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

Tencent Bhd. is a reputable company in the furniture industry in Malaysia. The company has been operating since its incorporation in 2010. The trial balance of Tencent Bhd. for the year ended 31 December 2025 is as follows:

	RM'000	RM'000
Trade payables		860
Tax paid	560	
Ordinary shares		12,000
9% Non-cumulative preference shares		800
Retained profit		6,548
7% Debentures		4,400
Sales		21,600
Cost of sales	4,600	
Administrative expenses	2,360	
Sales and distribution expenses	1,040	
Debenture interest	308	
Investment	1,900	
Inventories	1,200	
Trade receivables	2,700	
Bank	11,200	
Non-current assets:		
Land	10,400	
Building	6,200	
Plant and machinery	4,800	
Motor vehicles	2,400	
Accumulated depreciation 1 January 2025		
Building		1,420
Plant and machinery		1,320
Motor vehicles		720
	49,668	49,668

Additional information:

1. Turnover for the year includes RM2,376,000 of credit sales and the goods on these sales was delivered to the customers on 5 February 2026. Tencent Bhd. sold these goods at cost plus 8% mark-up on cost.

2. Tencent Bhd. granted 600,000 of its equity shares as bonus to its employees. Total staff cost before charging bonus was RM400,000. The fair value of the equity shares of Tencent Bhd. on the grant date was RM5.50 each. (Staff costs are included as part of administration expense).

3. Tencent Bhd. owns a plant and machinery. The company decides to sell two of its plant and machinery to Capitala Berhad for RM700,000 and immediately lease it back under operating lease for continued use in its operations. The cost and accumulated depreciation was RM1,000,000 and RM320,000 respectively. The cost for the lease was RM200,000.

4. 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	836,000
Plant and machinery	610,000
Motor Vehicles	364,000

Motor vehicles were mainly used to deliver goods and services to the customers meanwhile plant and machinery related to cost of sales.

5. On 22 September 2025, Tencent Bhd. bought a piece of land in Shanghai for RMB17,856,000. Payment for the purchase of the land was settled using cash. On 31 December 2025, the fair value of the land was RMB26,924,000. This transaction was totally omitted in the books of Tencent Bhd. during the year. Tencent Bhd.'s functional currency is Ringgit (RM) and the company would like to incorporate the fair value of the land. The rates of exchange were:

Date	Rate
22 September 2025	RM1.00: RMB3.10
31 December 2025	RM1.00: RMB5.30

6. A letter from the Inland Revenue Board of Malaysia confirms tax payable for the company for the year was RM660,000.
At the end of the financial year, the tax base for the company's Property, plant and equipment was RM18,306,000. At the same time, it had other interest expense accrued for the year amounting RM144,000 (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%.

7. On 31 December 2025, the directors of Tencent Bhd. declared final proposed dividend of:

Ordinary dividend	RM120,000
Preference dividend	RM72,000

8. The 7% Debentures are convertible into ordinary shares on 1 January 2030 at a conversion rate of one ordinary share for every RM10 of debentures held. (Note: for the purpose of calculating diluted earnings per share the tax rate is 27%).

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.

(13 marks)

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

(3 marks)

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

(7 marks)

d. Notes to accompany the above financial statements on:

i. Property, plant and equipment,
ii. Basic earnings per share and
iii. Diluted earnings per share.

(7 marks)

(Total: 30 marks)

QUESTION 2

A. Nimbus Logistics Bhd. is a logistics and warehousing company incorporated in Malaysia. The company provides integrated freight forwarding, cold-chain storage, and distribution services to manufacturing and retail clients across Peninsular Malaysia. The financial year end of Nimbus Logistics Bhd. is 31 December. The company entered into the following two lease agreements:

1. Automated Storage System

   On 1 January 2023, Nimbus Logistics Bhd. entered into a four-year lease agreement with TechStor Solutions Sdn. Bhd. to acquire an automated storage and retrieval system for use in its main distribution hub. An initial lease payment of RM220,000 was made upon commencement of the lease. This was followed by three annual lease payments of RM360,000 each, payable at the beginning of each year, commencing on 1 January 2024.

   The lease carries an implicit interest rate of 6% per annum, and legal ownership of the asset is transferred to Nimbus Logistics Bhd. at the end of the lease term. The leased asset has an estimated useful life of five years and no residual value. The leased equipment is used solely within the company's logistics operations, and Nimbus Logistics Bhd. retains decision-making authority over its utilisation and operational deployment for the duration of the lease.

2. Refrigerated Delivery Vehicles

   Nimbus Logistics Bhd. also operates cold-chain distribution services and provides refrigerated delivery solutions to its clients. On 1 January 2025, Nimbus Logistics Bhd. entered into a lease contract with CoolTrans Vehicles Sdn. Bhd. to provide a fleet of refrigerated delivery vehicles together with related services for a period of three years.

   The vehicles were acquired by Nimbus Logistics Bhd. at a cost of RM800,000 on 1 January 2024 and have an estimated useful life of eight years. Nimbus Logistics Bhd. is responsible for the maintenance of the vehicles throughout the lease period. The monthly lease payment charged to CoolTrans Vehicles Sdn. Bhd. is RM28,000, payable at the end of each month. For the year ended 31 December 2025, total payments made by CoolTrans Vehicles Sdn. Bhd. amounted to RM168,000.

Required:

i. Designate a table showing the interest charged for each accounting period in the books of Nimbus Logistics Bhd. in respect of the lease agreement with TechStor Solutions Sdn. Bhd. over the four-year lease period.
(Note: $PVIFA_{3,6\%}$ = 2.6730)

(7 marks)

ii. Illustrate the journal entries in the books of Nimbus Logistics Bhd. for the year ended 31 December 2025.

(7 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 Nimbus Logistics Bhd.

(6 marks)

(All answers must be rounded to the nearest figure)

B. Petal Unggul Bhd. leases office equipment to several clients. Some lease agreements contain unusual terms, and the company is unsure whether to classify them as finance leases or operating leases under Paragraphs 63–64 of MFRS 16.
Examine **FIVE (5)** situations that could indicate a finance lease for the lessor. Give **ONE (1)** example for each situation.

(10 marks)

(Total: 30 marks)

QUESTION 3

Aquila Innovations Bhd. is a public technology company incorporated in Malaysia in 2012. The company develops and markets advanced software solutions for businesses across Southeast Asia. Aquila Innovations Bhd. has an authorized share capital of 11 million ordinary shares of RM1 each and 7 million 9% cumulative preference shares of RM1 each.

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

	2024	2025
Issued and paid-up capital:		
Ordinary shares of RM 1 each on 1 January	RM8.4 million	RM8.4 million
9% cumulative preference shares of RM1 each on 1 January	RM4.8 million	RM4.8 million
7% convertible debentures on 1 January	-	RM3.2 million
Profit after tax for the year ended 31 December	RM1.9 million	RM2.85 million

Additional information:

For the year ended 31 December 2025:

1. 54% of the debentures were converted on 1 June 2025. Each RM300 debenture is convertible into 220 ordinary shares of the company.
2. On 30 October 2025, the following transactions took place:
   i. The company issued new ordinary shares of 395,800 at par value of RM1 each.
   ii. The company also bought back 460,000 ordinary shares at a price of RM1.55 per share.
3. The company had declared the preference dividend for the year.
4. Tax rate is 28%.

Required:

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

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

(All answers must be rounded up to TWO decimal places)

(Total: 20 marks)

QUESTION 4

A. Innotech Engineering Bhd. is a manufacturing company that produces specialised industrial equipment. On 1 October 2025, the company acquired a custom-built production machine from MachPro Solutions Sdn. Bhd., an independent equipment supplier.

Due to cash flow constraints, Innotech Engineering Bhd. agreed to settle the purchase consideration by issuing ordinary shares instead of paying cash. The terms of the agreement are as follows:

- 30,000 ordinary shares will be issued to MachPro Solutions Sdn. Bhd.
- The machine was delivered and became available for use immediately on 1 October 2025.
- Payment was settled on 1 November 2025.
- The fair value of Innotech Engineering Bhd.'s ordinary shares on 1 October 2025 and 1 November 2025 was RM4.00 per share and RM4.50, respectively.
- The company's financial year end is 31 December.

Innotech Engineering Bhd. applies MFRS 2 in accounting for share-based payment transactions.

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. NextGen Systems Bhd. is a technology company that engaged with CyberTech Solutions, an external IT consultant, on 1 December 2025 to upgrade and continuously maintain its cybersecurity systems over a three-year period.

The agreement specifies that:

- CyberTech Solutions will receive cash payment.
- The cash amount is based on the value of 12,000 Share Appreciation Rights (SARs).
- The SARs will vest at the end of three years (31 December 2027), subject to completion of the service period.
- Payment will be made immediately after vesting.
- The SARs are cash-settled and linked to NextGen Systems Bhd.'s share price.

On 31 December 2025, both parties agreed to share-based payment for the settlement of the cybersecurity systems.

The fair value of each SAR is as follows:

Date	Fair value per SAR
1 December 2025	RM1.90
31 December 2025	RM2.50
31 December 2026	RM2.20
31 December 2027	RM3.00

NextGen Systems Bhd's financial year end is 31 December.

Required:

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

(1 mark)

ii. Compute the expense and liability to be recognised as at 31 December 2025, 2026 and 2027.

(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 100 employees in the production unit options to buy 150 shares each. If production increased by a minimum of 8%, the options granted would increase by 8% and if the production increased by 10% or more the options granted would increase by 10%. The options would vest at the end of the third year.
In 2023, the company estimated that production would not increase and that five employees would leave before the end of year 2025. In year 2, four employees left, and the company estimated that productivity would increase by 8% only and only 86 employees would remain in service till end of year 3.
In year 3, productivity rose by 12% and another four employees left the company.
The fair value of the option was RM8 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).

(4 marks)

(Total: 20 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER