UNIVERSITI POLY-TECH MALAYSIA

FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)

COURSE	:	**ACCOUNTING THEORY AND PRACTICE**
COURSE CODE	:	**ATP4013**
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 this examination pack consists of:
   i. the Question Paper
   ii. an Answer Booklet
4. Do not bring any material into the examination hall. Electronic 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 5 printed pages including the front page

QUESTION 1

Volvo Group prepares its financial statements in accordance with international financial reporting standards. In its 2024 Annual Report, Volvo discloses information using Swedish Krona (SEK).

Volvo recognizes key assets and liabilities in its financial statements to reflect its financial position and performance accurately. Property, plant and equipment (PPE) such as land, buildings, machinery, equipment, assets under construction, and right-of-use assets are recognized because they are used in production and generate future economic benefits, such as buildings (SEK21,491 million), land and land improvements (SEK 7,310 million), machinery and equipment (SEK28,458 million), and construction in progress (SEK14,487 million), among others, with total tangible assets of SEK125,131 million. Additionally, derivative financial instruments used to hedge interest rate and currency risks are recognized at fair value, with carrying amounts of SEK95 million, to provide up-to-date information about Volvo's financial risk exposure and potential gains or losses. The Group recognizes provisions such as product warranties (SEK18,829 million), restructuring costs (SEK 769 million), residual value risks (SEK183 million) and other provisions including legal disputes (SEK10,116 million), with total provisions of SEK31,983 million. These provisions represent expected future obligations and provide relevant information about future cash outflows and risks.

(Sources: Annual Report of Volvo Group, 2024, Sweden)

Required:

a. Determine **THREE (3)** elements of Financial Statement that should be recognized by Volvo Group.

(9 marks)

b. Evaluate **THREE (3)** relevant criteria on the elements of Financial Statement by Volvo Group.

(9 marks)

c. Describe **TWO (2)** reasons for Volvo Group will derecognize the elements of Financial Statements.

(7 marks)

(Total: 25 marks)

QUESTION 2

PayLink FinTech Berhad is a Malaysian FinTech company that provides digital payment services and e-wallet solutions to small businesses and online merchants. The company is listed on Bursa Malaysia and is growing rapidly in the competitive digital finance market.

The CEO of PayLink, Ms. Aina, receives a performance bonus based on the company's profit and user growth. Her future career opportunities in other technology companies also depend on her reputation as a successful FinTech leader. Investors and banks closely monitor PayLink's financial statements before deciding whether to invest more funds or provide financing.

To attract investors and business partners, PayLink's management team decides to provide more detailed disclosures in its annual report, including information about user growth, transaction volumes, new product development, and future expansion plans.

Required:

a. Evaluate **TWO (2)** categories argument of free market approach; private economic based incentive (PEBI) and market for managers including their influence on information disclosure.

(9 marks)

b. Describe **TWO (2)** theories of pro-regulation and the implications on financial reporting.

(8 marks)

c. Explain **TWO (2)** international standard setting bodies and its function.

(8 marks)

(Total: 25 marks)

QUESTION 3

The Malaysian Private Entities Reporting Standard (MPERS) provides a simplified and cost-effective financial reporting framework for private entities and small and medium-sized enterprises (SMEs). MPERS is simpler, shorter, and less costly to apply, with fewer disclosure and measurement requirements, while Malaysian Financial Reporting Standards (MFRS) is for publicly accountable entities and is fully aligned with full International Financial Reporting Standard (IFRS), making it more complex, detailed, and frequently updated, with more extensive measurements and disclosures.

Maju Engineering Sdn. Bhd. is a Malaysian SME that manufactures metal parts for local construction companies. The company has annual revenue of RM15 million and 40 employees. For many years, its accounts were prepared using a very simple, tax-focused accounting approach by a small local accounting firm. In 2025, the company was required to adopt MPERS for financial reporting.

The adoption of MPERS by SMEs often faces problems because preparers may resist the standards, believing they are more suitable for larger companies and not SMEs, while users and managers find the financial reports more complex and harder to understand. This complexity increases reliance on larger accounting firms and raises audit and compliance costs. At the same time, the shortage of trained MPERS preparers leads to higher training and learning costs during the transition period, which further discourages SMEs from fully and effectively adopting MPERS.

Required:

a. Elaborate **FOUR (4)** differences between MPERS and MFRS.

(12 marks)

b. Propose **THREE (3)** impacts on the implementation of MPERS.

(9 marks)

c. Elaborate **TWO (2)** other examples of entities using MFRS.

(4 marks)

(Total: 25 marks)

QUESTION 4

CocoaDelight Chocolate Berhad is a listed confectionery company that was criticized for weak sustainability reporting and aggressive earnings management. In 2025, due to pressure from investors and regulators, the company increased female directors from 1 to 4 out of 10 and committed to improving its sustainability reporting and corporate governance.

After more women joined the board, the sustainability and audit committees became more active and pushed for clearer, more reliable sustainability reporting. They challenged aggressive accounting estimates and used sustainability reporting as a monitoring tool rather than just for marketing. This helped reduce earnings management and improved the quality of reported profits. Besides, the board approved new policies on ethical sourcing, environmental protection, employee welfare, and supplier standards and linked them to management performance targets. This encouraged a long-term business focus and reduced the company's reliance on short-term profit targets. As a result, the company became less likely to manipulate earnings. Additionally, the female directors pushed for stronger internal controls and more careful accounting judgments, improving the financial reporting environment and reducing the risk of fraud. The board also became more stakeholder-oriented by considering the interests of farmers, employees, customers, regulators, and the community.

The analysts face concerns about earnings management due to several Chief Executive Officer, CEO-related factors. The CEO also acts as the Chairman of the Board, which concentrates power and weakens board monitoring over financial reporting decisions. At the same time, the CEO's compensation is strongly linked to profit targets, creating incentives to choose accounting methods that increase reported earnings to maximise personal rewards. In addition, differences in CEO nationality can affect understanding of local business culture, regulations, and stakeholder expectations, which may influence decision making and risk management. Together, CEO duality, incentive-based compensation, and CEO background can significantly affect the quality and credibility of the company's financial reporting.

Required:

a. Elaborate **THREE (3)** significant changes in CocoaDelight Chocolate Berhad following the increase in female representation on the board particularly in relation to sustainability reporting, earnings management, and internal control.

(9 marks)

b. Propose **TWO (2)** impacts of CEO's characteristics on earnings management practices in a company.

(8 marks)

c. Elaborate **TWO (2)** importance of sustainability reporting.

(8 marks)

(Total: 25 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER