

**FINAL EXAMINATION****BACHELOR OF ACCOUNTANCY (HONOURS)****COURSE : FINANCIAL STATEMENTS ANALYSIS****COURSE CODE : ACC4313****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. The use of a calculator is allowed.
5. Please write your answer using permanent ink.

**MYKAD/
PASSPORT NO** : _____

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LECTURER : _____

SECTION : _____

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This question paper consists of 7 printed pages including the front page

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QUESTION 1

NovaCell Berhad is a Malaysian company involved in developing and selling communication technology products.

During the financial year ended 31 December 2025, the company incurred the following expenditures relating to a newly developed software platform:

Item	RM
Research activities conducted before technical feasibility was achieved	420,000
Development costs incurred after technical feasibility was confirmed	680,000
Advertising and promotional campaign for the new software	120,000

Additional information:

1. The software platform became available for use on 1 October 2025.
2. The software is expected to have a useful life of 5 years with no residual value.
3. Profit before adjustments relating to the above expenditures was RM2,000,000.
4. Total assets before adjustments amounted to RM15,000,000.

The finance director proposed to capitalise all expenditures as intangible assets in order to improve the company's reported financial performance for the year ended 31 December 2025. The directors are concerned that the accounting treatment adopted may affect the reliability of the company's financial statements and investors' decision-making.

Required:

Assess **FIVE (5)** implications of the accounting treatment proposed by the finance director on the reliability of the company's financial statements.

(15 marks)

(Total: 15 marks)

QUESTION 2

PrimeNova Berhad is a Malaysian company involved in distributing electronic gadgets and accessories throughout Southeast Asia.

For the year ended 31 December 2025, the company reported its highest profit in the last five years. The board of directors praised management for achieving strong financial results despite challenging market conditions.

Selected financial information of PrimeNova Berhad is presented below:

	2024 RM	2025 RM
Revenue	42,000,000	51,500,000
Profit before tax	4,800,000	7,600,000
Net operating cash flow	4,500,000	1,100,000
Trade receivables	5,000,000	11,800,000
Inventories	4,200,000	7,900,000
Short-term borrowings	2,100,000	6,300,000

Further review revealed the following matters:

During 2025, PrimeNova Berhad introduced an aggressive sales campaign that offered customers extended credit periods of up to 180 days. The company also increased inventory purchases in anticipation of future demand. However, demand grew more slowly than expected and a significant amount of inventory remained unsold at year-end.

In December 2025, management recognised a one-off gain of RM2.2 million from the disposal of an old warehouse. This gain was included in profit before tax.

The Chief Executive Officer stated that the significant increase in profit demonstrates excellent business performance and justifies further expansion in 2026. However, several institutional investors expressed concerns regarding the quality and sustainability of the company's reported earnings.

Required:

- a. Analyse **TWO (2)** indicators that suggest PrimeNova Berhad may have:
 - i. weak earnings quality. (8 marks)
 - ii. weak cash quality. (8 marks)
 - b. Based on your analysis in (a), determine whether PrimeNova Berhad's reported profit reflects the company's actual financial performance (4 marks)
 - c. Assess whether PrimeNova Berhad should continue its aggressive sales campaign. (4 marks)
 - d. Recommend an action that management should implement to improve the company's operating cash flow and overall financial performance. (6 marks)
- (Total: 30 marks)

QUESTION 3

PrimeAxis Berhad is a Malaysian manufacturer of industrial automation equipment. During 2025, the company invested heavily in new production facilities and advanced manufacturing technology to improve productivity and expand market share.

The Chief Executive Officer stated that the investment programme was successful because revenue and profit increased significantly during the year. However, several shareholders questioned whether the additional investment generated sufficient returns for the company.

Selected financial information for the years ended 31 December 2024 and 2025 is presented below:

	2024 (RM)	2025 (RM)
Operating profit before interest and tax (EBIT)	8,000,000	9,500,000
Income tax rate	25%	25%
Total assets	80,000,000	110,000,000
Cash and cash equivalents	8,000,000	12,000,000
Current liabilities (non-interest bearing)	15,000,000	18,000,000
Cost of capital	9%	9%

Additional information:

During 2025, PrimeAxis Berhad invested substantially in new machinery and production facilities. Although operating profit increased, total assets grew at a faster rate than profits. The board of directors is concerned whether the company's investments are generating sufficient returns to justify the additional capital employed.

Required:

- Calculate the Return on Invested Capital (ROIC) of PrimeAxis Berhad for 2024 and 2025. (6 marks)
- Analyse the company's performance based on your calculations in (a). (4 marks)
- Determine whether the company's investment programme improved shareholder value in 2025. Support your answer using the ROIC results. (6 marks)
- Analyse **TWO (2)** reasons why PrimeAxis Berhad's ROIC declined in 2025 despite the increase in EBIT. Support your answer using relevant information from the scenario. (6 marks)
- Assess **TWO (2)** concerns that the board of directors should consider before approving additional capital expenditure projects. (8 marks)

(Total: 30 marks)

QUESTION 4

The following extract was taken from an investment briefing prepared by Alpha Capital Research for potential investors.

Titan Consumer Berhad reported another year of strong financial performance in 2025. The company successfully expanded its production capacity and launched several new product lines during the year. Management stated that the expansion contributed to higher sales and strengthened the company's competitive position in the consumer products industry.

The company also announced an increase in net profit and maintained its dividend payments despite significant investments in future growth initiatives. Market analysts have generally responded positively to the company's performance, although some investors remain interested in evaluating whether shareholder returns have improved at the same pace as the company's expansion.

Potential investors are currently assessing whether Titan Consumer Berhad represents an attractive long-term investment opportunity.

Selected financial information is presented below:

	2024	2025
Net Profit After Tax (RM'000)	18,000	24,000
Total Equity (RM'000)	120,000	140,000
Dividends Paid (RM'000)	8,400	10,800

Industry averages:

Ratio	2024	2025
ROE	15%	18%
Dividend Payout	50%	30%

During the annual general meeting, board of directors announced a five-year regional expansion plan covering the period from 2026 to 2030. The company intends to establish new production facilities and distribution networks in several Southeast Asian countries at an estimated cost of RM80 million.

To finance the expansion programme, management proposes to raise additional capital through a public issuance of ordinary shares. The Board believes the expansion will increase future revenue and strengthen long-term shareholder value. However, some market analysts have expressed concern that the issuance of new shares may dilute existing shareholders' ownership interests and reduce future earnings attributable to each share.

Required:

- a. Calculate the Return on Equity (ROE) and Dividend Payout Ratio of Titan Consumer Berhad for 2024 and 2025.
(4 marks)
- b. Examine whether Titan Consumer Berhad's financial performance in 2025 benefited its shareholders.
(5 marks)
- c. As a financial analyst, compare the **TWO (2)** advantages and disadvantages of the proposed share issuance and five-year expansion plan for potential investors.
(10 marks)
- d. As a financial analyst, recommend whether potential investors should support the proposed share issuance and five-year expansion plan.
(6 marks)

(Total: 25 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER

