



**FACULTY OF BUSINESS**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **ACC3123 CORPORATE REPORTING**  
Semester & Year : MAY – AUGUST 2024  
Lecturer/Examiner : JAMES LIOW  
Duration : 3 Hours

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**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 only TWO (2) out of THREE (3) problem solving questions given. 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 = 10 (Including the cover page)**

**PART A** : **COMPULSORY QUESTION (50 MARKS)**

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

**QUESTION 1**

Pelikan Bhd (PB) was incorporated in Malaysia and was listed on the Main Board of Bursa Malaysia. It has shareholdings in two other companies, Systematics Bhd (SB) and Supreme Setia Bhd (SSB).

Statement of financial position is shown below for all three companies as at 31 December 2023:

	Note	Pelikan RM'000	Systematics RM'000	Supreme Setia RM'000
<b>Non-current assets</b>				
Property, plant and equipment	1 & 5	380,000	355,000	152,000
Intangible assets	1	80,000	40,000	20,000
Investments	1, 2, 3 & 5	497,000	70,000	20,000
		957,000	465,000	192,000
<b>Current assets</b>				
Inventories	6	100,000	70,000	65,000
Trade receivables	7	80,000	66,000	50,000
Cash and cash equivalents	7	10,000	15,000	10,000
		190,000	151,000	125,000
<b>Total assets</b>		<b>1,147,000</b>	<b>616,000</b>	<b>317,000</b>
<b>Equity and liabilities</b>				
Ordinary shares of RM1.00 each		150,000	200,000	120,000
Retained earnings	1,2 & 3	498,000	186,000	60,000
Other components of equity	1,2 & 3	295,000	10,000	2,000
Total equity		943,000	396,000	182,000
<b>Non-current liabilities</b>				
Provision		34,000	-	-
Long-term borrowings		60,000	70,000	65,000
Other non-current liabilities		35,000	80,000	25,000
Total non-current liabilities		129,000	150,000	90,000
<b>Current liabilities:</b>				
Trade and other payable	7	50,000	55,000	35,000
Short-term borrowings		25,000	15,000	10,000
Total current liabilities		75,000	70,000	45,000
<b>Total equity and liabilities</b>		<b>1,147,000</b>	<b>616,000</b>	<b>317,000</b>

Additional information:

**Note 1 – Pelikan Bhd’s investment in Systematics Bhd**

On 1 January 2021, PB acquired 150 million shares in SB by means of a share exchange of one share in PB for every two shares acquired in SB. The market value of PB share at the date of acquisition was RM3.50.

On 1 January 2021, the individual financial statements of SB showed the following reserves balances:

- Retained earnings RM125 million
- Other components of equity RM8.0 million.

The directors of PB carried out a fair value exercise to measure the identifiable assets and liabilities of SB at 1 January 2021. The following matters emerged:

- Plant and equipment having a carrying amount of RM295 million had an estimated market value of RM340 million. The estimated remaining useful economic life of this plant at 1 January 2021 was five years.
- An in-process research and development (R&D) project existed at 1 January 2021 at the fair value of RM20 million. The fair value of the R&D project was capitalised in intangible assets. The project started to generate economic benefits on 1 January 2022 over an estimated period of four years.

The group accounting policy is to value any non-controlling interests (NCI) at their fair value at the acquisition date. On the date when PB acquired its interest in SB, the fair value of the NCI in SB was RM158 million.

**Note 2 – Pelikan Bhd’s investment in Supreme Setia Bhd**

On 1 January 2023, PB acquired 36 million shares in SSB by means of a cash payment of RM125 million. The individual financial statements of SSB showed the following reserves balances:

- Retained earnings RM45 million.
- Other components of equity RM1.0 million.

**Note 3 – Systematics Bhd’s investment in Supreme Setia Bhd**

On the same date on 1 January 2023, SB acquired 78 million shares in SSB with a cash consideration of RM70 million. The fair value of the non-controlling interest in SSB at 1 January 2023 was RM22 million.

**Note 4 – Impairment of goodwill**

Goodwill was reviewed for impairment at each reporting date and 10% should be provided for the investment of PB.

**Note 5 – Other investments**

At 31 December 2023, the fair values of the other financial asset equity investments of PB and SS were RM110 million and RM22 million respectively as permitted by MFRS 9 *Financial Instruments*, any fair value gains and losses on all these equity investments through profit or loss.

**Note 6 – Intra-group sale of inventories**

During the financial year ended 31 December 2023, SB sold goods to PB for RM2.0 million. These goods were sold at a mark-up on cost of 25%. Of these goods, 40% of these goods remained in the inventory of PB at the reporting date.

**Note 7 – Trade receivable and trade payable**

Recorded in the books of PB was an intra-group accounts payable of RM6.0 million owed to SB at year-end. However, the books of SB showed a balance of RM7.0 million owed by PB.

The difference was due to a cheque in transit from PB to SB which was received by SB only on 5 January 2024.

**Required**

- a) Calculate the effective interest of the group structure of the three companies mentioned above.  
*(Round up the effective interest rate to the nearest whole number)* (5 marks)
  
- b) Prepare the consolidated statement of financial position of Pelikan Bhd and its group of companies at 31 December 2023 in accordance with the Malaysian Financial Reporting Standards.  
(45 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**

Rashid Corporation Bhd (RCB) prepares its financial statements to 31 December each year. The following relevant information relates to the defined benefit employee compensation scheme for 2022 and 2023:

	RM'000
Present value of obligation at start of 2022	9,450
Market value of plan assets at start of 2022	11,158

	2022 RM'000	2023 RM'000
Current service cost	240	360
Benefits paid out	255	145
Contributions paid by entity	78	96
Present value of obligation at end of the year	12,576	13,460
Market value of plan assets at end of the year	11,250	14,340
Yield on corporate bonds at end of year	8%	5%

Additional information:

- (i) During the financial year 2022, the benefits available under the plan were improved and hence the rules of the plan were amended with retrospective effect. These amendments meant that the present value of the defined benefit obligation was increased by RM450,000 from that date. This amount represents the past service cost which must be recognised immediately.
- (ii) During the financial year 2023, RCB announced that one of the divisions was to be closed down and a number of redundancies were confirmed as part of this closure with some staff being reallocated to other divisions within RCB. The directors have approved the restructuring in a formal directors meeting.

The impact of these redundancies was to reduce the present value of the defined benefit obligation by RM1.0 million. Before 31 December 2023, RCB made payments of RM1.2 million to the employees affected by the redundancies in compensation for the curtailment of their benefits. These payments were made out of the assets of the retirement benefits plan.

- (iii) Assume that all transactions occur at the end of the year.

**Required**

- a) Calculate the net defined benefit obligation and plan assets as at the start and end of 2022 and 2023 showing clearly any remeasurement gain or loss on the plan each year. (11 marks)

- b) Prepare the following extract of financial statements in each of the year 2022 and 2023:
- (i) Statement of profit or loss
  - (ii) Statement of other comprehensive income
  - (iii) Statement of financial position (6 marks)
- c) The asset ceiling test (ACT) is applied when the net balance in the statement of financial position is a surplus, describe how MFRS 119 *Employee Benefits* limits the measurement of the net defined benefit asset? (4 marks)
- d) Describe the accounting recognition of the gain or loss on a curtailment and settlement and in which account that this gain or loss should be charged to. (4 marks)
- [Total 25 marks]**

## QUESTION 2

### Event 1

MFRS 2 *Share-based Payment* defines a share-based payment transaction as one in which an entity receives goods or services from a third party (including an employee) in a share-based payment arrangement. A share-based payment arrangement is an agreement between an entity and a third party which entitles the third party to receive either:

- Equity instruments of the entity (equity-settled share-based payments); or
- Cash or other assets based on the price of equity instruments of the entity (cash-settled share-based payments).

Share-based payment arrangements are often subject to vesting conditions which must be satisfied over a vesting period.

#### **Required:**

Explain the following for both cash-settled and equity-settled share-based payment arrangements:

- a) The basis on which the arrangements should be measured for an employee and third party. (3 marks)
- b) The conditions which must be fulfilled for an employee to exercise their right in a share-based payment arrangement. (3 marks)
- c) The accounting entries (debit and credit) required during the vesting period. (3 marks)

### Event 2: Granting of Share Appreciation Rights to Senior Executives

Trendy Corporation Bhd (TCB) is an entity which prepares financial statements to 31 December each year. On 1 January 2021, the board of directors had granted share appreciation rights (SAR) to 20 senior executives. Each executive will receive 500 rights on 31 December 2023 provided he or she continues to be employed by TCB at that date.

The following events take place during the following financial periods:

Year	No. of employees
2021	1 of these employees left TCB and expected that 2 more would leave during this period.
2022	2 of the employees left TCB and expected that 4 would leave during this period
2023	3 of the employees left TCB.

On 31 December 2023, 5 employees exercised their rights. The fair value of the share appreciation rights for the year in which liability exists are shown below:

Year	Fair value (RM)	Intrinsic value (RM)
2021	6.00	6.05
2022	6.20	6.25
2023	6.40	6.45

**Required**

- d) Show in a tabular form the amounts that will appear in the statement of financial position and statement of profit or loss of TCB as at 31 December 2021, 2022 and 2023 in respect of the SAR. (6 marks)
- e) Prepare the journal entries for the charge to profit or loss for employee services over the three years including when the SARs are exercised on 31 December 2023. (4 marks)

**Event 3: Granting of Options to Senior Executives**

On 1 January 2022, TCB granted share options to 100 senior executives. The options vest on 31 December 2024. The number of options granted per executive depend on the cumulative revenue for the three years ended 31 December 2024. Each executive will receive options as follows:

The granting of the options was subject to two conditions:

- (i) The staff member remains employed by TCB on 31 December 2024.
- (ii) The number of options granted per executive depend on the cumulative revenue in the three-year period ending on 31 March 2024 subject to satisfying other vesting conditions (see the table below).

Cumulative revenue for the three years	Number of options per staff
Less than RM180 million	100
At least RM180 million but less than or equal to RM270 million	200
More than RM270 million	300

TCB's revenue for the year ended 31 December 2022 was RM95 million. The directors of TCB have produced reliable budgets showing that the revenues of TCB for the next two years are likely to be:

Year ended	RM' million
31 December 2023	120

On 1 January 2022, the fair value of these share options was RM3.00 per option. This figure had increased to RM3.60 per option by 31 December 2023 and was expected to be RM5.00 per option by 31 December 2024.

All of the 100 executives who were granted the options on 1 January 2022 were expected to remain as employees throughout the three-year period ended 31 December 2024.

**Required**

- f) Show in a tabular form the amounts that will appear in the statement of financial position and statement of profit or loss of TCB as at 31 December 2022 and 2023 in respect of the share options. (4 marks)
- g) Prepare the journal entries for the charge to profit or loss for employee services over the two years. (2 marks)

**[Total 25 marks]**

**QUESTION 3**

**Event 1**

MFRS 121 *The Effects of Changes in Foreign Exchange Rates* prescribes the accounting treatment for foreign currency transactions.

**Required:**

- a) Under MFRS 121, describe any **TWO (2)** primary indicators to be considered when determining a functional currency. (4 marks)
- b) Explain the accounting treatment for monetary and non-monetary items under MFRS 121. Provide an example of accounts of monetary and non-monetary item. (4 marks)

**Event 2**

Southern Cable Bhd (SCB) is an entity which prepares financial statements to 31 December each year. The functional currency of SCB is in Ringgit Malaysia (RM).

On 1 June 2023, SCB purchased some inventory from a supplier in Texas, USA whose functional currency was the USD. The total purchase price was USD120,000. The terms of the purchase were that SCB would pay for the goods in two instalments. The first instalment payment of USD42,000 was due on 15 July 2023 and the final payment of USD78,000 on 30 January 2024. Both payments were made on the due dates.



The following exchange rates of USD1.00 applied during the financial year:

Date	RM
1 June 2023	4.64
15 July 2023	4.75
31 December 2023	4.41
30 January 2024	4.44

**Required**

c)	Prepare journal entries to record the above transactions including the realised and unrealised gain or loss arising from the transactions as at the dates mentioned above.	(5 marks)
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**Event 3**

On 1 January 2023, SCB acquired 100% equity of Northern Carriage Limited (NCL), a public listed company in USA. In accordance with the MFRS 121 *The Effects of Changes in Foreign Exchange Rates*, SCB is required to present its financial statements in its functional currency, the Malaysian Ringgit (RM) for the purposes of consolidation.

Given below are the financial statements of NCL for the year ended 31 December 2023:

<b>Statement of Comprehensive Income for the Year Ended 31 December 2023</b>	
	<b>USD</b>
Sales	1,540,000
Cost of goods sold	(910,000)
Gross profit	630,000
Distribution costs	(212,500)
Administrative expenses	534,500
Other expenses	(157,000)
Finance costs	(84,000)
Profit before tax	711,000
Income taxes	(140,000)
<b>Net profit</b>	<b>571,000</b>

<b>Extract from the Statement of Changes in Equity as at 31 December 2023</b>	
	<b>USD</b>
Retained earnings at the beginning of year	954,000
Net profit	571,000
Dividends	(120,000)
<b>Retained earnings at the end of year</b>	<b>1,405,000</b>

<b>Statement of Financial Position as at 31 December 2023</b>	
	<b>USD</b>
Property, plant and equipment	2,230,000
Inventory	561,000
Accounts receivable	300,000
Cash	250,000
<b>Total assets</b>	<b>3,341,000</b>
Accounts payable	225,500
Overdraft	10,500
Loan	1,150,000
<b>Total liabilities</b>	<b>1,386,000</b>
Ordinary share capital	550,000
Retained earnings	1,405,000
<b>Total equity</b>	<b>1,955,000</b>
<b>Total liabilities and equity</b>	<b>3,341,000</b>

The applicable exchange rates of USD1.00:

	<b>RM</b>
1 January 2023	4.54
31 December 2023	4.15
Average in 2022	4.12
Average in 2023	4.09

**Required**

d) Translate the following financial statements of Northern Carriage Limited at 31 December 2023 in the presentation currency of Ringgit Malaysia for the purposes of consolidation:

- (i) Statement of comprehensive income (2 marks)
- (ii) Extract of statement of changes in equity (2 marks)
- (iii) Statement of financial position (8 marks)

**[Total 25 marks]**

**END OF QUESTION PAPER**