UNIVERSITI POLY-TECH MALAYSIA UPTM

FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)

COURSE	:	**ACCOUNTING THEORY AND PRACTICE**
COURSE CODE	:	**ATP4013**
DURATION	:	**3 HOURS**

<u>INSTRUCTIONS TO CANDIDATES:</u>

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

AirAsia X Berhad operates in the airline industry and incurs various operating expenses in its normal business activities. Operating expenses are the day-to-day costs of running the airline and providing flight services to customers. These expenses are necessary to operate flights and manage the business, and they are recognised in the statement of profit or loss for the year 2024.

Operating Expenses
Staff costs of RM277,197,000 include salaries, wages, allowances, and benefits paid to pilots, cabin crew, engineers, and ground staff. This is the cost of employing people to run the airline. Aircraft fuel expense of RM1,512,315 is the cost of fuel used to operate flights and is a major operating expense for an airline. Maintenance and repair expense of about RM537,284,000 covers the cost of servicing and repairing aircraft and equipment to ensure safety and compliance with aviation rules, including cabin items such as seats, seatbelts, oxygen masks, and lavatories. Additionally, depreciation is charged on property, plant and equipment such as aircraft engines, airframes, and office equipment (RM8,587,000) and on right-of-use assets such as leased aircraft and engines (RM197,483, 000). Depreciation is calculated using the straight-line method and reflects the use of these assets in flight operations.

Income
AirAsia X Berhad generates income from passenger ticket revenue, ancillary revenue such as baggage and seat selection fees, cargo and charter revenue, and other operating income such as marketing income from partners. These items are income because they increase the company's assets and increase equity through profit, and they are not contributions from owners.

Faithful Representation
All major costs of running the airline are recorded and disclosed, so users get a full picture of the company's operating performance. Operating expenses include staff costs, fuel, maintenance and depreciation. Besides, both favourable and unfavourable items are reported honestly, so the financial statements are not biased. High expenses such as maintenance and depreciation are recognised in profit or loss instead of being hidden or delayed to increase profit. Additionally, using actual costs and a consistent calculation method helps ensure the figures are accurate and reliable. Staff, fuel and maintenance costs are recorded at actual amounts incurred. Depreciation is calculated using the straight-line method.

Sources: Annual Report of AirAsia X Berhad, 2024

Required:

a. Determine **THREE (3)** operating expenses incurred by AirAsia X Berhad. (9 marks)

b. Evaluate **THREE (3)** criteria of faithful representation with reference to AirAsia X Berhad's operating expenses and depreciation. (9 marks)

c. Interpret the income of AirAsia X Berhad. (7 marks)

(Total: 25 marks)

QUESTION 2

The governance and standard-setting structure of International Financial Reporting Stanadrd (IFRS) is designed to ensure that accounting standards are developed through an independent, transparent, and high-quality process that serves the public interest. The IFRS Foundation provides overall oversight of the IFRS system, including governance, funding, and the appointment of members to the standard-setting bodies. Meanwhile, the International Accounting Standards Board (IASB) is responsible for developing, issuing, and revising IFRS Standards, and it follows a formal due process that involves issuing discussion papers or exposure drafts and inviting public comments from stakeholders. Advisory bodies, such as the IFRS Advisory Council and the IFRS Interpretations Committee, support the IASB by providing strategic advice and clarifying the application of standards in practice, thereby enhancing consistency and comparability in financial reporting. Additionally, public oversight is exercised by the Monitoring Board, which ensures that the standard-setting process remains independent, accountable, and aligned with the public interest.

Required:

a. Explain **FIVE (5)** components of the IFRS governance and standard-setting structure including their roles in ensuring high-quality standards.

(10 marks)

b. Describe **TWO (2)** functions of IFRS Interpretation Committee.

(8 marks)

c. Evaluate **TWO (2)** functions of Accounting Standards Advisory Forum (ASAF).

(7 marks)

(Total: 25 marks)

QUESTION 3

The National Printing & Services Department (NPSD) is a government agency that prints official materials and provides support services to public institutions. During the year, NPSD holds paper, ink, and binding materials to be used in producing textbooks and forms, training kits and stationery to be used or distributed during training programmes, finished publications that are ready for sale or distribution to schools and the public, and partially completed textbooks that are still in the production process at year-end. All these items are managed as inventories in accordance with public sector accounting requirements.

Therefore, all these items meet the definition of inventories under MPSAS 12 and should be recognised, measured, and disclosed in accordance with MPSAS 12. They are recognised as expenses when they are used or distributed, in line with public sector accounting requirements.

Required:

a. Propose **THREE (3)** definition of inventories with regard to MPSAS 12.
(9 marks)

b. Elaborate **FOUR (4)** categories of inventories with regard to MPSAS 12.
(12 marks)

c. Explain **TWO (2)** objectives of MPSAS 12.
(4 marks)

(Total: 25 marks)

QUESTION 4

ABC Manufacturing Sdn. Bhd. operates in a high-inflation economy and still prepares its accounts using historical cost. Over time, its financial statements become misleading because asset values and profits no longer reflect current economic reality, and figures from different years are not comparable. The company reports higher profits, but depreciation based on old costs is too low to cover the replacement of machinery, causing asset values and expenses to be distorted. As a result, managers and investors rely on inaccurate information and make poor decisions about pricing, investment, and financing. This shows how inflation can reduce the reliability and usefulness of financial statements and lead to weak business decisions if accounts are not adjusted for inflation.

IAS 29 Financial Reporting in Hyperinflationary Economies requires entities whose functional currency is hyperinflationary to restate their financial statements including comparatives using a general price index to reflect the current purchasing power at the reporting date.

IAS 29 is important because it prevents financial statements from becoming misleading in hyperinflationary economies, where historical cost figures no longer reflect economic reality and amounts from different periods are not comparable. By requiring inflation-adjusted reporting, IAS 29 improves the relevance and reliability of financial information so that figures more faithfully represent a company's real performance and financial position. It also overcomes the limitations of historical cost accounting and corrects distortions in profits, asset values, and depreciation caused by inflation. With these adjustments, financial statements become more realistic and consistent. As a result, investors, managers, and other users can make better and more informed economic decisions.

Required:

a. Elaborate **THREE (3)** effects of inflation on accounting.

(9 marks)

b. Elaborate **THREE (3)** importance of IAS 29 Financial Reporting in Hyperinflationary Economies.

(9 marks)

c. Explain **TWO (2)** examples of countries that apply IAS 29.

(7 marks)

(Total: 25 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER