



**FACULTY OF BUSINESS**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **ACC3113 FINANCIAL REPORTING 2**  
Semester & Year : SEPTEMBER – DECEMBER 2023  
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 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.

**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  
SECTION A**

Panther Bhd (PB) a parent with a subsidiary Saab Bhd (SB) is preparing the consolidated statement of financial position at 31 December 2022. The draft statements of financial position for both entities as at 31 December 2022 are given below:

<b>Statement of Financial Position as at 31 December 2022</b>			
	<b>Note</b>	<b>Panther Bhd (RM'000)</b>	<b>Saab Bhd (RM'000)</b>
<b>Non-current assets</b>			
Property, plant and equipment	(ii) & (iii)	966,500	546,000
Investment	(i) & (iv)	580,000	20,000
		<b>1,546,500</b>	<b>566,000</b>
<b>Current assets</b>			
Inventories	(v)	165,000	92,000
Trade receivables	(vi)	99,000	76,000
Cash and cash equivalents	(vi)	59,400	96,000
		<b>323,400</b>	<b>264,000</b>
<b>Total assets</b>		<b>1,869,900</b>	<b>830,000</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital (RM1.00 shares)		360,000	160,000
Retained earnings	(ii)	570,000	360,000
Revaluation reserve	(ii)	102,000	80,000
		<b>1,032,000</b>	<b>600,000</b>
<b>Non-current liabilities</b>			
Long-term borrowings		300,000	85,000
<b>Current liabilities</b>			
Trade payables	(vi)	110,000	91,000
Other payable		256,500	54,000
Deferred consideration	(i)	171,400	-
		<b>537,900</b>	<b>145,000</b>
<b>Total liabilities</b>		<b>837,900</b>	<b>230,000</b>
<b>Total equity and liabilities</b>		<b>1,869,900</b>	<b>830,000</b>

Additional information:

- (i) PB acquired 75% of SB equity share capital on 1 January 2021.  
The acquisition consideration at the date of acquisition consists of the following:
- Cash amounting to RM128.6 million paid on 1 January 2021.
  - A share exchange of one new share in PB for every two acquired shares in SB. The market value of PB's shares was RM2.50 each.
  - In addition, PB will pay a further RM200 million to the owner of SB on 1 January 2024. PB has a cost of capital of 8%. The appropriate discount rate is 0.857.
- (ii) The directors of PB carried out a fair value exercise to measure the identifiable assets and liabilities of SB on the date of acquisition. The following matters emerged:
- The retained earnings balance of SB at the date of acquisition stood to be RM240 million and the revaluation reserves of SB were RM50 million.
  - A fair value exercise carried out on 1 January 2021 concluded that the carrying amount of SB's net assets approximated their fair value with the exception of an item of plant and equipment which had a carrying amount of RM10 million above its fair value. At 31 December 2022, the plant and equipment had a remaining economic useful life of ten years. Depreciation is charged to cost of sales.
  - It is the groups' policy to measure the non-controlling interest at fair value of SB at the date of acquisition. The fair value of SB's shares was RM3.50 per share.
- (iii) On 31 December 2022, PB carried out an impairment review which identified that the goodwill on the acquisition of SB was impaired by 10%.
- (iv) PB adopted revaluation model to measure its property, plant and equipment in accordance with MFRS 116 *Property, Plant and Equipment*.
- (v) As at 31 December 2022, the remaining investments in the books of PB and SB consist of equity investments. These had a fair value of RM150 million and RM25,000 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 year ended 31 December 2022, SB sold goods worth RM24 million to PB, SB reported a gross profit markup of 25% of all its sales. PB still had 30% of these goods in its inventory as at 31 December 2022.
- (vii) At 31 December 2022, SB had a trade receivable balance of RM20 million owned by PB. The amount differed to the balance in PB due to cash in transit of RM15 million. This cheque was received by SB on 5 January 2023.

**Required:**

Prepare the consolidated statement of financial position of Panther Bhd as at 31 December 2022.

**(Subtotal: 30 marks)**

## SECTION B

Panamera Bhd (PB) a parent company with one subsidiary, Starex Bhd (SB) is preparing the consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2022. The draft statements of profit or loss and other comprehensive income are as follows:

<b>Statement of Comprehensive Income for the Year Ended 31 December 2022</b>		
	<b>Panamera Bhd (RM'000)</b>	<b>Starex Bhd (RM'000)</b>
Revenue	64,800	39,000
Cost of sales	(26,000)	(16,000)
Gross profit	38,800	23,000
Distribution expenses	(5,000)	(2,000)
Administrative expenses	(9,000)	(3,500)
Operating profit	24,800	17,500
Investment income	7,000	-
Finance costs	(4,000)	(2,500)
Profit before tax	27,800	15,000
Income tax expenses	(7,000)	(4,000)
<b>Net profit</b>	<b>20,800</b>	<b>11,000</b>
Other comprehensive income:		
Gain on property revaluation	5,000	3,000
<b>Total comprehensive income</b>	<b>25,800</b>	<b>14,000</b>

The following information is relevant to the preparation of the group financial statements:

### Note: Investment in SB

- (i) On 1 January 2021, PB acquired 180 million equity shares in SB. On that date SB had 200 million equity shares in issue. PB made a cash payment of RM60 million to the former shareholders of SB on 1 January 2021 and agreed to make a further payment of RM26.62 million on 31 December 2023.

PB had correctly accounted for the deferred payment in its financial statements for the year ended 31 December 2021 but has made no further entries in its financial statements for the year ended 31 December 2022. An appropriate annual rate to use in any discounting calculations is 10%. At a discount rate of 10% per annum the present value of RM1.00 payable in three years is RM0.7513.

- (ii) The directors of PB measured the non-controlling interest in SB using the proportionate share of the net assets of SB at that date.
- (iii) The net assets of SB as shown in the individual financial statements totalled RM20 million. The following matters emerged on the date of acquisition:
- Plant and equipment having a carrying amount of RM260 million had an estimated fair value of RM265 million. The estimated remaining useful life of this plant was four years.

- A contingent liability of RM2.4 million relating to a pending legal case was disclosed in the notes to the financial statements of SB at 1 January 2021. The contingency was settled during the year ended 31 December 2022.
- All depreciation and amortisation of non-current assets is to be charged to cost of sales in the consolidated financial statements.

**Note: Impairment review of goodwill on acquisition of SB**

- (iv) On 31 December 2022, PB carried out an impairment review which identified that the goodwill on the acquisition of SB was impaired by RM2.0 million and to be charged to cost of sales.

**Note: Dividend paid by SB**

- (v) On 30 June 2022, SB paid a dividend of RM5.0 million. This was the only dividend paid by SB in the year ended 31 December 2022 and was appropriately recognised as investment income by PB.

**Note: Long term loan to SB**

- (vi) On 1 January 2021, PB made a long-term loan to SB of RM25 million. The loans are included in the financial statements of SB at this amount. These long-term loans attract interest at an annual rate of 8%. Both PB and SB have correctly accounted for this investment income and finance costs respectively in their individual financial statements for the year ended 31 December 2022.

**Note: Intra-group trading**

- (vii) PB supplies SB with a raw material which it uses in its production process. PB applies a mark-up of 25% to its cost. Sales of the raw material by PB to SB in the year ended 31 December 2022 totalled RM10 million.

On 31 December 2021 and 2022, the inventories of SB included goods costing RM2.0 million and RM3.0 million respectively which had been purchased from PB.

**Required:**

- a) Calculate the consolidated goodwill as at 31 December 2022. (6 marks)
- b) Prepare the consolidated statement of profit or loss and other comprehensive income of Panamera Bhd for the year ended 31 December 2022. *(Show clearly the profits attributable to the parent and non-controlling interest).* (14 marks)

**(Subtotal: 20 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.

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**QUESTION 1**

Riverview Corporation Bhd (RCB) prepares its financial statements to 31 March each year. On 1 April 2022, RCB entered into a contract to acquire a specialised piece of plant and equipment from China supplier.

The agreement provided for 5 annual payments of RM15.5 million payable in arrears and the first payment was made on 31 March 2023. In addition, payment of a deposit of RM30 million was required on 1 April 2022. The interest rate implicit in the lease is 6% per annum.

RCB incurred the following costs in the course of arranging the plant and equipment:

	RM
Legal fees of executing the lease	8,500
Commissioning the plant and equipment	12,000
Carriage charges incurred to transport the plant and equipment	4,500
Cost of air tickets and accommodation to China for visiting the supplier before signing the agreement	14,500

The board of directors of RCB has unanimously agreed to exercise the purchase option at the end of the lease term which is provided in the agreement. The plant and equipment has an economic useful life of 5 years with no residual value.

Assumptions:

Taxation implications are to be ignored.

The present value factor for an ordinary annuity for RM1.00 at the interest rate of 6% is 4.2124.

**Required**

- List any **FOUR (4)** definitions or series of test, at the inception of the contract to assess whether the assets are in accordance to Paragraph 9 of MFRS 16 *Leases*. (4 marks)
- Under the MFRS 16 *Leases*, there is only one lease accounting model for all leases. List **THREE (3)** exemptions if the entity is not applying the requirements of MFRS 16 and indicate the accounting treatments if the exemptions apply. (4 marks)
- Calculate the initial amount to be recognised as right of use asset in the statement of financial position at the commencement of the lease term. (5 marks)
- Prepare a lease liability schedule showing how the finance charges, liability at the beginning and the start of the period would be allocated to each of the 5 years. (5 marks)

- e) Show an extract of the statement of financial position for the first 2 years period in respect of the lease in the books of Riverview Corporation Bhd.
- (i) Non-current assets at carrying amount
  - (ii) Non-current liabilities
  - (iii) Current liabilities
- (4 marks)
- f) Discuss on the treatment of depreciation charges whether the right of use asset should be depreciated over the asset useful life or over the lease term period.
- (3 marks)
- [Total 25 marks]**

## QUESTION 2

The following **THREE (3)** cases are to be treated separately:

### Case 1

Etika Resources Bhd (ERB) prepares financial statements to 31 March each year. The following events have occurred which are relevant to the year ended 31 March 2023:

On 1 April 2022, ERB purchased a new head office property for RM60 million. The directors of ERB estimated that the initial cost of the property should be allocated as follows for accounting purposes:

	RM' million
Top three floors of building	15
Remainder – buildings component	20
Remainder – land component	25
<b>Total</b>	<b>60</b>

On 1 April 2022, ERB leased out the top three floors of the property to a third party on a long-term lease. The annual rental receivable by ERB was RM2.0 million, starting on 31 March 2023. The top three floors of the property were capable of being sold in a separate transaction.

On 31 March 2023, the property had an estimated total fair value of RM64 million. The directors consider that 25% of this fair value was attributable to the top three floors of the property. The directors of ERB wish to use the cost model for measuring property, plant and equipment and the fair value model for measuring investment property. ERB depreciates the buildings component of properties over an estimated useful life of 50 years, with no estimated residual value. The rental payable to ERB on 31 March 2023 was paid in accordance with the terms of the lease.

### Required

- a) Advise the management how the properties should be accounted for with the scope of MFRS 140 *Investment Properties* and MFRS 116 *Property, Plant and Equipment*. (4 marks)
- b) Prepare the journal entries to record the transactions on 31 March 2023. (6 marks)

## Case 2

ERB owns another building at Bukit Bintang that it rents out to independent third parties. The ERB provides cleaning, security and maintenance services for the lessees of the building. To do this, ERB's building administration and maintenance staff occupy a part of the building that measures less than 1% of the floor area of the building.

### Required

- c) Advise the management whether the properties should be accounted for with the scope of MFRS 140 *Investment Properties* and MFRS 116 *Property, Plant and Equipment*. (4 marks)
- d) Assume that the building is rented out to its subsidiary in return for rental payment. The subsidiary uses the building as a retail outlet. Discuss how the property is accounted for in the book of ERB and its consolidated group accounts by reference to the relevant accounting standard. (4 marks)

## Case 3

Good Year Plantation Bhd (GYPB) carries plantation activities at Peak Highland which include growing oil palm trees, harvesting the palm fruits, and producing and bottling the palm oil into edible vegetable oils in various packaging at its factory.

On 1 June 2022, GYPB purchased 500 cattle at a cost of RM300,000. It is estimated that the fair value of the cattle in the market on 31 December 2022 is RM365,000. The company estimates that commission to dealers is about RM12,500 if they decide to sell the cattle. The company's financial year end is 31 December 2022.

### Required

- e) Explain the accounting treatments of the activities reported by GYPB with reference to the relevant accounting standards. (3 marks)
- f) Prepare the journal entries to record the transactions for the financial year ended 31 December 2022 including the purchase of the cattle. (4 marks)

**[Total 25 marks]**

## QUESTION 3

The following events occurred for the financial period ending 31 December 2022 for Jaya Group Bhd (JGB):

- (i) On 1 March 2022, JGB bought 50,000 shares in a public listed company, Jati Holdings Bhd. Each share costs RM2.00 to purchase and a fee of RM0.02 per share was paid as commission to a broker. JGB has no intention to keep the shares as long-term investment and has decided to sell off in 2023 when the price of the shares goes up by 15%. The fair value of each share at 31 December 2022 was RM2.70.



- (ii) On 1 May 2022, JGB bought 20,000 shares in a public listed company, Omega Plus Bhd (OMB) at RM1.50 per share and incurred transaction costs of RM0.02 per share. JGB acquired the shares as part of a long-term strategy and intend to keep the shares for its dividends and also for capital gain in the future.

On 30 September 2022, OMB declared and paid the final dividend of RM0.10 per share. The fair value of the shares was RM2.85 per share as at 31 December 2022.

- (iii) JGB issued a 5-year debenture on 1 January 2022 for RM1.0 million. The bonds are held to pay interest at 8% per annum. The annual rate of interest implicit in this arrangement is at 10%.

**Required**

In each of the above three events:

- a) Indicate the business model used. (6 marks)
- b) Prepare the journal entries to record the transactions in the financial statements of Jaya Group Bhd for the year ended 31 December 2022. (The journal entries must include the initial measurement and amount to be charged to profit or loss or to other comprehensive income). (13 marks)
- c) Calculate the carrying amount of the financial assets as at 31 December 2022. (6 marks)

**[Total 25 marks]**

**END OF QUESTION PAPER**