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 7 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 above, illustrate the management of the proper accounting treatment under MFRS 137 *Provisions, Contingent Liabilities, and Contingent Assets, including journal entries* (if any).

a. Zamrud Berhad operates a chain of gyms and offers a six-month satisfaction guarantee. Customers can request refunds if dissatisfied. Historically, 3% of customers request refunds, averaging RM500 each. Total membership revenue for the year was RM2,000,000.

(8 marks)

b. Langit Sdn Bhd is under investigation by the environmental authority for alleged pollution. If found liable, the company may face penalties of RM400,000. Management believes there is a 60% chance of being penalized.

(4 marks)

c. Mentari Berhad has announced a Voluntary Retirement Scheme (VRS) to reduce headcount. The board approved the plan on 1 October 2025, and eligible employees were formally offered the package on 20 October 2025. Estimated cost is RM700,000.

(6 marks)

d. Suria Sdn Bhd is in negotiation to sell a piece of land. A buyer has offered RM1.2 million, and Suria expects to finalize the deal in November. There is a 90% chance the sale will go through.

(2 marks)

(Total: 20 marks)

QUESTION 2

The following independent events occurred during the reporting period ending 31 December 2025. Assess the accounting treatment for the above event according to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, including journal entries.

a. During the audit, the auditor discovered that rental income of RM80,000 earned in January 2024 was never recorded. The tenant had paid via bank transfer, but the transaction was omitted from the accounts.

(4 marks)

b. Rasa Sdn Bhd was incorporated on 1 November 2023. In its first year, the company measured its biological assets at cost. During the audit for the year ended 31 December 2025, the auditor recommended switching to fair value measurement, which better reflects the nature of the assets. The fair value of biological assets as at 1 January 2026 is RM180,000.

(4 marks)

c. While reviewing asset records, the finance manager found that office renovation costs of RM120,000 incurred in October 2024 were wrongly expensed to the Statement of Profit or Loss. The renovation created future economic benefits and should have been capitalized. The company depreciates such improvements at 20% on cost.

(7 marks)

d. Mentega Berhad revised its depreciation method for delivery vans from straight-line to reducing balance due to changes in usage patterns. Under the new method, the depreciation for the year is RM90,000. Under the old method, it would have been RM60,000.

(5 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. For each economic event described above, apply proper accounting treatment according to MFRS 110 Events After the Reporting Period, including journal entries (if any).

a. A customer who owed RM180,000 as of 31 December 2025 was placed under liquidation. On 15 January 2026, the liquidator confirmed that only RM40,000 would be recoverable. The company decided to write off the remaining balance.

(5 marks)

b. On 10 January 2026, a flood damaged the company's production facility. The company filed an insurance claim and estimated the total loss at RM2,500,000.

(2 marks)

c. On 5 January 2026, the internal audit team discovered that RM250,000 had been embezzled by a finance executive during the year ended 31 December 2025.

(4 marks)

d. On 20 January 2026, the company finalized a restructuring plan to consolidate operations. The plan was formally approved and communicated to affected staff. Estimated restructuring cost is RM4,000,000.

(4 marks)

(Total: 15 marks)

QUESTION 4

Sentosa Living Berhad provides home styling services and sells modular furniture packages. The following is a trial balance as at 31 December 2025:

	Dr.	Cr.
	RM	RM
Cash and Bank	1,900,000	
Accounts Receivable	600,000	
Closing Inventory	800,000	
Prepaid Expenses	100,000	
Property, Plant & Equipment (PPE)	4,000,000	
Accumulated Depreciation (PPE) as at 1 Jan 2025		1,200,000
Accounts Payable		300,000
Bank Loan (Long-term)		800,000
Tax Payable		40,000
Share Capital		2,000,000
Retained Earnings as at 1 January 2025		2,500,000
Revenue		6,080,000
Cost of Goods Sold	3,500,000	
Administration Expenses	700,000	
Salaries & Wages	600,000	
Directors' Remuneration	200,000	
Selling and Distribution Expenses	400,000	
Interest Paid	40,000	
Tax Paid	80,000	
TOTAL	**12,920,000**	**12,920,000**

Additional information:

1. An invoice for RM100,000 dated 30 December 2025 for completed furniture installation was initially omitted from the accounting records but has since been included in the trial balance above. The customer has not paid.
2. Warranty provision is estimated at RM320,000 based on historical claims.
3. RM1,600,000 package sold includes RM400,000 design and RM1,200,000 installation. Installation was completed in full. Full amount recorded as revenue.
4. Inventory costing RM100,000 has NRV of RM60,000.
5. A customer is suing the company for RM200,000. Legal advisors estimate a 100% chance of winning.
6. RM50,000 was written off; 5% of remaining receivables are expected uncollectible.
7. RM100,000 revenue was double-counted.

8. Tax expense for the year is RM120,000.

9. Depreciation for equipment in 2024 was overstated by RM20,000.

10. Building acquired on 1 Jan 2016. Useful life changed from 40 to 20 years.

11. The property, plant, and equipment consist of the following:

	Cost (RM)	Accumulated Depreciation (RM)
Building	2,000,000	600,000
Plant	1,000,000	400,000
Equipment	1,000,000	200,000

The company's policy is to provide depreciation as follows:

Building	Straight-line over 20 years	Charged as administration expenses
Plant	10% on cost	Charged as cost of goods sales
Equipment	20% on cost	Charged as selling and distribution expenses

12. Share capital is 1,000,000 ordinary shares and 1,000,000 5% preference shares of RM1 each. Dividends declared RM0.30 per ordinary share and preference dividends.

13. The RM50,000 preference dividend declared in the previous year was not paid and remains outstanding. It is now included in the current year's dividend payable.

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.

(5 marks)

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

(11 marks)

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

(13 marks)

e. If a company is facing a legal obligation and must estimate the cost to settle it. Apply the concept of "best estimate" to explain how the liability should be measured at the reporting date.

(2 marks)

(Total: 45 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER