



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

PROFESSIONAL EXAMINATIONS

INTERMEDIATE LEVEL

FINANCIAL ACCOUNTING

DECEMBER 2014

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

Below is a list of balances extracted from the trial balance of Topsy Bhd as at 31 December 2013.

	RM'000	RM'000
Revenue		350,000
Cost of sales	135,000	
Distribution costs	32,000	
Administrative expenses	25,400	
Interest paid	2,300	
Land (RM50 million) and Building (RM150 million)	200,000	
Plant and equipment	100,000	
Accumulated depreciation at 1 January 2013:		
Building		36,000
plant and equipment		20,000
Government grant		50,000
Inventory at 31 December 2013	45,000	
Bank	30,000	
Accounts receivable	23,000	
Accounts payable		30,000
Equity shares at RM1/ each		60,000
Share premium		10,000
Retained earnings		35,700
5 % Redeemable preference shares		30,000
8% Loan		20,000
Investment property	60,000	
Deferred taxation		15,000
Taxation	4,000	
	<u>656,700</u>	<u>656,700</u>

The following information is relevant to the financial statements:

1. Included in the revenue is a "sale or return basis" sale. The markup on cost for such sales is 25%. At 31 December 2013, goods sold for RM1,000,000 were within the "sale or return" period.
2. The government grant was received when Topsy Bhd acquired a piece of equipment on 1 January 2013. It is the policy of the company to treat government grant using the deferred income method. Topsy Bhd has not recognized any income from the grant yet.
3. On 1 January 2013, the land was revalued to RM60,000,000. The revaluation has not been recorded in the trial balance. A deferred tax of 25% is applicable to revaluation surplus.
4. Topsy Bhd's internal audit department discovered a fraud committed by the company's accountant of RM1,000,000 from the accounts receivable. Of this amount, RM300,000 relates to the year ended 31 December 2012 and the balance relates to the current year.
5. The interest paid comprised of dividends paid to redeemable preference shareholders and six months interest on the loan.

6. The estimated tax expense for the year was calculated to be RM45,000,000 which excludes changes in its deferred tax liability. The balance of taxation in the trial balance represents the amount paid for the year. The deferred tax liability on 31 December 2013 was estimated at RM12,000,000.
7. The investment property was valued using the fair value model and its fair value at 31 December 2013 was RM65,000,000.
8. Administrative expenses included an equity dividend of 10 cents per share paid during the year.
9. Depreciation on non-current assets are calculated based on the straight line depreciation method over their expected useful life as follows:

Building	50 years
Plant and equipment	10 years

Depreciation charges on building are treated as part of administrative expenses while depreciation on plant and equipment are treated as part of cost of sales.
10. On 1 February 2014 one of Topsy Bhd's warehouses caught fire and losses incurred were estimated to be RM2,000,000.

Required:

Prepare for Topsy Bhd the following, in a form suitable for publication after taking into account the above information:

- (a) **A Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013.** (14 marks)
- (b) **A Statement of Changes in Equity for the year ended 31 December 2013.** (6 marks)
- (c) **A Statement of Financial Position as at 31 December 2013.** (10 marks)

[Total: 30 marks]

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Question 2

Sajika Enterprise is dealing with retailing business. The owner, Sajika did not keep a complete set of accounts. Below are information pertaining to the assets and liabilities as well as extracts from his business transactions.

As at	1 January 2013	31 December 2013
	RM	RM
Property, plant and equipment	58,000	64,000
Utility bills accrued	2,000	1,700
Trade receivables	66,000	77,000
Trade payables	35,000	28,000
Inventories	22,000	27,000

Extract from his bank statement:

	RM
Balance as at 1 January 2013	7,800
Receipts from trade receivable	211,000
Payments to/for:	
Trade payables	152,000
Purchase of Machinery	20,000
Operating expenses	14,500
Drawings	8,000

Cash receipt and payments for the year ended 31 December 2013 are as follow:

	RM
Balance as at 1 January 2013	9,000
Receipts from cash sales	52,000
Payments:	
Employees' salaries and wages	36,000
Operating expenses	3,000
Purchases	15,000

Other information:

1. Sajika's wife took some trading goods (costs RM2,000) from the business for private use.
2. One trade receivable owing RM1,100 passed away and the debts owe was not recoverable.
3. During the year, Sajika received cash discounts amounting to RM3,000 from his suppliers.
4. Goods costing RM1,200 were returned to supplier.
5. Included in the operating expenses were payments for utility bills for the business and insurance premium of RM1,650 paid for Sajika's son.

Required:

Prepare for Sajika Enterprise the following:

- (a) **A Statement of affairs as at 1 January 2013** (7 marks)
- (b) **A statement of profit or loss for the year ended 31 December 2013** (12 marks)
- (c) **A statement of financial position as at 31 December 2013** (6 marks)

[Total: 25 marks]

Question 3

Great Bhd is a trading company. Due to recent economic recession and changes in consumer spending pattern, revenue has decreased tremendously and the company has been suffering financial instability. Given below is the statement of financial position as at 31 October 2014.

Statement of financial position as at 31 October 2014

	RM'000
Non-current assets	
Freehold land & building (carrying value)	10,380
Plant and machinery (carrying value)	14,220
Intangible asstes	1,980
Current assets	
Inventories	5,640
Trade receivables	3,180
	<u>35,400</u>
EQUITY & LIABILITIES	
Ordinary shares of RM1 each	18,000
Share premium	5,760
Retained profit/(loss)	(1,944)
Non-current liabilities	
10% Debenture	5,400
Current liabilities	
Bank overdraft	1,920
Tax payable	720
Interest accrued	1,200
Trade payables	4,344
	<u>35,400</u>

The board of directors together with the management of the company had taken steps to rationalise the company's retailing and other business activities. The board of directors is very optimistic that the company has a viable foreseeable future. However, substantial cash is urgently needed to meet the existing pressing liabilities. Hence, a reconstruction scheme has been agreed by the interested parties for immediate implementation. Below are information in relation to the reconstruction scheme.

1. Some assets are to be restated at their fair values listed below:

	RM'000
Freehold Land and buildings	11,550
Plant and machinery	4,950
Trade receivables	2,310
Inventories	4,422

2. The nominal value of existing ordinary share is to be written down to 25 sen per share and eventually to be consolidated into shares with nominal value of RM1 per share. In addition, the existing shareholders are asked to subscribe to 6,000,000 new ordinary shares of RM1 each at par.
3. 25% of the debts due to trade payables are to be paid immediately.
4. The debenture holders have agreed to convert their debenture into 5,000,000 ordinary shares of RM1 each.
5. The interest due and tax payable are to be paid immediately in full.
6. Intangible assets are to be written off.
7. Share premium of RM2,000,000 is to be utilised for the scheme.
8. The debit balance of retained profit is to be written off.

Required:

- (a) **A capital reconstruction account of Great Bhd to show the effect of the reconstruction scheme.**
(9 marks)
- (b) **Prepare a Statement of Financial Position of Great Bhd immediately after the reconstruction scheme.**
(16 marks)

[Total: 25 marks]

Question 4

The financial statements of Tweedle Dee Bhd for the year ended 31 December 2013 together with a comparative statement of financial position are given below:

Statement of profit or loss and other comprehensive income for the year ended 31 December 2013

	RM'000
Revenue	6,450
Cost of sales	<u>(3,460)</u>
Gross profit	2,990
Distribution costs	(800)
Administrative expenses	(1,200)
Finance costs	<u>(80)</u>
Profit before tax	910
Income tax expense	<u>(228)</u>
Profit for the year	682
Other comprehensive income	
Gain on property revaluation	<u>20</u>
Total comprehensive income	<u>702</u>

Statements of financial position as at 31 December

	2013	2012
	RM'000	RM'000
Non – current assets		
Property , plant and equipment (CV)	3,800	3,000
Investments	120	100
Current assets		
Inventory	1,010	920
Accounts receivable	550	570
Bank	8	6
Total assets	<u>5,488</u>	<u>4,596</u>
Equity and liabilities		
Equity shares at RM1/- each	2,000	1,200
Share premium	150	Nil
Asset revaluation reserve	20	-
Retained profit	798	596
Non-current liabilities		
9% Loan note	-	1,350
6% Loan note	1,200	-
Lease payable	300	450
Deferred tax	220	310
Current liabilities		
Accounts payable	600	640
Lease payable	150	30
Income tax payable	50	20
Total equity and liabilities	<u>5,488</u>	<u>4,596</u>

The following information is relevant:

1. During the year, an item of plant with a carrying amount of RM130,000 was sold at a loss of RM30,000. Depreciation totaled RM80,000 was charged to cost of sales for property, plant and equipment for the year ended 31 December 2013. The revaluation reserve relates to a revaluation of a piece of property during the year.
2. Included in property, plant and equipment is a property costing RM210,000 leased during the year under finance lease.
3. The 9% loan notes were redeemed early incurring a penalty payment of RM10,000 which was charged as administrative expenses.
4. 10% of the investments qualify as cash and cash equivalents. No disposal of investments took place during the year.
5. During the year there was an issue of shares for cash.
6. A dividend was paid on 1 November 2013.

Required:

Prepare a Statement of Cash Flows for Tweedle Dee Bhd for the year ended 31 December 2013 in accordance with MFRS 107 *Statement of Cash Flows* using the indirect method. (A note to show the movements of cash and cash equivalent is not required)

[Total: 20 marks]