UNIVERSITI POLY-TECH MALAYSIA UPTM

FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)

COURSE	:	**FINANCIAL STATEMENTS ANALYSIS**
COURSE CODE	:	**ACC4313**
DURATION	:	**3 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **FOUR (4)** questions.
2. Answer ALL questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of :
   i. The Question Paper
   ii. An Answer Booklet
4. Do not bring any material into the examination hall. The use of a calculator is allowed.
5. Please write your answer using permanent ink.

MYKAD/ PASSPORT NO : ____________________

ID. NO. : ____________________

LECTURER : ____________________

SECTION : ____________________

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 9 printed pages including the front page

QUESTION 1

Alpha Solutions Berhad is a technology services company. For the year ended 31 December 2025, the company developed a new internal accounting system to improve efficiency and reporting accuracy.

During the year, the following costs were incurred:

Item	Description	Amount (RM)
A	Research and planning stage	800,000
B	Software development after feasibility was confirmed	2,000,000
C	Staff training to use the new system	400,000

Required:

a. Assess the following below, which should be capitalised and which should be expensed.

i. Research and planning (2 marks)

ii. Software development (3 marks)

iii. Staff training (2 marks)

b. Evaluate the impact of capitalising all the costs on the company's:

i. Profit for the year (4 marks)

ii. Financial position (4 marks)

(Total: 15 marks)

QUESTION 2

NexCloud Technology Sdn Bhd is a Malaysian distributor specialising in precision micro-controllers, with the majority of its supplies sourced from Vietnam, Taiwan, and Indonesia. In recent years, the company has faced mounting cost pressures due to a sharp escalation in global freight charges and the depreciation of the Malaysian Ringgit. These external factors have significantly increased logistics-related expenses, prompting the board of directors to reconsider the company's current operating strategy. In particular, management is evaluating whether NexCloud should continue importing finished units or shift towards assembling products locally by importing components and investing in in-house production facilities.

For the 2026 financial year, the company has projected sales of 4,200,000 units at an average selling price of RM520 per unit. Two strategic alternatives are under consideration, each with distinct cost structures, capital requirements, and working capital implications.

Under Option A, NexCloud would continue purchasing finished units from its overseas suppliers. The estimated purchase cost under this option is RM180 per unit. The company's operating expenses for 2024 amounted to RM760,000,000, and if this option is maintained, these expenses are expected to increase by 35% in 2026, mainly due to higher freight, handling, and logistics costs. From a working capital perspective, accounts payable are forecasted to increase by 8% compared to the balance as at 31 December 2025, while the company's accounts receivable policy would remain unchanged.

Under Option B, NexCloud would establish local assembly operations. This option requires capital expenditure to be commissioned in March 2026, including the installation of an assembly line and factory fit-out costing RM3,200,000 with a useful life of eight years, as well as Surface-Mount Technology (SMT) machines costing RM4,900,000 with a useful life of seven years. On a per-unit basis, estimated production costs comprise RM60 for direct materials, RM95 for direct labour, and RM35 for variable production overheads. While baseline operating expenses are largely expected to remain unchanged, total wages and salaries will increase to RM7,900,000 due to the recruitment of production workers and technical personnel. In contrast to Option A, accounts payable are projected to decrease by 25% as the company shifts from purchasing finished goods to sourcing components under different credit terms, while accounts receivable policies will remain unchanged.

To facilitate comparison, the key financial and operational items relevant to each option are summarised below:

Item	Option A: Import Finished Units	Option B: Local Assembly (In-house)
Sales volume	4,200,000 units	4,200,000 units
Selling price per unit	RM520	RM520
Unit cost structure	Purchase cost: RM180 per unit	• Direct materials: RM60 • Direct labour: RM95 • Variable overheads: RM35
Total variable cost per unit	RM180	RM190
Operating expenses (baseline)	RM760,000,000	Baseline retained (except wages adjustment)
Change in operating expenses	Increase by 35% due to freight and handling	Wages & salaries increase to RM7,900,000
Capital expenditure	Nil	• Assembly line & fit-out: RM3,200,000 • SMT machines: RM4,900,000
Depreciation	Not applicable	Straight-line, yearly basis
Financing	Not applicable	RM6,000,000 term loan
Annual interest expense	Nil	RM150,000
Accounts payable impact	Increase by 8%	Decrease by 25%
Accounts receivable policy	No change	No change

To partly finance the required capital investment under Option B, NexCloud may obtain a RM6,000,000 term loan from Zandaya Bank, which carries an annual interest charge of RM150,000. Interest payments are assumed to be made when due.

Additional information:

i. Based on the company's financial position as at 31 December 2025, NexCloud reported:
   - Profit before tax of RM4,900,000
   - Cash at the bank of RM7,300,000
   - Accounts payable of RM1,050,00
   - Accounts receivable of RM980,000

ii. The applicable corporate tax rate is 24%.

iii. Interest and tax payments are assumed to be settled when due.

iv. Lease accounting, asset disposals, and other non-cash items are to be ignored unless otherwise stated.

Required:

a. Calculate the Profit After Tax (PAT) for the year ended 31 December 2026 under:

i. Option A – Import finished units.
(4 marks)

ii. Option B – Local assembly (in-house).
(6 marks)

b. Illustrate a Proforma Statement of Cash Flows (Indirect Method) for the year ended 31 December 2026 under:

i. Option A – Import finished units.
(4 marks)

ii. Option B – Local assembly (in-house).
(5 marks)

c. Evaluate your answer in (a) and (b) according to:

i. Profitability consideration.
(4 marks)

ii. Liquidity consideration.
(4 marks)

d. Recommend which option you choose based on your answer in (c). Support your answer.
(3 marks)

(Total: 30 marks)

QUESTION 3

GoldenPlate Foods Berhad operates in the Malaysian ready-to-eat food manufacturing industry. Two of its close competitors, FreshHarvest Foods Berhad and PrimeBite Foods Berhad, operate in the same market segment and supply supermarkets and convenience stores nationwide with similar products.

Management wishes to evaluate the operating efficiency of the three companies for the year ended 31 December 2025, independent of their financing structures.

Extracts from the Statement of Financial Position and operating information for the three companies are provided below.

Item	GoldenPlate Foods Bhd	FreshHarvest Foods Bhd	PrimeBite Foods Bhd
	RM	RM	RM
Property, Plant & Equipment (net)	18,600,000	21,200,000	16,800,000
Current Assets	7,400,000	6,900,000	8,100,000
Less: Current Liabilities	(3,200,000)	(4,100,000)	(2,900,000)
Net Operating Assets (NOA)	**22,800,000**	**24,000,000**	**22,000,000**
Operating Profit before Tax	**3,600,000**	**3,480,000**	**3,960,000**

Additional Information (common to all companies):

1. Corporate tax rate is 24%
2. Ignore non-operating income and expenses
3. Capital employed is equivalent to Net Operating Assets (NOA)

Required:

a. Calculate the Net Operating Profit After Tax (NOPAT) for each company for the year ended 31 December 2025.

(2 marks)

b. Calculate the Return on Capital Employed (ROCE) for each company.

(3 marks)

c. Compare the operating efficiency of the three companies, based on your ROCE calculations in part (b).

(9 marks)

d. Examine **TWO (2)** operational factors that may have contributed to the company achieving the highest ROCE Considering your answer in (c).

(8 marks)

e. Illustrate **TWO (2)** limitations of using ROCE alone when assessing the operating performance of GoldenPlate Foods Bhd relative to its competitors.

(8 marks)

(Total: 30 marks)

QUESTION 4

Harvest Delight Berhad is a Malaysian mid-sized company that produces and distributes packaged food products to supermarkets and convenience stores nationwide. The company has experienced steady revenue growth over the past few years, but is facing increasing competition and rising operating costs.

The Board of Directors has requested an analysis of Harvest Delight's financial performance, liquidity, and efficiency to assess whether the company's recent growth is being supported by sound financial management.

Extracts from the Statement of Financial Position and Statement of Profit or Loss for the years ended 31 December 2024 and 2025 are provided below.

Statement of Profit or Loss for the year ended 31 December:

	2024 (RM)	2025 (RM)
Revenue	120,000,000	135,000,000
Cost of Goods Sold	(78,000,000)	(92,000,000)
Gross Profit	**42,000,000**	**43,000,000**
Operating Expenses	(24,000,000)	(30,000,000)
Operating Profit	**18,000,000**	**13,000,000**
Finance Costs	(2,400,000)	(3,600,000)
Profit Before Tax	**15,600,000**	**9,400,000**
Income Tax Expense (24%)	(3,744,000)	(2,256,000)
Profit After Tax	**11,856,000**	**7,144,000**

Statement of Financial Position as at 31 December:

	2024 (RM)	2025 (RM)
Non-current Assets	90,000,000	110,000,000
Current Assets	45,000,000	58,000,000
Total Assets	**135,000,000**	**168,000,000**
Equity	70,000,000	72,000,000
Non-current Liabilities	40,000,000	60,000,000
Current Liabilities	25,000,000	36,000,000
Total Equity & Liabilities	**135,000,000**	**168,000,000**

Required:

a. Calculate the following ratios for both 2024 and 2025:

   i. Current ratio
   ii. Gross profit margin
   iii. Operating profit margin
   iv. Debt-to-equity ratio

(9 marks)

b. Analyse the changes in Harvest Delight Berhad's profitability and liquidity between 2024 and 2025.

(10 marks)

c. Evaluate whether Harvest Delight Berhad's financial position in 2025 raises any concerns from the perspective of a lender.

(6 marks)

(Total: 25 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER