

**FINAL EXAMINATION****BACHELOR OF ACCOUNTANCY (HONOURS)****COURSE : ACCOUNTING THEORY AND PRACTICE****COURSE CODE : ATP4013****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 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 5 printed pages including the front page

QUESTION 1

SkyJet Airlines Berhad is a listed airline company operating passenger and cargo services across Asia. As at 31 December 2025, the company reported total assets of RM8 billion, consisting mainly of aircraft, airport facilities, cash balances, and trade receivables. The company also reported total liabilities of RM5 billion, including bank loans used to finance aircraft purchases, lease liabilities, and trade payables.

SkyJet Airlines Berhad is preparing its annual financial statements for the year ended 31 December 2025. To improve its financial performance, management decided not to disclose RM50 millions of aircraft maintenance expenses incurred during the year. Additionally, the company highlighted its increase in passenger revenue but omitted information about significant operating losses. During the preparation of the accounts, several calculation errors were also discovered in the depreciation expense for aircraft, resulting in inaccurate figures being reported.

The financial statements do not faithfully represent the company's financial performance because they are incomplete, biased, and contain errors. Therefore, users may make incorrect economic decisions based on the information provided.

Required:

- a. Determine the differences between historical cost, fair value and current cost measurement with an example each.
(9 marks)
 - b. Evaluate **THREE (3)** criteria when the financial statements of SkyJet Airlines Berhad do not faithfully represent the financial performance of the company.
(9 marks)
 - c. Justify the liabilities of SkyJet Airlines Berhad.
(7 marks)
- (Total: 25 marks)

QUESTION 2

A Malaysian company preparing its financial statements under Malaysia Financial Reporting Standards (MFRS) 15 recognizes revenue using almost the same principles as International Financial Reporting Standards (IFRS) 15.

An international investor comparing a Malaysian company with a company in the UK or Australia can easily understand and compare the financial statements because the standards are essentially the same. This is an example of convergence because Malaysia's standards have been aligned very closely with IFRS.

Although IFRS adoption offers many advantages, it also presents several challenges and costs. Companies often incur significant training costs because accountants, auditors, and finance personnel need to learn new accounting principles and disclosure requirements. The implementation process may require changes to accounting systems, software, internal controls, and reporting procedures, resulting in additional costs. Furthermore, IFRS is principles-based and relies heavily on professional judgement, making it more complex to apply consistently. Other challenges include differences between IFRS and local laws, language barriers in interpreting standards, and difficulties in measuring assets and liabilities using fair value techniques. Besides, IFRS provides many benefits by improving transparency, comparability, and the quality of financial reporting.

Sources: Bathla, S., Sharma, A. K., & Kandpal, V. (2024). Stakeholders' response to IFRS adoption/convergence on accounting quality and disclosures: A bibliometric review of Scopus database. *Heliyon*, 10(1), e23912. <https://doi.org/10.1016/j.heliyon.2023.e23912>

Required:

- a. Compare **THREE (3)** differences between harmonization and convergence. (9 marks)
 - b. Evaluate **THREE (3)** challenges of IFRS adoption. (9 marks)
 - c. Assess **TWO (2)** benefits of IFRS adoption. (7 marks)
- (Total: 25 marks)

QUESTION 3

Majlis Perbandaran Seri Murni (MPSM) is a local authority in Malaysia responsible for public infrastructure, waste management, and community development.

For the financial year ended 31 December 2025, MPSM encountered the following events:

Event 1: Landfill Restoration Obligation

MPSM operates a landfill site that is expected to close in 2028. Under environmental regulations issued by the Department of Environment (DOE), the council is legally required to restore the landfill site after closure. Engineers estimate that the restoration cost will be approximately RM12 million.

Event 2: Contractor Lawsuit

A construction contractor has filed a lawsuit against MPSM claiming RM5 million for alleged delays in a road upgrading project. MPSM's legal advisors estimate there is only a 25% probability that the council will lose the case.

Event 3: Compensation Claim Against a Supplier

MPSM is suing a waste collection contractor for breach of contract and poor service quality. Legal advisors believe there is a 70% chance that MPSM will receive compensation of approximately RM3 million. However, the court has not yet reached a final decision.

MPSM prepares its financial statements in accordance with MPSAS 19 Provisions, Contingent Liabilities and Contingent Assets.

Required:

- a. Propose **THREE (3)** accounting treatment for each event with regard to MPSAS 19.
(9 marks)
- b. Elaborate **THREE (3)** challenges for public sectors in Malaysia during transition to accrual accounting.
(9 marks)
- c. Justify **TWO (2)** reasons to disclosure of contingent liabilities and contingent assets under MPSAS.
(7 marks)

(Total: 25 marks)

QUESTION 4

Belgian Delight Chocolates Sdn. Bhd. is a Malaysian Small Medium Enterprise (SME) specializing in the production and distribution of premium Belgian-style chocolates. Its products are sold through supermarkets, gift shops, and online platforms throughout Malaysia. In 2025, the company faced pressure to achieve its profit target of RM8 million to satisfy shareholders and secure additional bank financing for business expansion. As the financial year-end approached, management implemented several business decisions that increased reported earnings without necessarily improving the company's long-term economic performance.

To improve current-year profits, management reduced advertising expenditure for its Christmas chocolate promotion campaign and postponed research and development activities for new chocolate products until the following year. Belgian Delight Chocolates cancelled a planned RM600,000 nationwide marketing campaign and postponed the development of a new premium chocolate range. As year-end approached, the company offered substantial discounts and extended credit periods to distributors and retailers to encourage larger purchases before the reporting date. Belgian Delight Chocolates offered a 30% discount and extended credit terms from 30 days to 120 days, resulting in unusually high sales during December 2025. Besides, management instructed the factory to produce significantly more chocolates than market demand required, causing inventory levels to increase substantially. Although market demand was estimated at 500,000 boxes of chocolates, Belgian Delight Chocolates produced 700,000 boxes, creating excess inventory and reducing the unit production cost.

Required:

- a. Evaluate on **TWO (2)** approaches to earnings management adopted by Belgian Delight Chocolates Sdn. Bhd.
(7 marks)
- b. Assess **THREE (3)** groups on earnings management.
(9 marks)
- c. Justify **THREE (3)** methods of real activities manipulation with regard to case above.
(9 marks)

(Total: 25 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER

