



CHARTERED TAX INSTITUTE OF MALAYSIA (225750 T)  
(Institut Percukaian Malaysia)

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

DECEMBER 2017

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Student  
Registration No.

Date

Desk No.

Examination Centre

Time allowed: 3 hours

#### INSTRUCTIONS TO CANDIDATES

1. You may answer this paper **EITHER** in English **OR** in Bahasa Malaysia. Only **ONE** language is to be used.
2. This paper consists of **FOUR** questions.
3. Answer **ALL** questions.
4. Each answer should begin on a separate answer booklet.
5. All workings **MUST** be shown as marks will be awarded.
6. Answers should be written in either black or blue ink.
7. No question paper or answer booklet is to be removed from the examination hall.

**DO NOT TURN OVER THIS PAGE UNTIL INSTRUCTED BY THE INVIGILATOR**

## Question 1

The following trial balance relates to *Danang Bhd* as at 30 June 2017

	<b>Debit RM'000</b>	<b>Credit RM'000</b>
Ordinary share capital of RM1 each		300,000
Share premium		40,000
Assets revaluation reserves		16,660
Retained profits as at 1 July 2016		11,925
Deferred tax		630
Long term Loan		20,000
Freehold land at cost	152,220	
Building at cost	214,000	
Plant and equipment at cost	40,000	
Motor vehicles at cost	58,000	
Accumulated depreciation on 1 July 2016		
Freehold building		56,000
Motor vehicles		12,500
Plant and equipment		5,400
Trade receivables and trade payables	19,000	22,500
Inventories as at 1 July 2016	26,300	
Cash at bank	15,000	
Operating expenses	11,200	
Directors' emoluments	880	
Finance expense	800	
Tax expenses	215	
Purchases / Turnover	94,000	146,000
	<b>631,615</b>	<b>631,615</b>

Additional information:

1. Depreciation on non-current assets are calculated based on the straight line method over their expected useful life as follows:

Buildings	50 years
Plant and equipment	8 years
Vehicles	5 years

Depreciation is charged to operating expenses. It is the company's policy to charge a full year depreciation in the year of acquisition and none in the year of disposal.

2. A piece of freehold land was revalued upwards by RM300,000 on 1 June 2017. This amount has been incorporated in the books of *Danang Bhd*.

3. Closing inventory was valued at RM18,900,000. This includes some obsolete and slow moving inventory costing RM35,000 that could be sold for only RM4,000.
4. A trade debtor owing RM350,000 was declared bankrupt on 13 July 2017. The financial statements were approved by the board of directors on 30 September 2017.
5. On 1 January 2017, *Danang Bhd* took a safety insurance for its employees and paid an annual insurance premium of RM36,000.
6. A customer sued *Danang Bhd* for faulty products which caused serious allergy. The customer claimed compensation of RM500,000. *Danang Bhd's* lawyers are of the opinion that the company will very likely lose the case. Legal fees is estimated to be RM18,000. To date no record has been made to reflect these liabilities to the company.
7. The tax expense in the trial balance represents the amount paid for the year. The tax expense for the year is estimated to be RM430,000, inclusive of a decrease in deferred tax account of RM20,000.
8. On 1 June 2017, *Danang Bhd* issued bonus shares of one (1) for every fifteen (15) ordinary shares held. The share premium was utilised for the issue of bonus shares. These have not been recorded in the relevant accounts.
9. On 30 June 2017, the board of directors of *Danang Bhd* declared ordinary dividend amounting to RM200,000.

**Required:**

**Prepare the following, in a form suitable for publication, after taking into consideration the above information:**

- (i) **A Statement of Profit or Loss and Comprehensive Income for the year ended 30 June 2017;**  
(11 marks)
- (ii) **A Statement of Changes in Equity for the year ended 30 June 2017;**  
(7 marks)
- (iii) **A Statement of Financial Position as at 30 June 2017.**  
(12 marks)

**[Total: 30 marks]**

## Question 2

*Mary's Cookies* is a sole-proprietor business. The sole-proprietor of *Mary's Cookies* does not keep any proper double entry accounting record for the business. Nevertheless, for the year 2016, based on whatever records available, the sole-proprietor is able to disclose the summaries of the following information:

Summary of assets and liabilities of *Mary's Cookies*.

	1 January 2016	31 December 2016
	RM	RM
Cash in Hand	2,400	5,400
Inventories	33,600	40,800
Trade receivables	45,600	50,400
Trade payables	55,200	44,400
Equipment	34,800	36,000
Business operating expenses - accrued	Nil	9,600
Business operating expenses – prepaid	3,000	nil

Summary of the Bank Account of *Mary's Cookies* for the year ended on 31 December 2016.

		RM	RM
	Balance as at 1 January 2016		36,000
Add:	Receipts from trade receivables		<u>180,000</u>
			216,000
Less:	Payments		
	Payments to trade creditors	108,000	
	Business operating expenses	63,600	
	Purchase of equipment	18,000	
	Drawings	<u>14,400</u>	<u>204,000</u>
	Balance as at 31 December 2016		<u>12,000</u>

Based on the above information, it was confirmed that the capital of *Mary's Cookies* as at 1 January 2016 amounted to RM100,200.

Additional information:

1. During the year 2016, the following were found:

- Cash discount received on trade payables RM3,840
- Purchases returns RM8,400
- Bad debts written off RM2,400

2. Cash sales for the year 2016 amounted to RM52,200, the proceeds of which were used to pay for the following:

- Cash purchases RM38,400
- Business operation expenses RM10,800

**Required:**

- (i) For the year ended on 31 December 2016, determine *Mary Cookies'* total sales and total purchases. (5 marks)
- (ii) Prepare *Mary's Cookies'* Statement of Profit and Loss for the year ended 31 December 2016 and its Statement of Financial Position as at 31 December 2016. Show all necessary workings. (20 marks)
- [Total: 25 marks]**

**Question 3**

- (a) Jason Lee is the sole-proprietor of *Baker Best*, a business that supplies baking ingredients. For the purpose of his business, Jason Lee has a current bank account for payments and receipts of *Baker Best's* business transactions.

As at 1 October 2017, the current bank account of *Baker Best* showed a credit balance of RM12,240, while the bank account (in the cash book of *Baker Best*) showed a debit balance of RM12,240.

The current bank account statement of *Baker Best* for October 2017 issued by the bank is presented below.

Date	Details	Debits	Credits	Balance
		RM	RM	RM
October				
01	Balance b/f			12,240
04	Cheque No. 78405	960		11,280
09	Cheque No. 78406	1,480		9,800
10	Cheque No. CIB-56429		1,800	11,600
16	Cheque No. 78407	2,520		9,080
19	Cash deposit		4,200	13,280
20	Cheque No. PBB-32540	3,500		9,780
26	Credit transfer-from a customer		3,600	13,380
27	Standing order- delivery van HP installment	2,400		10,980
30	Cheque No. MBB-64280		3,520	14,500
31	Bank charges	280		14,220

The business bank account (in the cash book of *Baker Best*) for October 2017 shows the following entries:

**Receipts (cheques / cash banked into the account)**

<b>Date</b>	<b>Details</b>	<b>RM</b>
October		
05	Cheque No.CIB-56429	1,800
16	Cash from sales deposited in bank	4,200
21	Cheque No. AOB-79513	1,500
27	Cheque No. MBB-64280	<u>2,250</u>
	Total	<u>9,750</u>

**Payments (made by cheques)**

<b>Date</b>	<b>Details</b>	<b>RM</b>
October		
03	Cheque No. 78405	960
06	Cheque No. 78406	1,840
13	Cheque No. 78407	2,250
23	Cheque No. 78408	<u>3,200</u>
	Total	<u>8,250</u>

It was found that, as at 31 October 2017, the balance as per bank account (as shown in the cash book of *Baker Best*) was not the same as the balance shown in the bank statement.

It was found that the following were the causes for the difference between the bank account balance (as shown in the cash book of *Baker Best*) and that of the bank statement.

1. Cheque No. 78406, issued on 6 October 2017 is actually for the amount of RM1,480, as correctly shown in the bank statement.
2. Cheque No 78407, issued on 13 October 2017 was correctly recorded in the bank account (in the cash book of *Baker Best*) but wrongly stated in the bank statement.
3. Cheque No. MBB-64280 (received from a customer) is actually for the amount of RM2,250 as correctly recorded in the bank account (in the cash book of *Baker Best*).
4. Cheque No.PBB-32540 was dishonoured by the payer's bank.
5. Cheque No. AOB-79513 has not been cleared for payment by the payer's bank.
6. Cheque No. 78408, issued on 23 October 2017 has not been presented for payment by the payee.

**Required:**

- (i) **Update the bank account (in the cash book) to arrive at the actual balance as per bank account as at 31 October 2017.** (8 marks)
- (ii) **Prepare a bank reconciliation statement as at 31 October 2017.** (8 marks)
- (b) *Tan & Lim Trading* is a partnership business that requires the preparation of monthly trial balance for reporting to the partners. As at 31 October 2017, when *Tan & Lim Trading's* trial balance was drawn up, it was found that the total credits exceeded the total debits. A "Suspense Account" was drawn up to provisionally "balance" the trial balance, while efforts were made to identify and correct the errors.

Upon going through *Tan & Lim Trading's* books of account, the following were found:

1. RM2,100, being payment for purchases of trading stock was wrongly debited as RM1,200 to the Purchases Account.
2. RM2,600, being payment in cash for rental expenses have been wrongly credited as RM2,000 in the Cash Account.
3. RM1,900 cash discount allowed to a trade debtor was debited to the Discount Received Account.
4. RM3,200, being payment by cheque for entertainment expenses, was wrongly credited in the Bank Account for RM3,000 and debited in the Entertainment Account for RM2,300.

**Required:**

**Present the necessary journal entries to correct the above errors. [Narrations are not required].**

(9 marks)

**[Total: 25 marks]**

#### Question 4

*Oligano Bhd* is a health supplement company based in Titi, Perlis. Below are the statements of financial position of *Oligano Bhd* as at 31 December 2015 and 31 December 2016.

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

	2016	2015
	RM'000	RM'000
<b>Assets</b>		
Freehold property (at valuation)	65,000	52,200
Plant and equipment (at carrying value)	27,500	22,600
Development	16,500	17,500
Investment	6,000	7,500
Inventory	2,500	4,300
Trade receivables	3,550	2,500
Cash	1,020	1,100
	<b>122,070</b>	<b>107,700</b>
<b>Equity and liabilities</b>		
Ordinary shares of RM1 each	60,000	48,000
Share Premium	15,000	8,400
Revaluation Reserves	11,800	10,000
Retained Earnings	20,840	21,629
Deferred tax	650	575
Trade payables	7,450	8,450
Tax payable	830	706
Bank overdraft	5,500	9,940
	<b>122,070</b>	<b>107,700</b>

Additional information:

1. For the year ended 31 December 2016, profit after tax of RM1,540,000 is after charging and crediting the following:

	RM'000
Depreciation:	
Freehold property	1,150
Plant and machinery	270
Amortisation of development cost	1,000
Loss on disposal of plant	56
Income tax expense	480
Gain on disposal of investment	200

2. Freehold property was revalued during the year while a piece of land was purchased for cash.
3. A plant with a carrying value of RM580,000 was sold for cash during the year.



4. The increase in the issued share capital was due to the issuance of shares at a premium, for cash.
5. Dividend was paid during the year.

**Required:**

- (i) **Prepare a statement of cash flows for *Oligano Bhd* for the year ended 31 December 2016 in compliance with the requirement of MFRS 107 Statement of Cash Flows, using the indirect method.**  
(17 marks)
- (ii) **Based on the statement of cash flows prepared, briefly comment on the cash flow management of *Oligano Bhd*.**  
(3 marks)

**[Total: 20 marks]**

**(END OF QUESTION PAPER)**