UNIVERSITI POLY-TECH MALAYSIA UPTM

FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)

COURSE	:	**FINANCIAL ACCOUNTING AND REPORTING 2/ FINANCIAL REPORTING I**
COURSE CODE	:	**ACC3374/ACC3254**
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 6 printed pages including the front page

QUESTION 1

The following independent events occurred during the reporting period ending 31 December 2025. For each economic event described below, illustrate the management of the proper accounting treatment under MFRS 137 *Provisions, Contingent Liabilities, and Contingent Assets*, including journal entries (if any).

a. In November 2025, an employee of Ramesh Bhd was injured while performing official duties. The employee filed a claim for damages amounting to RM1 million. Legal advice obtained by the company indicated a 60% likelihood of being held liable for RM500,000 and a 40% likelihood of being held liable for RM1 million.

(8 marks)

b. In December 2025, Aznil Entertainment filed a lawsuit against Jusco amounting to RM4,500,000 for the unauthorized use of his image in Jusco's recent advertising campaign. The court has delivered a verdict in favour of Aznil, but the hearing to determine the actual amount of damages will only take place in February 2026.

(3 marks)

c. Coach'e Jam Bhd is facing a legal suit from a former employee for unfair dismissal. Legal advice indicates it is highly probable that the company will be held liable, with compensation estimated at RM180,000. The case is expected to be settled within one year.

(5 marks)

d. Suria Sengki Sdn Bhd. provides a three-year warranty on all electrical appliances sold. Based on past experience, warranty costs for 2025 are estimated at RM10,000.

(4 marks)

(Total: 20 marks)

QUESTION 2

Hijau Bhd is involved in the manufacturing of computer chips. For the year ended 31 December 2025, the company encountered several situations which required your attention. Assess the accounting treatment for the below event according to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, including journal entries.

a. In January 2025, Hijau Bhd discovered that some of the inventories sold in 2013 were included in the inventories for the year ended 31 December 2024. As a result, the inventories on that date were overstated by RM200,000.

(4 marks)

b. Hijau Bhd acquired a machine costing RM100,000 on 1 January 2023 and depreciated the machine on a straight-line basis over 10 years. In 2025, due to heavy usage, the remaining useful life of the machine was revised to 4 years.

(10 marks)

c. Hijau Bhd acquired a plant in 1 January 2025. Due to proper maintenance of the plant, no depreciation has been provided. The annual depreciation charge per annum should be RM2,000,000.

(4 marks)

d. Hijau Bhd changed its method of valuing inventory from the First-in-First-out (FIFO) method to the weighted average method.

(2 marks)

(Total: 20 marks)

QUESTION 3

The following independent events occurred between the financial year end, 31 December 2025, and the authorisation of the financial statements on 28 February 2026. During the audit, the following situations were identified. For each economic event described below, apply proper accounting treatment according to MFRS 110 Events After the Reporting Period, including journal entries (if any).

a. On 2 January 2026, the company invested RM700,000 in a public listed company as part of its diversification strategy. Management believed the investment would strengthen the company's portfolio. However, by mid-January, the share price had dropped by 40% due to unexpected market volatility and negative industry news. The directors are worried whether this decline should be reflected in the financial statements, since the investment was made just after year-end.

(3 marks)

b. At 31 December 2025, the company was facing a lawsuit from a customer who claimed damages of RM700,000 for pain and suffering caused by consuming a defective product. The company had prudently recorded a provision of RM100,000, estimating a possible settlement. On 5 January 2026, the case was heard in court, and the judgment was delivered in favour of the customer. The damages awarded amounted to RM500,000, far higher than the provision made. This outcome raised questions about whether the liability at year-end was properly stated.

(5 marks)

c. On 10 January 2026, the company signed a contract to acquire a new factory building for RM18 million. The decision was part of a strategic expansion plan to increase production capacity and meet growing demand. The negotiations and approval by the board only took place after the financial year ended. The acquisition represents a significant future commitment, but it was not a condition existing at 31 December 2025.

(3 marks)

d. During the audit, it was discovered that on 15 January 2026, a branch manager stole RM10,000 from the company's safe. The theft was uncovered when auditors performed cash counts and reconciliations. Although the theft occurred after year-end, it directly affected the company's cash balance and highlighted weaknesses in internal controls. Management must decide whether to recognise the loss in the financial statements or disclose it separately.

(4 marks)

(Total: 15 marks)

QUESTION 4

Master Bhd. manufactures and sells computer parts for the local market. The company is preparing its financial statements for the year ended 31 December 2025. The directors authorised the financial statements for issue on 1 April 2026. Provided below is the trial balance as at 31 December 2025:

	Dr. (RM)	Cr. (RM)
Sales		18,400,000
Cost of sales	7,196,000	
Inventories	619,000	
Administrative expenses	764,000	
Selling and distribution expenses	520,000	
Audit fees	90,000	
Directors' remuneration	642,500	
Tax paid	2,600,000	
Freehold land (cost)	6,000,000	
Building (cost)	5,940,000	
Plant and machinery (cost)	3,650,000	
Motor vehicles (cost)	960,000	
Accumulated depreciation as at 1 January 2025:		
Building		831,600
Plant and machinery		282,000
Motor vehicles		189,000
Investment	6,800,000	
Interim ordinary dividend	586,000	
Retained earnings as at 1 January 2025		6,117,200
Ordinary shares		18,400,000
6% Bank loan		1,800,000
Investment income		633,000
Interest on bank loan	104,800	
Cash at bank	7,250,500	
Accounts receivable and payable	3,372,400	327,400
Allowance for impairment of trade receivable		115,000
	47,095,200	**47,095,200**

Additional information:

1. The sales revenue and accounts receivable figures were overstated by RM2,300,000 due to the inclusion of certain goods which have not been sold by the consignee as at the year end. Accordingly, the closing inventories were understated by RM1,600,000.

2. On 28 December 2025, the company purchased a new motor vehicle costing RM70,000 by cheque and the transaction was not yet recorded in the books.

3. On 14 December 2025, one of the production workers sued the company due to injury suffered while operating a machine. The company's lawyer is of the opinion that it is highly probable that the worker's claim of RM120,000 will be successful.

4. Directors' remuneration of RM75,000 and part of the interest on loan were still accrued.

5. The land was revalued to RM8,800,000. The directors decided to incorporate the revalued amount in the books of account.

6. It is the company's policy to depreciate its property, plant and equipment on a yearly basis at the following rates:

Buildings	2% per annum on cost	(Charged as administration expenses)
Plant and machinery	10% per annum on cost	
Motor vehicles	20% per annum on carrying value	(Charged as selling and distribution expenses)

7. The tax charged for the year was determined to be RM1,960,000.

Required:

Prepare the following statements in a form suitable for publication and in compliance with the Companies Act 2016 and the relevant Malaysian Financial Reporting Standards:

a. Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025.

(14 marks)

b. Statement of Changes in Equity for the year ended 31 December 2025.

(6 marks)

c. Statement of Financial Position as at 31 December 2025.

(10 marks)

d. Notes to the account for Property, Plant and Equipment and Contingent Asset.

(13 marks)

e. Define "provision" and explain why it is classified as a liability.

(2 marks)

(Total: 45 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER