

**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

Sakura Delights Bhd. is a reputable company in the cakes and restaurant industry in Malaysia. The company operates a chain of cafés and bakeries that specialize in artisanal cakes, pastries, and casual dining meals. It also offers customised celebration cakes and seasonal dessert menus to cater to both dine-in and takeaway customers. The company has been operating since its incorporation in 2010.

The trial balance of Sakura Delights Bhd. for the year ended 31 December 2025 is as follows:

	RM'000	RM'000
Trade payables		1,290
Tax paid	840	
Ordinary shares		18,000
9% Non-cumulative preference shares		1,200
Retained profit		9,822
7% Debentures		6,600
Sales		32,400
Cost of sales	6,900	
Administrative expenses	3,540	
Sales and distribution expenses	1,560	
Debenture interest	462	
Investment	2,850	
Inventories	1,800	
Trade receivables	4,050	
Bank	16,800	
Non-current assets:		
Land	15,600	
Building	9,300	
Plant and machinery	7,200	
Motor vehicles	3,600	
Accumulated depreciation 1 January 2025		
Building		2,130
Plant and machinery		1,980
Motor vehicles		1,080
	<u>74,502</u>	<u>74,502</u>

Additional information:

1. Turnover for the year includes RM3,564,000 of credit sales and the goods on these sales were delivered to the customers on 18 February 2026. Sakura Delights Bhd. sold these goods at cost plus 8% mark-up on cost.
2. On 1 January 2025, the management of Sakura Delights Bhd. granted options for 2,000 shares to each of its selected 120 employees, on the condition that the employees would stay in employment for three years. Sakura Delights Bhd. estimated that 20% of the employees would leave the employment in year 2025. The fair value of the option was:

Date	Fair Value of the Option
1 January 2025	RM3.00
1 January 2026	RM3.50
1 January 2027	RM4.00

The share options are anti-dilutive as the exercise price exceeds the average market price. Therefore, they are excluded from the calculation of diluted earnings per share. Staff costs are included as part of administration expenses.

3. Sakura Delights Bhd. owns a plant and machinery. The company decides to sell two of its plant and machinery to Kuatteh Berhad for RM1,050,000 and immediately lease it back under operating lease for continued use in its operations. The cost and accumulated depreciation was RM1,500,000 and RM480,000 respectively. The cost for the lease was RM300,000.
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	1,254,000
Plant and machinery	915,000
Motor Vehicles	546,000

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

5. On 23 October 2025, Sakura Delights Bhd. bought a piece of land in Hainan for RMB26,784,000. Payment for the purchase of the land was settled using cash. On 31 December 2025, the fair value of the land was RMB40,386,000. This transaction was totally omitted in the books of Sakura Delights Bhd. during the year. Sakura Delights 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
23 October 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 RM990,000.
At the end of the financial year, the tax base for the company's Property, plant and equipment was RM27,459,000. At the same time, it had other interest expense accrued for the year amounting RM216,000 (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 Sakura Delights Bhd. declared final proposed dividend of:
- | | |
|---------------------|-----------|
| Ordinary dividend | RM180,000 |
| Preference dividend | RM108,000 |
8. The 7% Debentures are convertible into ordinary shares on 1 January 2032 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. (14 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 (6 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. Aurora Crust Café & Bakery Bhd. is a reputable company in the cakes and restaurant industry in Malaysia. The company operates a chain of cafés and bakery-restaurants that specialise in artisanal cakes, pastries, and casual dining meals. It also provides customised celebration cakes and dessert catering services for events and corporate functions across major cities in Malaysia. The financial year end of Aurora Crust Café & Bakery Bhd. is 31 December. The company entered into the following two lease agreements:

1. Automated Baking and Storage System.

On 1 January 2023, Aurora Crust Café & Bakery Bhd. entered into a four-year lease agreement with BakeTech Sdn. Bhd. to acquire an automated baking, storage, and inventory management system for use in its central production kitchen. 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 Aurora Crust Café & Bakery Bhd. at the end of the lease term. The leased asset has an estimated useful life of five years and no residual value. The system is used solely within the company's food production operations, and Aurora Crust Café & Bakery Bhd. retains decision-making authority over its utilisation and operational deployment for the duration of the lease.

2. Refrigerated Delivery Vans.

Aurora Crust Café & Bakery Bhd. also operates delivery services for cakes and chilled dessert products. On 1 January 2025, the company entered into a lease contract with DoubleSpeed Sdn. Bhd. to provide a fleet of refrigerated delivery vans together with related services for a period of three years.

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

Required:

- i. Designate a table showing the interest charged for each accounting period in the books of Aurora Crust Café & Bakery Bhd. in respect of the lease agreement with BakeTech 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 Aurora Crust Café & Bakery 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 Aurora Crust Café & Bakery Bhd.

(6 marks)

(All answers must be rounded to the nearest figure)

- B. Horizon Workspace Solutions Bhd. designs and supplies smart office equipment such as modular desks, meeting pods, and integrated workspace systems. The company enters into contracts with corporate clients in which it either sells the equipment outright or leases the equipment for a fixed period with monthly payments. In some cases, the contract terms are similar, and management is unsure whether certain arrangements should be accounted for as a sale of assets or a lease agreement under MFRS 16.

Required:

Examine **FIVE (5)** differences between a lease and a sale from the perspective of accounting under MFRS 16.

(10 marks)

(Total: 30 marks)

QUESTION 3

Orion Chain Bhd. is a public logistics and supply chain management company incorporated in Malaysia in 2012. The company provides integrated transportation, warehousing, and distribution services across Southeast Asia. Orion Chain Bhd. has an authorized share capital of 22 million ordinary shares of RM1 each and 14 million 8% cumulative preference shares of RM1 each.

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

	2024	2025
	RM	RM
Issued and paid-up capital:		
Ordinary shares of RM 1 each on 1 January	12.6 million	12.6 million
8% cumulative preference shares of RM1 each on 1 January	7.2 million	7.2 million
8% convertible debentures on 1 January	-	4.8 million
Profit after tax for the year ended 31 December	2.85 million	4.28 million

Additional information:

For the year ended 31 December 2025:

- 45% of the debentures were converted on 1 April 2025. Each RM250 debenture is convertible into 190 ordinary shares of the company.
- On 31 May 2025, the following transactions took place:
 - The company issued new ordinary shares of 593,700 at par value of RM1 each.
 - The company also bought back 690,000 ordinary shares at a price of RM1.55 per share.
- The company had declared the preference dividend for the year.
- Tax rate is 27%.

Required:

- Compute the basic earnings per share for year ended 31 December 2024 and 2025.
(10 marks)
- 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. SeriVista Healthcare Bhd. is a private healthcare provider that operates specialist clinics and diagnostic centres. On 1 October 2025, the company acquired advanced medical imaging equipment from MediTech Innovations Sdn. Bhd., an independent medical equipment supplier.

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

1. 30,000 ordinary shares will be issued to MediTech Innovations Sdn. Bhd.
2. The equipment was delivered and became available for use immediately on 1 October 2025.
3. Payment was settled on 15 January 2026.
4. The fair value of SeriVista Healthcare Bhd.'s ordinary shares on 1 October 2025 and 15 January 2026 was RM4.00 per share and RM4.50, respectively.
5. The company's financial year end is 31 December.

SeriVista Healthcare Bhd. applies MFRS 2 in accounting for share-based payment transactions.

Required:

- i. Compute the cost of the asset to be recognised in the statement of financial position.
(2 marks)
- ii. Prepare the journal entry to record the transaction for the year ended 31 December 2025.
(2 marks)
- iii. Discover **ONE (1)** difference between equity-settled share-based payments and cash-settled share-based payments under MFRS 2.
(3 marks)

- B. EcoHarvest Plantation Bhd. is an agricultural company engaged in sustainable palm oil cultivation. On 1 January 2025, the company entered into an agreement with AgriSmart Advisory Sdn. Bhd., an external farm management consultant, to improve yield efficiency and provide ongoing plantation advisory services over a three-year period.

The agreement specifies that:

1. AgriSmart Advisory Sdn. Bhd. will receive cash payment.
2. The cash amount is based on the value of 12,000 Share Appreciation Rights (SARs).
3. The SARs will vest at the end of three years (31 December 2027), subject to completion of the service period.
4. Payment will be made immediately after vesting.
5. The SARs are cash-settled and linked to EcoHarvest Plantation Bhd.'s share price.

On 31 December 2025, both parties agreed to share-based payment for the settlement of the plantation advisory services.

The fair value of each SAR is as follows:

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

EcoHarvest Plantation 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 KnightMove Bhd. granted its 150 employees in the production unit options to buy 160 shares each. If production increased by a minimum of 7%, 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 that six employees would leave before the end of year 2025. In year 2, four employees left, and the company estimated that productivity would increase by 7% only and only 84 employees would remain in service till end of year 3.
- In year 3, productivity rose by 13% and another four employees left the company. The fair value of the option was RM9 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