 and depreciated it on a straight-line basis over 8 years.

On 1 January 2020, the company decided to expand the business as a result of good demand received from the market. To raise additional capital for the expansion plan, the company have entered into a sales and lease back agreement with a finance company. The machine was sold for RM600,000, which was the fair value. Selerasa Bhd. leased it back as a finance lease for 5 years at an annual rental of RM120,300, payable in arrears. Interest is to be allocated using sum-of-digits method.

Required:

Prepare journal entries to record the above transactions in the books of Selerasa Bhd. Bhd for year 2020.

(10 marks)

- b. Srirayajaya Services, makes up its accounts to 31 December each year, leases a piece of plant on 1 January 2018 on the following terms:

Srirayajaya Services is to pay RM42,000 immediately, with three further yearly installments of RM42,000 each, beginning 1 January 2019. The agreed fair value of the asset is RM156,000 and the interest rate implicit in the lease is 5%. At the end of the lease period, the title to the asset is transferred to the lessee. The expected economic life of the asset is 5 years and the residual value of the asset at the end of that time is zero.

Required:

- i. Prepare the table to show the interest charged for each period using the sum of the years digit method.

(Note: $PVIFA_{3,5\%} = 2.7232$)

(6 marks)

- ii. Prepare the journal entries for the transaction for the year 2018 assuming Srirayajaya Services had adopted the Sum of years digit method.

(4 marks)

- iii. Prepare extract of Profit or Loss Statements and Statement of Financial Position for the year 2018, 2019, 2020 and 2021.

(10 marks)

(Total: 30 marks)

QUESTION 3

- a. On 1 January 2021, Gegarasa Bhd. Bhd had 13 million fully paid-up ordinary shares. On 1 April 2021, Gegarasa Bhd. issued 3 million shares at fair value of RM2.60. Profit after tax attributable to ordinary shares for 2021 was RM1.92 million.

Required:

Compute the weighted average numbers of shares and basic earnings per share for the year 2021.

(4 marks)

- b. On 1 January 2021, Sinar Bhd. Bhd had in issue 6 million ordinal shares. On 1 April 2021, Sinar Bhd. issued 4 million shares at fair value RM2.20 each. On 1 September 2021, it bought back 3 million shares at RM2.00 each.

Profit after tax attributable to ordinary shareholders was RM560,000.

(4 marks)

Required:

Compute basic earnings per share for year 2021.

- c. Budidaya Bhd. has 3,250,000 7% cumulative preference shares and 6,500,000 ordinary shares. The profit after tax for the year ended 31 December 2020 was RM390,000 and Budidaya Bhd. preference dividend paid for half year amounted to RM113,750.

Profit after tax for the year ended 31 December 2021 was RM520,000. Budidaya Bhd. declared and paid current year's preference dividends and previous year's preference dividends in arrears.

Required:

Compute earnings per share for years 2020 and 2021.

(4 marks)

- d. Mayaputri Bhd. has in issue 8 million ordinary shares. On 1 January 2019, Mayaputri Bhd. issued RM1,600,000 8% preference shares at a discount for RM1,440,000. The discount on the issue is amortised over three years. The current market interest rate is 10%.

Profit after tax for years 2019, 2020 and 2021 are RM880,000, RM960,000 and RM1,040,000, respectively. Preference dividend of RM128,000 per annum was paid by Mayaputri Bhd.

Required:

Compute the earnings per share for the three years.

(8 marks)

(Total: 20 marks)

QUESTION 4

- a. On 1 January 2018, the management of Walimata Bhd. granted an option for 9,600 shares to an employee on condition that he stays in the employment of Walimata Bhd. for 3 years. Also, the option cannot be exercised till the share price has increased to RM20 per share by the end of the third year.

The fair value of the option on 1 January 2018 was RM5 each and was estimated to rise to RM6.50 each by 31 December 2020. The fair value is determined taking into consideration that the share price will rise to more than RM20 each.

Required:

Compute the amount recognised as expenses in the Statement of Profit or Loss (SOCL) and the amount disclosed as equity in the Statement of Financial Position (SOFP).

(4 marks)

- b. On 1 January 2019, Tatangjaya Bhd. granted 120 share options to each of its 48 employees, on condition that the employees would stay in employment for 3 years. Tatangjaya Bhd. estimated that 20% of these employees would leave the employment. The fair value of the options was as follows:

	RM
1 January 2019	5
31 December 2019	5.5
31 December 2020	5.9
31 December 2021	4.8

Required:

Compute the amount recognised as expenses in the Statement of Profit or Loss (SOCL) and the amount disclosed as equity in the Statement of Financial Position (SOFP).

(4 marks)

- c. On 1 January 2019, Sukacita Bhd. granted 120 share options to each of its 120 employees, on condition that the employees would stay in employment for three years. In year 2019, ten employees left the company and management estimated that 90% of the remaining employees to whom the options were granted would remain. In year 2020, another seven left the company, and management expected another three to leave. In year 2021, no employee left the service. The fair value of the options was as follows:

	RM
1 January 2019	5.2
31 December 2019	5.7
31 December 2020	6.1
31 December 2021	5

Required:

Compute the amount recognised as expenses in the Statement of Profit or Loss (SOCL) and the amount disclosed as equity in the Statement of Financial Position (SOFP).

(5 marks)

- d. On 1 January 2019, the management of Ceriapura Bhd. granted its 150 employees in the production unit options to buy 180 shares each. If production increased by a minimum of 10%, the options granted would increase by 10% and if the production increased by 20% or more the options granted would increase by 20%. The options would vest at the end of the third year.

In 2019, the company estimated that production would not increase and that eight employees would leave before the end of year 2021. In year 2, six employees left, and the company estimated that productivity would increase by 15% only and only 136 employees would remain in service till end of year 3.

In year 3, productivity rose by 22% and another eight employees left the company. The fair value of the option was RM12 on 1 January 2019.

Required:

Compute the amount recognised as expenses in the Statement of Profit or Loss (SOPL) and amount disclosed as equity in the Statement of Financial Position (SOFP).

(7 marks)

(Total: 20 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER