UNIVERSITI POLY-TECH MALAYSIA
UPTM

FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)

COURSE	**:**	**FINANCIAL ACCOUNTING AND REPORTING 3/FINANCIAL REPORTING II**
COURSE CODE	**:**	**ACC3384/ACC3264**
DURATION	**:**	**3 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **FIVE (5)** 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
   iii. 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

Sawadee Sdn. Bhd. manufactures solar panel casings. On 1 January 2025, the company purchased an injection moulding machine for producing plastic casings for environmentally friendly solar panels. The machine has a 10-year useful life. The following are the costs of purchasing the machine:

Item	RM
Invoice price	1,600,000
General administrative cost	7,500
Handling cost	16,000
Testing cost	30,625
Installation cost	51,500
Import duties	17,500
Training cost	9,375

The supplier granted a trade discount of 3% on the invoice price. The company applies the cost model for subsequent measurement of the machine.

On 1 January 2025, the company spent RM450,000 to replace a significant component of the injection moulding machine with a new one. On that date, the cost of the original component was RM375,000 and its accumulated depreciation was RM150,000. With the replacement, the total useful life of the machine is extended to 11 years and it is expected that production capacity will increase by 12%.

On 25 March 2025, another machine (separate from the injection moulding machine) with cost RM775,000 and accumulated depreciation RM275,000 was sold for RM487,500.

Required:

a. Explain briefly whether the specialized machine is an item of property, plant and equipment in accordance with *MFRS 116 Property, Plant and Equipment.*

(4 marks)

b. Calculate the followings:

i. The initial cost of the new machine.

(7 marks)

ii. Expenditures that are written off in the statement of profit or loss.

(2 marks)

iii. Calculate the depreciation expenses and identify journal entry of the new machine for the year ended 31 October 2025.

(4 marks)

iv. State **THREE (3)** factors that should be considered by Sawadee Sdn. Bhd. in determining useful life of an asset.

(3 marks)

c. Discuss the accounting treatment for the part replacement on 1 January 2025.

(5 marks)

d. Discuss the accounting treatment for disposal of the machine on 25 March 2025.

(5 marks)

(Total: 30 marks)

QUESTION 2

Tepus Bhd. is a public limited company incorporated in Malaysia. The following balances were extracted from the books of the company as at 31 October 2025.

	Debit RM'000	Credit RM'000
Freehold land at valuation on 1 November 2024	60,000	
Building at valuation on 1 November 2024	55,000	
Plant and machinery at cost on 1 November 2024	32,400	
Accumulated depreciation as at 1 November 2024:		
– Building		7,500
– Plant and machinery		12,600
Investment property	30,500	
Development expenditure	380	
Other intangible asset	24,800	
Inventory at cost on 31 October 2025	22,750	
Trade and other receivables	78,775	
Bank	80,375	
Ordinary share capital RM1 each		68,000
Non-redeemable preference share capital		14,000
Revaluation reserve of freehold land at 1 November 2024		1,800
Revaluation reserve of building at 1 November 2024		1,500
Retained earnings at 1 November 2024		19,200
Long-term loan		21,000
Trade and other payables		17,400
Revenue		1,085,600
Cost of sales	462,300	
Rental income		8,400
Selling and distribution expenses	248,700	
Administrative expenses	129,500	
Finance costs	2,350	
Preference dividend paid	420	
Ordinary dividend paid	750	
Tax paid	28,000	
Total	**1,257,000**	**1,257,000**

The following information have not been accounted for by Tepus Bhd.

1. On 1 November 2025, a qualified surveyor valued the building of Tepus Bhd. at RM58,400,000. The remaining useful life of the building was 40 years as at 1 November 2025. The company adopts the revaluation model for its building and makes an annual transfer to retained earnings to reflect the realisation of the revaluation reserve. On the same date, the board of directors revalued the company's land at RM63,500,000.

   Property, plant and equipment are depreciated on a straight-line monthly basis over the following useful lives:

Building	50 years
Plant and machinery	8 years

   Depreciation for plant and machinery is charged to cost of sales, whereas depreciation for buildings is charged to administrative expenses. Freehold land is not depreciated.

2. On 1 November 2024, Tepus Bhd. acquired new machinery at a fair value of RM2,000,000. The company received a government grant equivalent to 14% of the purchase price. The company applies the write-off against asset method for government grants.

   The acquisition was financed 60% by issuance of ordinary shares. All shares were fully subscribed and paid for.

3. As at 31 October 2025, the fair value of investment property was RM34,200,000. The company adopts the fair value model for investment property.

4. On 1 August 2025, Tepus Bhd. purchased a patent from Delta Innovations at a cost of RM520,000 (inclusive of 10% legal and other directly attributable costs). The economic benefits are expected to be received indefinitely.

5. During the year, Tepus Bhd. incurred RM48,000 on research activities. The company capitalised this amount as development expenditure.

6. The tax expense for the year was estimated at RM31,500,000.

Required:

Prepare the following financial statements in accordance with the requirements of the Companies Act 2016 (as amended) and approved accounting standards for publication purposes:

a. Statement of Profit or Loss and Other Comprehensive Income for Alpha Bhd. for the year ended 31 October 2025.
(7 marks)

b. Statement of Changes in Equity for Alpha Bhd. for the year ended 31 October 2025.
(9 marks)

c. Statement of Financial Position of Alpha Bhd. as at 31 October 2025.
(8 marks)

d. Notes to the accounts for property, plant and equipment.
(6 marks)

(Total: 30 marks)

QUESTION 3

A. State **SIX (6)** capitalisation criteria of intangible asset arising from development phase in a project in accordance with MFRS 138 *Intangible assets.*

(3 marks)

B. The followings are the research and development expenditure incurred by Today Energy Bhd related to a new residential energy-storage system which was completed on 31 October 2025.

Period	Particular	RM
2023	Start as general research	3,200,000
2024	Development Phase 1	5,400,000
2025	Development Phase 2:	
	Salaries and wages for engineers	650,000
	Renting of equipment for prototype testing	1,500,000
	Material used for prototype testing	1,200,000
	Registration for legal right (patent application)	140,000
	Depreciation on laboratory machinery used in tests	180,000
	General and administrative overhead	120,000
	Staff training to ensure the competency of the staff related to the new system	45,000

Additional information:

Development Phase 1 which was completed in October 2024 could not provide convincing evidence related to the economic benefit of the new energy-storage system. The new system needed further improvement before it was introduced to the market.

Development Phase 2 was completed on 31 October 2025 and the company managed to meet all criteria for capitalizing of development expenditure. Financial year ends 31 October every year.

Required:

i. Calculate development cost for the year ended 31 October 2025.

(5 marks)

ii. Explain the accounting treatment of the research and development cost incurred in the year 2023, 2024 and 2025.

(7 marks)

iii. Prepare the journal entries for the development cost incurred in year 2025.

(5 marks)

(Total: 20 marks)

QUESTION 4

On 1 November 2025, Highlanders Blocks Bhd. moved from its existing office in Cameron Highlands to a new headquarters in Kuala Kubu Bahru. The old office in Cameron Highlands was then rented out.

The Cameron Highlands building was originally acquired on 1 November 2022 at a cost of RM5,000,000. It was depreciated on a straight-line basis over 25 years. The fair value of the building on 1 November 2025 was RM4,700,000.

Highlanders Blocks Bhd. adopts the revaluation model for its buildings under MFRS 116 Property, Plant and Equipment. It is the policy of the company to initially measure its investment properties at cost and to apply the fair value model in subsequent measurement.

Required:

a. Discuss the accounting treatment of the transfer of owner-occupied property to investment property on 1 November 2025 in accordance with MFRS 140 Investment Property.

(6 marks)

b. Prepare the journal entry for 1 November 2025.

(4 marks)

(Total: 10 marks)

QUESTION 5

Kandang is in the business of sheep farming. The company prepares its financial statements on 31 October each year. On 1 November 2024, the company owned 150, one (1) year-old goats and on 30 April 2024, the company purchased 25, two and a half (2 ½) year-old goats. No animals were sold or disposed during the year and the goats will be matured at the age of three (3) year-old.

The fair value less cost to sell per animal was determined as follows:

	1 year-old	2 years-old	2 ½ years-old	3 years-old
	RM	RM	RM	RM
1 November 2024	70	85	110	200
30 April 2025	75	90	130	250
31 October 2025	80	105	150	300

Required:

a. Calculate the amount to be recognized in the Statement of Profit or Loss for the year ended 31 October 2025.

(4 marks)

b. Prepare journal entries to record the acquisition of 1 year old goats and changes in fair values for the year ended 31 October 2025.

(3 marks)

c. Determine the amount of biological assets of Kandang as at 31 October 2025.

(3 marks)

(Total: 10 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER