UNIVERSITI POLY-TECH MALAYSIA
UPTM

FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)

COURSE	:	FINANCIAL ACCOUNTING AND REPORTING 4/ FINANCIAL REPORTING III
COURSE CODE	:	ACC3394/ACC3274
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. 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 10 printed pages including the front page

QUESTION 1

Era Bhd. is a well-established conglomerate in a solar industry, which was incorporated in Malaysia since 2020. The trial balance of Era Bhd. for the year ended 31 December 2025 is as follows:

	RM'000	RM'000
Ordinary shares of RM1		6,750
7% Non-cumulative preference shares of RM2		525
Retained profit		2,505
5% Debentures		2,250
Trade payables		420
Tax paid	330	
Sales		12,600
Cost of sales	2,550	
Administrative expenses	1,221	
Sales and distribution expenses	570	
Debenture interest	114	
Land	5,400	
Building	3,600	
Plant and machinery	2,550	
Office furniture	1,260	
Accumulated depreciation 1 January 2025		
Building		840
Plant and machinery		660
Office furniture		345
Investment	960	
Inventories	600	
Trade receivables	1,440	
Bank	6,300	
	26,895	26,895

Additional information:

1. Era Bhd. sold goods to a customer in Thailand on 10 June 2025 for ฿480,000. On 11 August 2025, Era Bhd. received ฿180,000. Era Bhd.'s functional and presentation currency is Ringgit Malaysia. This transaction was totally omitted in the books of Era Bhd. during the year. The rates of exchange were:

Date	Rate
10 June 2025	RM1.00: ฿8.00
11 August 2025	RM1.00: ฿9.00
31 December 2025	RM1.00: ฿9.60

2. Current year revaluation of land showed an increase by RM300,000 in the value of the land and this has not been recorded. It is the company's policies not to depreciate non-current asset of land. The depreciation charge for the year was as follows:

	RM
Building	210,000
Plant and Machinery	170,000
Office furniture	85,000

Plant and machinery were mainly used in the production process and all related costs were charged to cost of sales.

3. The Investment account consists of RM600,000 investments in quoted shares with a market value of RM700,000. The balance of the investments were shares in unquoted companies and the directors' valuation of these investments was RM300,000.

4. Era Bhd. bought office furniture that had fair value of RM500,000 from Ape Furniture Sdn Bhd. Both parties signed memorandum of understanding on 1 July 2025 and agreed to share based payment of 300,000 ordinary share for the settlement of office furniture. The fair value of Era Bhd. share on grant date was RM1.20. The office furniture was shipped and payment was made on 1 July 2025.

5. A letter from the Inland Revenue Board of Malaysia confirms tax payable for the company for the year was RM264,000.

   At the end of the financial year, the tax base for the company's Property, plant and equipment was RM7,740,000. At the same time, it had other interest expense accrued for the year amounting RM100,000 (which is not yet recorded during the year). Tax rules only recognize the expense when it is paid.

   There were no balances brought forward in the deferred tax asset and deferred tax liability account of the company. There were no deferred tax implications on other assets and liabilities other than the above. Tax rate is 25%.

6. On 12 December 2025, the directors of Era Bhd. declared final proposed dividend of:

Ordinary dividend	RM40,000
Preference dividend	RM24,000

7. Both the 7% Non-cumulative preference shares and 5% Debentures are convertible to ordinary shares on 1 January 2030. (Note: for the purpose of calculation of diluted earnings per share the tax rate is 25%). The conversion rates are:

Financial Instruments	Rate of conversion
7% Non-cumulative preference shares	1 Ordinary share for every 10 Preference shares held
5% Debentures	1 Ordinary share for every RM4 of Debenture owed

Required:

Prepare the following financial statements for the year ended 2025 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 the year ended 31 December 2025.

(12 marks)

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

(2 marks)

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

(8 marks)

d. Notes to accompany the above financial statements on:

i. Property, plant and equipment,
ii. Basic earnings per share,
iii. Diluted earnings per share and
iv. Non-current asset of investments.

(8 marks)

(Total: 30 marks)

QUESTION 2

A. Lumina Café Bhd. is a café and bakery chain operating in Kuala Lumpur, Malaysia. The company manages multiple outlets and is responsible for menu planning, café decoration, staffing, and promotions. Lumina Café Bhd.'s financial year-end is 31 December annually. Lumina Café Bhd. has entered into two lease agreements.

1. Lease of Café Outlet.

   On 1 July 2023, Lumina Café Bhd. entered into a four-year lease agreement with Aroma Properties Bhd. for the lease of a commercial café outlet. The terms of the lease are as follows:
   - The fair value of the leased property at inception is RM720,000.
   - The monthly lease payment is RM16,000, which is payable in advance starting on 1 July 2023.
   - The guaranteed residual value at the end of the lease is RM22,210.
   - The implicit interest rate of the lease is 6% per annum.
   - The estimated useful life of the leased asset is five years, and ownership of the property remains with Aroma Properties Bhd. at the end of the lease term.

   The leased property is explicitly intended for use as a café and bakery outlet, and Lumina Café Bhd. has the right to direct how the outlet is used, including its layout, operations, and operating hours.

   For this lease, the present value of the minimum lease payments (PVMLP) for this lease is RM720,000, which equals the fair value of the leased property at the inception of the lease. The right-of-use asset is also initially recognised at the same amount of RM720,000.

2. Catering Equipment

   Lumina Café Bhd. also provides catering equipment to clients. On 1 January 2025, Lumina Café Bhd. entered into a contract with Golden Events Sdn. Bhd. to provide a portable coffee machine and catering equipment together with related services for a period of three years.

   The catering equipment (including coffee machines, portable ovens, and beverage dispensers) was acquired by Lumina Café Bhd. on 1 July 2020 at a cost of RM165,000 and has an estimated useful life of 10 years. Lumina Café Bhd. is responsible for the maintenance of the equipment throughout the contract period. The monthly rental charged to Golden Events Sdn. Bhd. is RM6,000, payable at the end of each month. As at 31 December 2025, rental income for four months remains accrued by Golden Events Sdn. Bhd.

Required:

i. Designate a table showing the interest charged for each accounting period in the books of Lumina Café Bhd. in respect of the lease agreement with Aroma Properties Bhd. over the four-year lease period.
(8 marks)

ii. Illustrate the journal entries in the books of Lumina Café Bhd. for the year ended 31 December 2025.
(6 marks)

iii. Illustrate an extract of the Statement of Profit or Loss for the year ended 31 December 2025 and the Statement of Financial Position as of that date in the books of Lumina Café Bhd.
(6 marks)

(All answers must be rounded to the nearest figure)

B. Orion Retail Bhd. operates a chain of lifestyle and household goods stores across Malaysia. To support its operations, the company enters into long-term lease agreements for its retail outlets, warehouses and administrative offices. Under MFRS 117, these lease contracts were previously classified as operating leases, and the related lease payments were recognised as operating expenses in the statement of profit or loss. With effect from the current financial year, Orion Retail Bhd. applies MFRS 16 Leases in accounting for its lease arrangements.

Required:

Analyse **TWO (2)** consequences of applying the lease accounting requirements under MFRS 16 on the financial position and financial performance of Orion Retail Bhd. where the company recognises the lease contract as a right-of-use asset. For each consequence, provide **TWO (2)** relevant examples to support your answer.
(10 marks)

(Total: 30 marks)

QUESTION 3

Ceres Bhd. is a Malaysian manufacturing company specializing in consumer electronics. It was incorporated on 15 March 2015 and is headquartered in Kuala Lumpur, Malaysia. The company has an authorized share capital of 16 million ordinary shares of RM1 each and 8 million 10% cumulative preference shares of RM1 each.

Given below is the extract information of Ceres Bhd. for the year ended 31 December:

	2024	2025
Issued and paid-up capital:		
Ordinary shares of RM1 each on 1 January	RM7.2 million	RM7.2 million
10% Cumulative preference shares of RM1 each on 1 January	RM4.5 million	RM4.5 million
5% Convertible debentures on 1 January	-	RM3.6 million
Profit after tax for the year ended 31 December	RM1,010,000	RM1,860,000

Additional information:

For the year ended 31 December 2025:

1. 42% of the debentures were converted on 31 May 2025. Debentures of RM200 can be converted into 150 ordinary shares.
2. The company had declared the preference dividend for the year.
3. On 1 October 2025, the following transactions took place:
   i. The company issued new ordinary shares of 350,000 at par value of RM1 each.
   ii. The company also bought back 630,000 ordinary shares at a price of RM1.90 per share.
4. Tax rate is 25%.

Required:

a. Compute the basic earnings per share for the year ended 31 December 2024 and 2025.
(10 marks)

b. Compute the diluted earnings per share for the year ended 31 December 2025.
(10 marks)

(Total: 20 marks)

QUESTION 4

A. AeroBuild Technologies Berhad operates in the aerospace engineering sector and specialises in the manufacture of advanced aircraft components.
On 15 August 2025, the company obtained a custom-designed robotic assembly system from SkyWorks Automation Sdn. Bhd., an independent supplier of industrial automation solutions.
Rather than settling the purchase through cash payment, both parties agreed that AeroBuild Technologies Berhad would discharge the purchase consideration by issuing ordinary shares. The key terms of the arrangement are summarised below:

1. 40,000 ordinary shares will be issued to SkyWorks Automation Sdn. Bhd.
2. The robotic system was received and became ready for operational use on 15 August 2025.
3. The issuance of shares as settlement took place on 15 September 2025.
4. The fair value of AeroBuild Technologies Berhad's ordinary shares was:
   - RM3.20 per share on 15 August 2025.
   - RM3.80 per share on 15 September 2025.
5. Due to the highly specialised nature of the robotic system, its fair value cannot be measured reliably.
6. The company's financial year end is 31 December.

AeroBuild Technologies Berhad accounts for this transaction in accordance with MFRS 2 Share-based Payment.

Required:

i. Discover the measurement basis to be used for this transaction under MFRS 2.
(1 mark)

ii. Compute the cost of the asset to be recognised in the statement of financial position.
(2 marks)

iii. Prepare the journal entry to record the transaction for the year ended 31 December 2025.
(4 marks)

B. TechSphere Innovations Berhad is a company operating in the digital infrastructure and cloud security industry. On 30 March 2023, the company entered into a service agreement with SecureNet Consulting Sdn. Bhd., an independent IT advisory firm, to implement and provide continuous support for its enterprise cybersecurity framework over three years.
Instead of settling the contract through a fixed cash fee, both parties agreed that SecureNet Consulting Sdn. Bhd. would be compensated using a share-based payment arrangement on 31 March 2024.

The main terms of the agreement are as follows:
- SecureNet Consulting Sdn. Bhd. will receive cash settlement.
- The amount payable is determined based on the value of 18,000 Share Appreciation Rights (SARs).
- The SARs will vest at the end of the 3 year service period, on 31 March 2026, provided that the services are fully completed.
- Payment will be made immediately upon vesting.
- The SARs are cash-settled and their value is linked to TechSphere Innovations Berhad's share price.

The fair value of each SAR at the relevant dates is shown below:

Date	Fair value per SAR
30 March 2023	RM2.10
31 March 2024	RM2.60
31 March 2025	RM2.30
31 March 2026	RM3.20

TechSphere Innovations Berhad prepares its financial statements annually, with a financial year end of 31 March.

Required:

i. Assess the type of share-based payment transaction.

(1 mark)

ii. Compute the expense and liability to be recognised at 31 March 2024, 2025 and 2026.

(5 marks)

iii. Prepare the journal entries for Year 2 and Year 3.

(3 marks)

C. On 1 January 2023, the management of Cenderawasih granted its 200 employees in the production unit options to buy 250 shares each. If production increased by a minimum of 8%, the options granted would increase by 10% and if the production increased by 12% or more the options granted would increase by 15%. The options would vest at the end of the third year.

In 2023, the company estimated that production would not increase and 10 employees would leave before the end of year 2025. In year 2, 8 employees left, and the company estimated that productivity would increase by 8% only and only 160 employees would remain in service till end of year 3.

In year 3, productivity rose by 14% and another 7 employees left the company. The fair value of the option was RM5 on 1 January 2023.

Required:

Compute the amount recognised as expenses in the statement of profit or loss (SOPL) and amount disclosed as equity in the statement of financial position (SOFP).

(7 marks)

(Total: 20 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER