

**FINAL EXAMINATION****DIPLOMA OF ACCOUNTANCY**

COURSE	: INTERMEDIATE FINANCIAL REPORTING
COURSE CODE	: ACC2223
DURATION	: 2 HOURS

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **THREE (3)** questions.
2. Answer **ALL** questions in the Answer Booklet provided.
3. Please check to make sure 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 7 printed pages including the front page

QUESTION 1

- A. Nexora Manufacturing Bhd, a prominent public listed company based in Johor, is involved in the electronics manufacturing industry and specializes in producing premium smart home appliances. On 20 July 2025, the company decided to upgrade its production facilities by acquiring a new robotic assembly machine. The supplier quoted a purchase price of RM4,100,000 for the machine. As part of a special promotional offer, the supplier allowed a trade discount of 6% on the quoted price.

Apart from the purchase cost of the robotic assembly machine, Nexora Manufacturing Bhd incurred several additional costs to ensure that the machine was ready for use in its production operations. Freight and delivery charges amounting to RM41,000 were paid to transport the machine to the company's factory premises. The company also incurred RM62,000 for installation, configuration, and testing works before the machine could commence operations.

In addition, Nexora Manufacturing Bhd spent RM66,000 on technical and operational training for its production employees to ensure efficient handling of the machine. Administrative and documentation expenses related to the acquisition process amounted to RM24,000. The estimated annual repair and routine maintenance expenses for the machine were RM105,000.

Nexora Manufacturing Bhd applies depreciation on machinery at the rate of 10% per annum on cost. The estimated useful life of the machine is 10 years. The financial year of the company ends on 31 December 2025.

Required:

- a. Determine whether the new a new robotic assembly machine satisfies the definition of an asset according to the MASB Conceptual Framework
(4 marks)
- b. Determine whether a new robotic assembly machine qualifies as Property, Plant and Equipment in accordance to *MFRS 116 Property, Plant and Equipment*.
(6 marks)
- c. Calculate the initial measurement (cost) of the new robotic assembly machine to be recognized in the financial statements.
(9 marks)
- d. The robotic assembly machine requires scheduled maintenance every four months. During each maintenance service, the processing component must be replaced to ensure the machine continues operating efficiently. Discuss the accounting treatment for the replacement cost of the processing component in the company's accounting records.
(6 marks)

- B. On 1 July 2020, Nexora Manufacturing Bhd purchased a production warehouse at a cost of RM16,800,000. The warehouse is depreciated using the straight-line method over its estimated useful life of 35 years. The company adopts an accounting policy of charging a full year's depreciation in the year the asset is acquired and no depreciation in the year of disposal. On 2 February 2025, the production warehouse was revalued by an independent professional valuer to RM19,600,000.

Required:

- a. Compute the amount of revaluation reserve as at 31 December 2025. (7 marks)
- b. Discuss the accounting treatment for the revaluation reserve. (3 marks)

(Total: 35 marks)

QUESTION 2

Aerovance Technologies Sdn Bhd, a prominent manufacturing company based in Shah Alam, received a government assistance grant on 1 July 2025 to support the company's industrial modernization programme. The grant amounted to RM850,000 and was specifically designated for the acquisition of advanced production equipment costing RM6,200,000.

Aerovance Technologies Sdn Bhd adopts the policy of accounting for government grants using the "write-off" method. In addition, the company depreciates its production equipment over an estimated useful life of 8 years using the straight-line method.

Required:

- a. Show the journal entries (**narrations are not required**) to record the above transactions for the year ended 31 December 2025.
(4 marks)
- b. Prepare Statement of Profit or Loss for the year ended 31 December 2025 and a Statement of Financial Position (extract) as at 31 December 2025
(8 marks)
- c. If the company decides to adopt the 'deferred income' method, determine the carrying amount of the machine on 31 December 2025.
(3 marks)

(Total: 15 marks)

QUESTION 3

Novatronic Sdn Bhd, is a reputable technology enterprise based in Cyberjaya that specializes in the development and marketing of smart home automation devices for consumers in Malaysia. In preparation for the completion of its annual reporting process, the company's directors are in the process of finalizing the financial statements for the financial year ended 31 December 2025. The financial statements were approved for release on 10 April 2026.

	Debit RM	Credit RM
Sales		14,250,000
Cost of sales	5,420,000	
Inventories	510,000	
Administrative expenses	620,000	
Selling and distribution expenses	410,000	
Audit fees	70,000	
Directors' remuneration	520,000	
Tax paid	1,950,000	
Freehold industrial land (cost)	4,500,000	
Factory building (cost)	4,600,000	
Plant and machinery (cost)	2,850,000	
Motor vehicles (cost)	750,000	
Accumulated depreciation as at 1 January 2025:		
Factory building		650,000
Plant and machinery		250,000
Motor vehicles		150,000
Investment	5,000,000	
Interim dividend – ordinary shares	450,000	
Retained earnings as at 1 January 2025		4,850,000
Ordinary shares		13,130,000
5% Bank loan – Bank Rakyat		1,500,000
Investment income		500,000
Interest on bank loan	75,000	
Cash at bank	5,400,000	
Trade receivable and payable	2,600,000	355,000
Allowance for impairment of trade receivable		90,000
	35,725,000	35,725,000

Additional information:

1. Sales revenue and trade receivables were overstated by RM1,800,000 due to goods sent on consignment that remained unsold at year-end. Closing inventory was therefore understated by RM1,250,000.
2. The trade payables included inventory purchased from a supplier in Japan amounting to JPY4,000,000 on 1 December 2023. The exchange rate on purchase date was RM0.031: JPY1 while the closing rate on 31 December 2025 was RM0.034: JPY1.
3. On 28 December 2025, the company purchased a new motor vehicle costing RM65,000 through bank transfer. The transaction had not yet been recorded.
4. The company applies the following depreciation policy:

Factory building	2% per annum on cost
Plant and machinery	10% per annum on cost
Motor vehicles	20% per annum on carrying amount

Depreciation on factory buildings and plant and machinery is classified under administrative expenses, while motor vehicle depreciation is charged to selling and distribution expenses.
5. The freehold land was professionally revalued at RM6,200,000 and the directors decided to incorporate the revaluation into the financial statements.
6. Outstanding directors' remuneration of RM60,000 and accrued loan interest of RM12,500 had not yet been recorded.
7. On 18 December 2023, a factory technician initiated legal action against the company for injuries sustained while operating machinery. The company's legal adviser believes it is highly probable that the company will have to settle the claim amounting to RM95,000 in 2025.
8. The income tax expenses for the financial year were estimated at RM1,480,000.

Required:

Prepare the following financial statements in a form suitable for publication in accordance with the companies Act 2016 and MFRS101 Presentation of Financial Statements and other relevant Malaysia Financial Reporting Standards:

- a. Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025.
(20 marks)
 - b. Statement of changes in Equity for the year ended 31 December 2025.
(16 marks)
 - c. Statement of Financial Position as at 31 December 2025.
(6 marks)
 - d. Notes to the above account for property, plant and equipment.
(8 marks)
- (Total: 50 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER

