



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **ACC3123 CORPORATE REPORTING**
Semester & Year : SEPTEMBER – DECEMBER 2022
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 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.

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

Pacific Bhd (Pacific) was incorporated in Malaysia and was listed on the Main Board of Bursa Malaysia. It has shareholdings in two other companies, Seafarer Bhd (Seafarer) and Super Skypark Bhd (Super Skypark). Statement of Financial Position is shown below for all three companies as at 31 December 2021:

	Pacific Bhd RM' million	Seafarer Bhd RM' million	Super Skypark Bhd RM' million
Non-current assets:			
Property, plant & equipment	758	326	159
Investments	1,200	40	25
	1,958	366	184
Current assets:			
Inventories	235	153	65
Trade receivables	188	134	42
Cash & bank	100	36	20
	523	323	147
Total assets	2,481	689	311
Equity:			
Equity share capital of RM1.00 each	1,000	400	100
Other equity reserves	200	30	80
Retained earnings	977	112	70
	2,177	542	250
Current liabilities:			
Contingent consideration	38	-	-
Trade payables	161	127	46
Tax payable	25	20	15
Dividend payable	80	-	-
Total current liabilities	304	147	61
Total equity & liabilities	2,481	689	311

The following additional information is relevant:

- (i) Pacific bought 320 million ordinary shares in Seafarer on 1 January 2021, when the other equity reserves of Seafarer were RM20 million and the retained earnings of Seafarer were RM132 million. The consideration was agreed at RM800 million. This was satisfied by the issue of 200 million

equity shares by Pacific at an agreed fair valuation of RM750 million, plus RM50 million to be paid by Pacific on 1 January 2022. The contingent element of the consideration was recorded at its fair value of RM38 million at 1 January 2021.

At 1 January 2021, some equipment held by Seafarer had a fair value RM25 million in excess of its carrying value. This equipment had a remaining useful economic life of 5 years at that date.

The group accounting policy is to value any non-controlling interests (NCI) at their fair value at the acquisition date. On the date, Pacific acquired its interest in Seafarer, the fair value of the NCI in Moran was RM130 million.

- (ii) Pacific acquired 30 million shares in the ordinary shares of Super Skypark on 1 January 2021, when the other equity reserves of Super Skypark were RM75 million and the retained earnings balance in Super Skypark' books stood at RM60 million. The consideration consisted of an immediate cash payment of RM300 million.
- (iii) On the same date, Seafarer acquired 60 million shares in Super Skypark with a cash consideration of RM40 million. The fair value of the non-controlling interest in Super Skypark at 1 January 2021 was RM2.0 million.
- (iv) Goodwill was reviewed for impairment at each reporting date, and 10% should be provided for the investment of Pacific.
- (v) At 31 December 2021, the fair values of the financial asset equity investments of Pacific and Super Skypark were RM150 million and RM30 million respectively, as permitted by MFRS 9 *Financial Instruments*, any fair value gains and losses on all these equity investments through profit or loss.
- (vi) During the financial year ended 31 December 2021, Pacific sold goods to Seafarer for RM30 million. These goods were sold at a mark-up on cost of 100%. Of these goods, 40% of these goods remained in the inventory of Seafarer at the reporting date.
- (vii) Recorded in the books of Pacific was an intra-group accounts payable of RM20 million owed to Seafarer at year-end. However, the books of Seafarer showed a balance of RM22 million owed by Pacific. The difference was due to a cheque in transit from Pacific to Seafarer which was received by Seafarer only on 5 January 2022.
- (viii) All workings and solutions should be completed to the nearest RM million.

Required:

- a) Calculate the effective interest of the group structure of the three companies mentioned above.
(5 marks)
 - b) Prepare the Consolidated Statement of Financial Position of Pacific Bhd and its group of companies as at 31 December 2021 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

The following information relates to the defined benefit employee compensation scheme of Ann Tong Tech Bhd (ATT):

	RM'000
Present value of obligation at start of 2020	25,000
Market value of plan assets at start of 2020	24,800

	2020 RM'000	2021 RM'000
Current service cost	2,250	2,430
Benefits paid out	1,987	2,100
Contributions paid by entity	1,250	1,550
Present value of obligation at end of the year	28,000	24,750
Market value of plan assets at end of the year	25,820	25,140
Yield on corporate bonds at end of year	9%	10%

During 2020, the benefits available under the plan were improved. The resulting increase in the present value of the defined benefit obligation was RM2.0 million. This amount represents the past service cost which must be recognised immediately.

On the final day of 2021, ATT divested of part of its business, and as part of the sale agreement, transferred the relevant part of its pension fund to the buyer. The present value of the defined benefit obligation transferred was RM7.2 million and the fair value of plan assets transferred was RM6.4 million.

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 2020 and 2021 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 2020 and 2021:
 - (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 it to. (4 marks)

[Total 25 marks]

QUESTION 2

Scenario 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. (2 marks)
- c) The accounting entries (debit and credit) required during the vesting period. (3 marks)

Scenario 2

Management of Star Bright Bhd (SBB) is worried about excessive turnover of employees. The board of directors has suggested to grant 250 cash share appreciation rights (SARs) to each of its 400 employees subject to condition that the employees continue to work for the entity for three years. The board approved the proposal from 1 July 2019.

The following events take place during the following financial periods:

Year	No. of employees
2019	20 of these employees left the entity and expected that 40 more would leave during this period.
2020	24 of the employees left the entity and expected that 20 would leave during this period
2021	30 of the employees left the entity.

On 30 June 2021, 125 employees exercised their rights. The fair value of the share appreciation rights for the year in which liability exists are shown below, together with the intrinsic value at the date of exercise:

Year	Fair value (RM)	Intrinsic Value
2019	11.50	11.50
2020	14.00	14.50
2021	16.50	17.00

Required

- Show in a tabular form the amounts that will appear in the statement of financial position and statement of profit or loss of SBB as at 31 December 2019, 2020 and 2021 in respect of the share options. (6 marks)
- Record 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 2021. (4 marks)

Scenario 3

On 1 January 2019, Excel Holdings Bhd (EHB) grants share options to its employees, details of which are as follows:

Number of employees	10
Number of options to each employee	200
Vesting period	3 years
Fair value at grant date	RM3.00 per share
Expected employee turnover	10%

On 31 December 2020, the entity revised its estimates of employee turnover to 30% for the three-year vesting period. Finally, by 31 December 2021, 20% of the employees actually left Eden Bhd.

However according to the performance conditions, the options only vested if EHB meet the following sales targets:

Year	Sales Target (RM)
2019	1,000,000
2020	1,500,000
2021	3,000,000

On 1 November 2019, EHB expected that the revenue would be RM1,800,000. After the financial results for the year ended 31 December 2019, the EHB estimated the revenue would grow to RM2,100,000. However, due to the economic downturn in year 2021, EHB expected that the revenue of RM3.0 million would not be met.

Required

- Show in a tabular form the amounts that will appear in the statement of financial position and statement of profit or loss of EHB for the 3 years in respect of the share option scheme. (4 marks)

- b) Record the journal entries for the charge to profit or loss for employee services over the three years including the options are not exercised. (3 marks)

[Total 25 marks]

QUESTION 3

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

- 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)
- c) Berjaya United Corporation Bhd's (BUC) functional currency is Ringgit Malaysia (RM). On 16 February 2022, BUC purchased goods on credit for US\$200,000. On 23 March 2022, BUC paid 80% of the balance outstanding, and the remainder was paid on 15 April 2022. BUC has a year end of 31 March.

The following are the prevailing exchange rates of USD\$1.00:

Date	RM
16 February 2022	4.19
23 March 2022	4.25
31 March 2022	4.15
15 April 2022	4.22

Required

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)

- d) On 1 April 2021, BUC acquired 100% equity of Success Limited, a public listed company in Bermuda. In accordance with the MFRS 121 *The Effects of Changes in Foreign Exchange Rates*, BUC 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 Freight Ltd for the year ended 31 March 2022:

Statement of Comprehensive Income for the Year Ended 31 March 2022	
	USD '000
Revenue	146,114
Cost of sales	(113,969)
Gross profit	32,145
Distribution costs	(150)
Administrative expenses	(9,000)
Other expenses	(1,000)

Finance costs	(3,000)
Profit before tax	18,995
Income tax expense	(4,495)
Profit for the year	14,500

Extract from the statement of changes in equity	
	USD '000
Retained earnings at the beginning of year	18,000
Profit for the year	14,500
Dividend	(3,000)

The statements of financial position at 31 March 2022	
	USD '000
Property, plant and equipment	85,000
Inventory	8,000
Accounts receivable	12,000
Cash	5,000
Total assets	110,000

Accounts payable	5,500
Overdraft	5,000
Loan	50,000
Total liabilities	60,500
Ordinary share capital	20,000
Retained earnings	29,500
Total equity	49,500
Total liabilities and equity	110,000

The applicable exchange rates of USD1.00:

	RM
1 April 2021	4.54
31 March 2022	4.15
Average in 2021	4.12
Average in 2022	4.09

Required

Translate the following financial statements of the Success Limited subsidiary at 31 March 2022 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