



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 2023
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

Parkland Bhd (Parkland) was incorporated in Malaysia and was listed on the Main Board of Bursa Malaysia. It has shareholdings in two other companies, Sentoria Bhd (Sentoria) and Suria Sinar Bhd (Suria Sinar).

Statement of financial position is shown below for all three companies as at 30 September 2023:

	Note	Parkland Bhd RM'000	Sentoria Bhd RM'000	Suria Sinar Bhd RM'000
Non-current assets				
Property, plant and equipment	(i)	320,000	235,000	220,000
Intangible assets	(i)	55,000	60,000	-
Investments	(i) – (iii), (vi)	380,000	75,000	20,000
		755,000	370,000	240,000
Current assets				
Inventories	(iv)	88,000	61,000	42,000
Trade receivables	(v)	65,000	49,000	38,000
Cash and cash equivalents		12,000	10,000	9,000
		165,000	120,000	89,000
Total assets		920,000	490,000	329,000
Equity and Liabilities				
Equity				
Share capital at RM1.00		195,000	150,000	50,000
Retained earnings		185,000	115,000	75,000
Other components of equity		192,000	11,000	12,000
		572,000	276,000	137,000
Non-current liabilities				
Long-term borrowings		170,000	129,000	128,000
Current liabilities				
Deferred consideration	(i)	35,000	-	-
Trade and other payables	(v)	48,000	45,000	34,000
Short-term borrowings		95,000	40,000	30,000
		178,000	85,000	64,000
Total liabilities		348,000	214,000	192,000
Total equity and liabilities		920,000	490,000	329,000

Additional information:

(i) Parkland's investment in Sentoria

On 1 October 2022, Parkland acquired 120 million shares in Sentoria by means of a share exchange. The terms of the business combination were as follows:

- Parkland issued five shares for every six shares acquired in Sentoria. On 1 October 2022, the market value of Parkland share was RM2.40. This share issue has been correctly reflected in the financial statements of Parkland.
- Parkland will make a further cash payment of RM40.84 million to the former shareholders of Sentoria on 30 September 2025. Parkland has a cost of capital of 8%. The appropriate discount rate is 0.857.

The directors of Parkland carried out a fair value exercise to measure the identifiable assets and liabilities of Sentoria at 1 October 2022. The following matters emerged:

- The retained earnings balance of Sentoria at the date of acquisition stood to be RM98 million and the other components of equity was RM5.0 million.
- Plant and equipment having a carrying amount of RM120 million had an estimated market value of RM130 million. The estimated future economic life of the plant and equipment at 1 October 2022 was five years and this estimate remains valid.
- Intangible assets with an estimated market value of RM12 million had not been recognised in the individual financial statements of Sentoria. At 1 October 2022, the estimated future economic lives of these intangible assets were five years.

It is the group policy to value the non-controlling interest in subsidiaries at the date of acquisition at fair value. The market value of an equity share in Sentoria at 1 October 2022 was RM1.70 and can be used for this purpose.

On 30 September 2023, Parkland carried out an impairment review which identified that the goodwill on the acquisition of Sentoria was impaired by 10%.

(ii) Parkland's investment in Suria Sinar

Parkland acquired 15 million shares in the ordinary shares of Suria Sinar on 1 October 2022 when the retained earnings stood at RM66 million and the other components of equity reserves were RM10 million. The consideration consisted of an immediate cash payment of RM80 million.

(iii) Sentoria's investment in Suria Sinar

On the same date, Sentoria acquired 30 million shares in Suria Sinar with a cash consideration of RM70 million. The fair value of the non-controlling interest in Suria Sinar at 1 October 2022 was RM22 million.

(iv) Inter-company sale of inventories

The inventories of Sentoria and Suria Sinar at 30 September 2023 included goods produced by Parkland. Parkland sold goods to Sentoria and Suria Sinar for RM14 million and RM12 million respectively. Of these goods, 40% of these goods remained in the inventory of Sentoria and Suria Sinar at the reporting date. Parkland reported a gross profit markup of 25% of all its sales.

(v) Trade receivable and trade payable

Recorded in the books of Parkland was an intra-group accounts payable of RM7.0 million owed to Sentoria at year-end. However, the books of Sentoria showed a balance of RM8.0 million owed by Parkland. The difference was due to a cheque in transit from Parkland to Sentoria which was received by Sentoria only on 9 October 2023.

(vi) Fair value of other investments

At 30 September 2023, the fair values of the financial asset equity investments of Parkland, Sentoria and Suria Sinar were RM30 million, RM6.0 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.

All workings and solutions should be completed to the nearest RM thousand.

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 Parkland Bhd and its group of companies at 30 September 2023 in accordance with the Malaysian Financial Reporting Standards.
(45 marks)
- [Total 50 marks]**

END OF PART A

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

Super Sonic Holdings Bhd (SSHB) prepares its financial statements to 31 December each year. The following information relates to the defined benefit employee compensation scheme for 2022 and 2023:

	RM'000
Present value of obligation at start of 2022	20,000
Market value of plan assets at start of 2022	20,500

	2022 RM'000	2023 RM'000
Current service cost	1,250	1,430
Benefits paid out	987	1,100
Contributions paid by entity	1,000	1,100
Present value of obligation at end of the year	23,000	20,400
Market value of plan assets at end of the year	23,500	17,840
Yield on corporate bonds at end of year	8%	9%

Additional information:

- (i) During 2022, the benefits available under the plan were improved. The resulting increase in the present value of the defined benefit obligation was RM1.0 million. This amount represents the past service cost which must be recognised immediately.
- (ii) On the final day of 2023, SSHB 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 RM5.7 million and the fair value of plan assets transferred was RM5.4 million. SSHB also made a cash payment of RM200,000 to the buyer in respect of the 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. (12 marks)
- b) In year 2023, SSHB sold part of its operations and transferred the relevant part of the pension scheme to the purchaser. Calculate the overall gain on settlement. (3 marks)
- c) 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)

- d) Based on the balance carried forward for 2022 whereby the present value of obligation of RM23 million and market value of plan assets of RM23.5 million. SSHB anticipated that it will not have to pay its usual contributions into the scheme for the next few years and as a result the present value of the future reduction in contribution is estimated to be RM300,000.

Calculate the value that will be given to the net plan assets under MFRS 119 and prepare the necessary journal entry. (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. (3 marks)
- c) The accounting entries (debit and credit) required during the vesting period. (3 marks)

Scenario 2: Granting of Share Appreciation Rights to Employees

Bersatu Corporation Bhd (BCB) is an entity which prepares financial statements to 31 March each year. On 1 April 2020, the board of directors had granted share appreciation rights (SAR) to 1,000 employees. Each employee will receive 100 rights on 31 March 2023 provided he or she continues to be employed by BCB at that date.

The following events take place during the following financial periods:

Year	No. of employees
2021	100 of these employees left BCB and expected that 140 more would leave during this period.
2022	40 of the employees left and BCB expected that 50 would leave during this period
2023	60 of the employees left BCB.

On 31 March 2023, 50 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	6.50
2022	8.00	8.05
2023	7.00	7.20

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 BCB as at 31 March 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 March 2023. (4 marks)

Scenario 3: Granting of Options to Senior Executives

On 1 April 2021, BCB granted share options to 100 senior executives. The options are due to vest on 31 March 2024.

The granting of the options was subject to two conditions:

- (i) The senior executives remain employed by BCB on 31 March 2024.
- (ii) The number of options granted per executive depend on the cumulative revenue for the three years ended 31 March 2024. Each executive will receive options as follows:

Cumulative growth in revenue	Number of options per executive
Less than RM180 million	Nil
Between RM180 million but less or equal to RM270 million	200
Exceed RM270 million	300

On 1 April 2021, the fair value of these share options was RM3.00 per option. This figure had increased to RM3.60 per option by 30 September 2022 and was expected to be RM5.00 per option by 31 March 2023.

During the two years ended 31 March 2023, expectations of revenue growth and employee retention are

as follows:

Year	Expected cumulative growth	Employee leaving	
		Left	Expected to leave
2022	RM190 million	10	20
2023	RM285 million	5	9

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 BCB as at 31 March 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

Scenario 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)

Scenario 2

Muhibbah Construction Bhd (MCB) is an entity which is engaged in the construction industry and prepares financial statements to 30 September each year. The functional currency of MCB is the Ringgit Malaysia (RM). The following events have occurred:

On 1 August 2023, MCB purchased a machine from a supplier located in a country whose local currency is the US Dollar. The agreed purchase price was USD600,000.

The terms of the purchase were that MCB would pay for the machine in two instalments. The first instalment payment of USD400,000 was due on 15 September 2023 and the second payment of USD200,000 on 15 February 2024. Both payments were made on the due dates.

The following exchange rate of USD1.00 applied during the transactions:

Date	RM
1 August 2023	4.64
15 September 2023	4.75
30 September 2023	4.41
15 February 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)

Scenario 3

On 1 October 2022, MCB acquired 100% equity of Success Construction Limited, a public listed company in Bermuda. In accordance with the MFRS 121 *The Effects of Changes in Foreign Exchange Rates*, MCB 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 Success Construction Limited for the year ended 30 September 2023:

Statement of Comprehensive Income for the Year Ended 30 September 2023	
	USD
Sales	540,000
Cost of goods sold	(310,000)
Gross profit	230,000
Distribution costs	(12,500)
Administrative expenses	(34,500)
Other expenses	(57,000)
Finance costs	(4,000)
Profit before tax	122,000
Income taxes	(40,000)
Net profit	82,000

Extract from the Statement of Changes in Equity as at 30 September 2023

	USD
Retained earnings at the beginning of year	154,000
Net profit	82,000
Dividends	(20,000)
Retained earnings at the end of year	216,000

Statement of Financial Position as at 30 September 2023	
	USD
Property, plant and equipment	230,000
Inventory	72,000
Accounts receivable	100,000
Cash	50,000
Total assets	452,000
Accounts payable	25,500
Overdraft	10,500
Loan	150,000
Total liabilities	186,000
Ordinary share capital	50,000
Retained earnings	216,000
Total equity	266,000
Total liabilities and equity	452,000

The applicable exchange rates of USD1.00:

	RM
1 October 2022	4.54
30 September 2023	4.15
Average in 2022	4.12
Average in 2023	4.09

Required:

d) Translate the following financial statements of Success Construction Limited subsidiary at 30 September 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