



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **ACC3123 CORPORATE REPORTING**
 Trimester & Year : JANUARY – APRIL 2019
 Lecturer/Examiner : JAMES LIOW
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
 - PART A (50 marks) : Answer ONE (1) compulsory question. Answers are to be written in the Answer Booklet provided.
 - PART B (50 marks) : Answer TWO (2) out of THREE (3) problem solving questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 6 (Including the cover page)

PART A : COMPULSORY QUESTION (50 MARKS)

INSTRUCTION (S) : There is **ONE (1)** compulsory question in this section. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

The following is the summarised statements of financial position of TA Bhd, CO Bhd and PI Bhd as at 30 June 2018:

Statements of Financial Position as at 30 June 2018			
	TA Bhd RM	CO Bhd RM	PI Bhd RM
Non-current assets			
Property, plant and equipment	2,078,400	1,351,000	560,000
Investment in subsidiary	1,680,000	320,000	-
Current assets			
Inventories	300,000	240,000	120,000
Account receivable	252,000	259,200	114,000
Bank	134,000	178,800	46,000
Total assets	4,444,400	2,349,000	840,000
Equity			
Ordinary shares	2,480,000	900,000	400,000
7% preference shares	320,000	480,000	-
General reserves	370,000	120,000	100,000
Retained profit at 1 July 2017	563,000	275,000	138,000
Profit for the year	239,400	90,000	76,000
Non-current liabilities			
8% debentures	340,000	250,000	50,000
Current liabilities			
Account payable	132,000	234,000	76,000
	4,444,400	2,349,000	840,000

Additional information:

- (i) Number of ordinary shares of each company are as follows:

TA Bhd	CO Bhd	PI Bhd
2,480,000	900,000	800,000

- (ii) Investments:

- TA Bhd acquired 80% of CO Bhd's ordinary shares on 1 October 2016, paying RM2.00 per share. Retained profit of CO Bhd on this date was RM207,000.
- Both TA Bhd and CO Bhd acquired 30% and 40% respectively of the issued ordinary shares in PI Bhd on 1 January 2018.

- (iii) Half of the inventory of CO Bhd were goods supplies by TA Bhd at cost plus 20%.
- (iv) The profits are deemed to accrue evenly throughout the year.
- (v) There were no transfers made to general reserves since the financial year ended on 30 June 2018.
- (vi) It is group's policy to measure non-controlling interests at the proportionate interest in the fair values of the net assets of the subsidiary on the date of acquisition.

Required:

- a) Explain the group structure of the three companies mentioned above. (4 marks)
- b) Prepare the Consolidated Statement of Financial Position of TA Bhd and its group of companies as at 30 June 2018. (46 marks)

[Total 50 marks]

END OF PART A

PART B : PROBLEM SOLVING QUESTIONS (50 MARKS)

INSTRUCTION (S) : There are **THREE (3)** questions in this section, answer only **TWO (2)** questions. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

Part A

On 31 May 2018, Tenaga Bhd purchased machineries for RM5 million. The supplier has agreed to accept payment for the machineries either in cash or in shares. The supplier can choose either 2.5 million shares of the company to be issued in six months' time or receive a cash payment in three months' time equivalent to the market value of 2 million shares.

The share price of Tenaga Bhd at 31 May 2018 is RM4.00 per share. It is estimated that the share price will be RM5.50 in three months' time and RM6.00 in six months' time.

Required

- a) Briefly explain the accounting treatment for MFRS 2 *Share-based Payments* when the counterparty (supplier, employee or consultant) has the right of choice of settlement. (4 marks)
- b) Determine the fair value amount of the equity instrument. (3 marks)
- c) Record the journal entries for the purchase of machineries. (3 marks)

Part B

On 1 January 2017, Tenaga Bhd granted 50 employees options to purchase 500 shares in the entity. The options will be exercised on 31 December 2018 for those employees who remain employed by the entity until that date. At the grant date, the options allow the employees to purchase the shares for RM10.00.

On 31 December 2017, the directors estimated that 10% of the relevant employees would leave during the two years vesting period. By 31 December 2018, only 2 employees had left Tenaga Bhd.

Required

- a) Show in a tabular form the amounts that will appear in the statement of financial position and statement of profit and loss of Tenaga Bhd as at 31 December 2017 and 31 December 2018 in respect of the share options. (6 marks)
- b) Record the journal entries in respect of the share options for the financial period ending 2017 and 2018. (4 marks)
- c) Assume that the share price of Tenaga Bhd was RM13.00 per share on 31 December 2017 and RM14.00 on 31 December 2018. Comment on the MFRS 2 for treatment of initial measurement and re-measurement of each reporting date between the equity settled share based payments and cash settled share based payments. (5 marks)

[Total 25 marks]

QUESTION 2

New World Bhd operates a defined benefit pension plan for its employees. As at a 1 April 2018, the fair value of the pension plan assets was RM18.0 million. The present value of the pension plan liabilities was RM9.5 million.

The actuary estimated that the service cost for the year to 31 March 2019 was RM3.0 million. The pension plan paid RM400,000 to retired employees. New World Bhd paid RM2.5 million in contributions to the pension plan in the year to 31 March 2019. The actuary estimated that the relevant discount rate for the year to 31 March 2019 was 7%.

On 31 March 2019, New World Bhd announced improvements to the benefits offered by the pension plan to all its employees. The actuary estimated that the past service cost associated with these improvements was RM3.0 million.

As at 31 March 2019, the actuary provided the amount of fair value of the pension plan assets was RM11.5 million. Whereas, the present value of the pension plan liabilities was RM13.0 million.

Required

In accordance with MFRS 119 *Employee Benefits*:

- a) Calculate the net measurement gain or loss of the defined benefit obligation. (9 marks)
- b) Calculate the net measurement gain or loss of the plan assets. (7 marks)
- c) Prepare the following extract of financial statement for the year ended 31 March 2019:
 - (i) Income statement
 - (ii) Other comprehensive income statement
 - (iii) Statement of financial position

(9 marks)

[Total 25 marks]

QUESTION 3

Lien Hua Incorporation prepares its financial statements in its functional currency, the Taiwan NT\$. Good Year Bhd, a Malaysian company acquires 75% of the equity of Lien Hua Incorporated on 1 January 2018. Given below are the financial statements of Lien Hua Incorporation for the year ended 31 December 2018.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018	
	NT\$'000
Sales	512,000
Cost of sales	(153,600)
Gross profit	358,400

Expenses	(52,000)
Profit before tax	306,400
Tax	(5,200)
Profit after tax	301,200
Movement in retained profit:	
Retained profit brought forward	112,000
Retained profit for the year	301,200
Dividend	(800)
Retained profit carried forward	412,400

Statement of Financial Position as at 31 December 2018	
	NT\$'000
Assets	
Property, plant and equipment	375,000
Inventory	22,000
Trade and other receivables	52,200
Bank	54,000
	503,200
Equity and liabilities	
Ordinary shares	20,000
Retained profit	412,400
Long-term loan	45,000
Trade payables	25,000
Dividend payable	800
	503,200

Required

Translate the financial statements of Lien Hua Incorporated into the Malaysian Ringgit given the following exchange rates:

	RM	NT\$
1 January 2018	0.12	1.00
31 December 2018	0.16	1.00
Average for 2018	0.18	1.00
Average for 2017	0.10	1.00

[Total 25 marks]

END OF QUESTION PAPER