



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 : MAY – AUGUST 2018
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 summarized statements of financial position of Tart Bhd, Cookies Bhd and Pies Bhd as at 30 June 2017:

Statements of Financial Position as at 30 June 2017			
	Tart Bhd RM	Cookies Bhd RM	Pies 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 2016	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:

Tart Bhd	Cookies Bhd	Pies Bhd
2,480,000	900,000	800,000

- (ii) Investments:

- Tart Bhd acquired 80% of Cookies Bhd's ordinary shares on 1 October 2015, paying RM2.00 per share. Retained profit of Cookies Bhd on this date was RM207,000.
- Both Tart Bhd and Cookies Bhd acquired 30% and 40% respectively of the issued ordinary shares in Pies on 1 January 2017.

- (iii) Half of the inventory of Cookies Bhd were goods supplies by Tart 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 2015.
- (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 Tart Bhd and its group of companies as at 30 June 2017. (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 2017, Thomson 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 Thomson Bhd at 31 May 2017 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, Thomson 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 Thomson 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 Thomson 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 Thomson 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

Newton Bhd operates a defined benefit pension plan for its employees. As at 1 April 2017, 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 2018 was RM3.0 million. The pension plan paid RM400,000 to retired employees. Newton Bhd paid RM2.5 million in contributions to the pension plan in the year to 31 March 2018. The actuary estimated that the relevant discount rate for the year to 31 March 2018 was 7%.

On 31 March 2018, Newton 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 2018, 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 2018:
 - (i) Income statement
 - (ii) Other comprehensive income statement
 - (iii) Statement of financial position

(9 marks)

[Total 25 marks]

QUESTION 3

Bacone Ltd prepares its financial statements in its functional currency, the Brazilian Real (R\$). Samcun Bhd, a Malaysian company acquires 75% of the equity of Bacone Ltd on 1 January 2017. Given below are the financial statements of Bacone Ltd for the year ended 31 December 2017.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017	
	R\$'000
Sales	112,000
Cost of sales	(78,000)
Gross profit	34,000
Expenses	(14,500)
Profit before tax	19,500
Tax	(3,900)
Profit after tax	15,600

Movement in retained profit:	
Retained profit brought forward	8,500
Retained profit for the year	15,600
Dividend	(300)
Retained profit carried forward	23,800

Statement of Financial Position as at 31 December 2017	
	R\$'000
Assets	
Property, plant and equipment	39,100
Inventory	9,900
Trade and other receivables	10,000
Bank	6,900
	65,900
Equity and liabilities	
Ordinary shares	10,000
Retained profit	23,800
Long-term loan	11,000
Trade payables	20,800
Dividend payable	300
	65,900

Required

Translate the financial statements of Bacone Ltd into the Malaysian Ringgit given the following exchange rates:

	RM	R\$
1 January 2017	1.50	1.00
31 December 2017	2.00	1.00
Average for 2017	1.40	1.00
Average for 2016	2.20	1.00

[Total 25 marks]

END OF QUESTION PAPER