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**KOLEJ YAYASAN PELAJARAN JOHOR  
FINAL EXAMINATION**

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**COURSE NAME : FINANCIAL ACCOUNTING &  
REPORTING 3**

**COURSE CODE : DAC2073**

**EXAMINATION : JANUARY 2024**

**DURATION : 3 HOURS**

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**INSTRUCTION TO CANDIDATES**

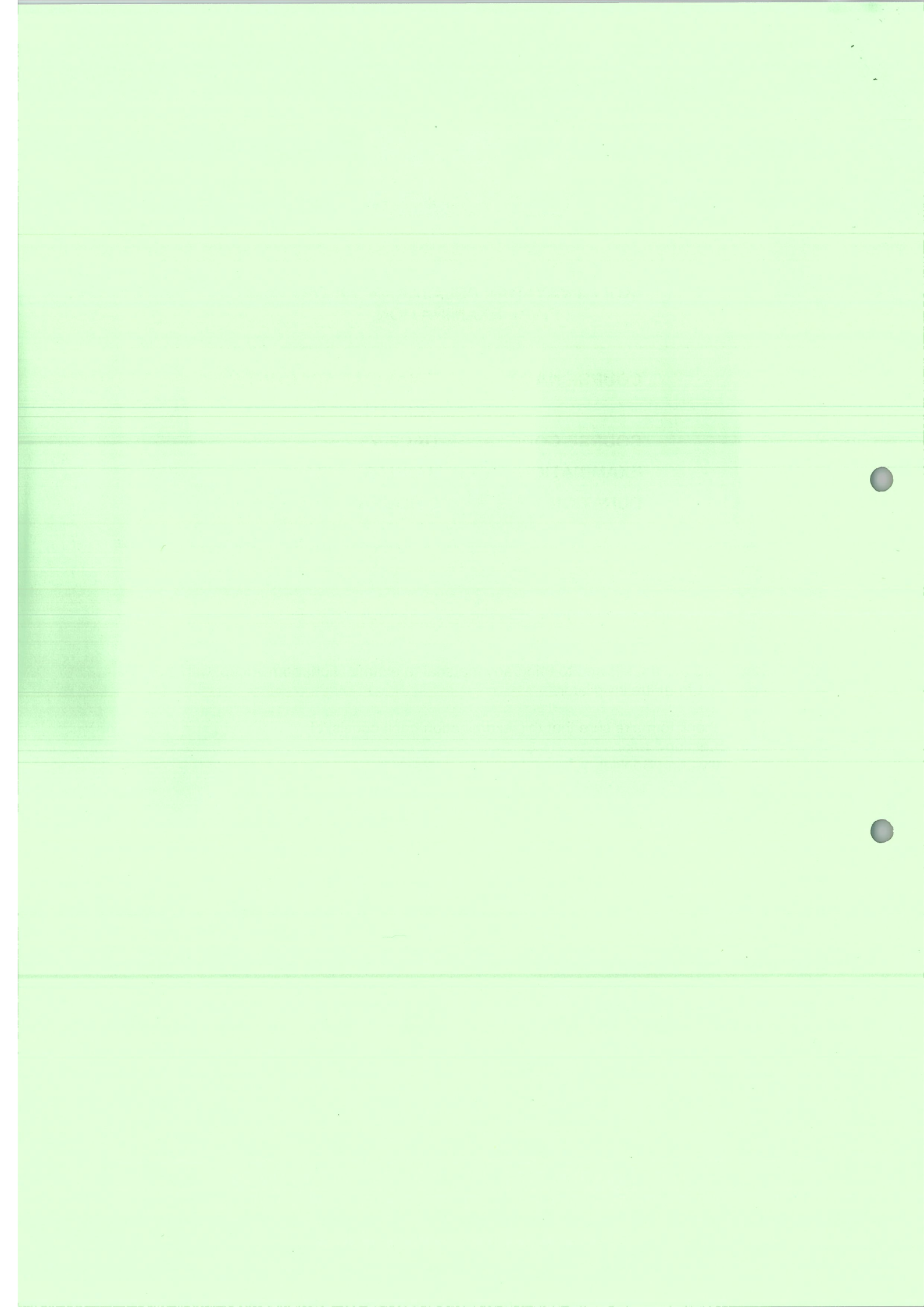
1. This question paper consists of **FIVE (5)** questions. Answer all questions.
  
2. Candidates are not allowed to bring any material to examination room except with the permission from the invigilator.
  
3. Please check to make sure that this examination pack consist of:
  - i. The Question Paper
  - ii. An Answering Booklet

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**DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO**

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*This examination paper consists of 7 printed pages including front page*



## QUESTION 1

FINAZ Bhd was incorporated on 1 January 2015 in Johor Bahru. The company is specialized in producing various types of plastic containers. On 1 April 2021, the company bought a high-speed machine by cheque from China. The machine can provide the best quality of the plastic containers to be more durable and increase 50% of production. Costs incurred on the purchase of the machine were as follows:

	<b>RM</b>
Invoice price	560,000
Cash discount	11,200
Imported duties and taxes	6,800
Transportation cost	3,500
Installation cost	4,200
Insurance on shipments	2,700
Repair and maintenance cost	4,400
General and administrative cost	2,100
Exchange loss	3,000

The company use reducing balance method based on monthly basis at rate 10% per annum. The high-speed machine is expected to be use in 10 years. The company closes its books on 31 December each year.

**Required:**

- a. Identify whether the high-speed machine is an asset of FINAZ Bhd. (5 marks)
  
- b. Explain whether the high-speed machine can be classified as PPE accordance with *MFRS116, Property Plant and equipment*. (4 marks)
  
- c.
  - i. Calculate the initial cost of the high-speed machine. (4 marks)
  
  - ii. Compute the depreciation expenses as at 31 December 2021. (2 marks)
  
  - iii. Prepare the journal entry during the acquisition of the high-speed machine and depreciation expenses for the year ended 31 December 2021. (5 marks)

- d. On 31 December 2022, FINAZ Bhd decide to sell their lorry for RM55,000 in cash. The lorry was bought on 1 January 2017 at cost of RM130,000. The lorry was depreciated at 10% per annum using straight line method.
- i. Calculate the gain or loss arising on disposal of the building on 31 December 2022.  
(5 marks)
  - ii. Discuss the accounting treatment on derecognition of the building on 31 December 2022.  
(5 marks)

[30 MARKS]

**QUESTION 2**

Blue Pharma is a wholesaler of health-care products. The following are data pertaining to health supplement of the company for the year ended 30 June 2020:

	<b>Kids Supplements</b>	<b>Adult Supplements</b>
Inventories (unsold units)	500 bottles	300 bottles
Cost	RM150 per bottle	RM50 per bottle
Total import duty	RM2,000	RM1,250
Total handling cost	RM1,275	RM625
Net Realizable Value	RM148 per bottle	RM80 per bottle

**Required:**

- a. Define the term inventories in accordance with MFRS 102 Inventories.  
(3 marks)
- b. Compute the cost per unit for unsold inventories of Kids Supplements and Adult Supplements.  
(6 marks)
- c. Determine the value of the inventories on item-by-item basis that will be disclosed in Statement of Financial Position as at 30 June 2020. Show the writing down value (if applicable).  
(6 marks)

[15 MARKS]

## QUESTION 3

Baba Bhd sells goods on cash and credit basis. Baba Bhd closes its accounts on 31 December each year. Analysis of ageing of account receivables of Baba Bhd as at 31 December 2021 showed the following:

Age group	Amount of Receivables (RM)	Expected Credit Loss rate
Not yet due	80,000	2%
1-60 days	40,000	3%
61-90 days	30,000	4%
91-120 days	22,000	8%
More than 120 days	9,000	10%

The balance of allowance for impairment of trade receivables as at 1 January 2021 was RM3,600. An amount of RM500 due from a debtor Bell Bhd was written off as bad debt on 20 December 2021 due to its bankruptcy. The company also received RM1,200 as bad debt recovered from Puan Aini. All transactions have not yet been recorded in the company's book.

On 25 May 2021, Baba Bhd sold goods worth RM25,000 and delivered to Orchid Bhd the same day. Baba Bhd received 6% promissory notes due in 60 days from Orchid Bhd. On 10 July 2021, Baba Bhd was discounted the note from Orchid Bhd for immediate fund from BIMM Bank at a discount rate of 12%.

**Required:**

- a. List THREE (3) factors that might influence a customer's credit term.  
(3 marks)
- a. Calculate the loss allowance for trade receivables as at 31 December 2021.  
(5 marks)
- b. Advice Baba Bhd on the amount of trade receivables to be disclosed in Statement of Profit or Loss **AND** Statement of Financial Position as at 31 December 2021  
(6 marks)
- c. Determine the maturity date of the note receivables of Orchid Bhd **AND** the proceeds value after discounting the note.  
(6 marks)

**[20 MARKS]**

## QUESTION 4

The following are the financial statements of VIVO Bhd for the year ended 31 December 2022:

**VIVO Bhd**  
**Statement of Financial Position as at 31 December**

	<b>2022</b>	<b>2021</b>
	RM	RM
<b>Non Current Assets</b>		
Property plant and equipment (note 1)	1,270,000	1,220,000
Investments	150,000	180,000
<b>Current Assets</b>		
Inventories	59,000	52,000
Trade receivables	123,750	115,000
Short term Investment	21,000	36,000
Bank	116,000	54,000
Cash in hand	<u>110,250</u>	<u>33,000</u>
	<b><u>1,850,000</u></b>	<b><u>1,690,000</u></b>
<b>Equity and Liabilities</b>		
Share Capital	1,140,000	1,100,000
Retained Earnings	190,000	140,000
<b>Non Current Liabilities</b>		
8% Bank Loan	350,000	270,000
<b>Current Liabilities</b>		
Trade payables	103,500	117,000
Tax payables	13,000	11,000
Dividend payables	<u>53,500</u>	<u>52,000</u>
	<b><u>1,850,000</u></b>	<b><u>1,690,000</u></b>

**Note to the accounts:**

1. Property, plant and equipment

	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<b>Land</b>	1170,000	1100,000
<b>Equipment(cost)</b>	95,000	60,000
Accumulated depreciation	(59,000)	(30,000)
<b>Plant and Machinery(cost)</b>	150,000	150,000
Accumulated depreciation	(86,000)	(60,000)
Carrying value	<b>1,270,000</b>	<b>1,220,000</b>

**Additional Information:**

1. Net profit before tax is RM97,000.
2. Depreciation expenses charged for property plant and equipment is RM66,000.
3. Increase in equipment is due to acquisition of equipment RM55,000 and disposal of old equipment. Disposal of old equipment was made for cash at RM7,000 with loss on disposal of RM2,000.
4. During the year, dividend paid to shareholders is RM20,500 and income from investment is amounted RM5,000.
5. Tax charge for the year is RM25,000.
6. Interest charge for the year RM20,000 is fully paid.
7. The short-term Investments were part of cash and cash equivalents.

**Required:**

Prepare the statement of cash flow for the year ended 31 December 2022 using the **INDIRECT METHOD**.

**[20 MARKS]**

**QUESTION 5**

- A.** The following events occurred during the year ended 30 June 2023 for Perkasa Bhd, a company involved in manufacturing of electronic hardware:
1. Taming Bhd has been practicing a policy of allowing its customers to return faulty goods within 3 months from the date of sale, even though the company has no legal obligation to do so. Based on the past experience, it was probable that there would be such returns. Perkasa Bhd estimates that such returns usually amount to RM3,000 annually.
  2. On 1 August 2022, Perkasa Bhd sued one of its suppliers for failure to provide materials as specified in the contract. Based on the advice from company's lawyers it was virtually certain that the company would win the case and expected to be awarded for compensation. As at 30 June 2023, the court ordered the supplier to pay Perkasa Bhd RM250,000. As at the year end, Perkasa Bhd did not yet receive the money.

3. On 1 July 2022, Perkasa Bhd had terminated the service of a production manager for behaviour issues. As a result, the former production manager submitted a notice of his intention to claim substantial damages for unfair dismissal. On 1 April 2023 a claim for RM300,000 was received by Perkasa Bhd. The investigation is still on-going and the company's legal advisors believe that there is a possibility the company will be held liable.

**Required:**

Discuss the accounting treatment for the above events in accordance with the MFRS137 Provisions, Contingent Liabilities and Contingent Assets.

(8 marks)

- B. Rainbow Bhd is a company supplying medical equipment. The company closed its account on 30 June every year. On 1 January 2021, Rainbow Bhd sold and delivered equipment to a customer in Bayan Lepas. Rainbow Bhd agreed to service the equipment for one-year period from 1 January 2021 with charge RM2,000 per month. Both parties agreed with the contract price of RM280,000. The stand-alone selling price of the equipment was RM260,000.

**Required:**

- a. Identify the performance obligation from the contract. (2 marks)
- b. Allocate the transaction price to each performance obligations. (5 marks)

**[15 MARKS]**

**END OF QUESTION PAPER**



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