

**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

GoldenApex Bhd. is a well-established conglomerate in the retail industry, which was incorporated in Malaysia in 2020. The company has diversified operations across several product segments and continues to expand its market presence locally. The trial balance of GoldenApex Bhd. for the year ended 31 December 2025 is as follows:

	<u>RM'000</u>	<u>RM'000</u>
Ordinary shares of RM1		8,100
7% Non-cumulative preference shares of RM2		630
Retained profit		3,006
5% Debentures		2,700
Trade payables		504
Tax paid	396	
Sales		15,120
Cost of sales	3,060	
Administrative expenses	1,465	
Sales and distribution expenses	684	
Debenture interest	137	
Land	6,480	
Building	4,320	
Plant and machinery	3,060	
Office furniture	1,512	
Accumulated depreciation 1 January 2025		
Building		1,008
Plant and machinery		792
Office furniture		414
Investment	1,152	
Inventories	720	
Trade receivables	1,728	
Bank	7,560	
	<u>32,274</u>	<u>32,274</u>

Additional information:

- GoldenApex Bhd. purchased inventory on credit from a supplier in Brunei for B\$240,000 on 15 March 2025. GoldenApex Bhd. made its first payment to the supplier on 28 March 2025 amounting to B\$200,000. The functional currency of GoldenApex Bhd. is Ringgit Malaysia. The accounting records of GoldenApex Bhd. reflect only the initial recognition of the transaction on 15 March 2025. The rates of exchange were:

Date	Rate
15 March 2025	RM1.00: B\$8
28 March 2025	RM1.00: B\$5
31 December 2025	RM1.00: B\$4

2. The depreciation charge for the year was as follows:

	RM
Building	252,000
Plant and Machinery	204,000
Office furniture	102,000

Plant and machinery were mainly used in the production process and all related costs were charged to cost of sales. Current year's revaluation of land showed an increase by RM360,000 in the value of land and this has not been recorded. It is the company's policy not to depreciate non-current asset of land.

3. The Investment account consists of RM720,000 investments in quoted shares with a market value of RM840,000. The balance of the investments were shares in unquoted companies and the directors' valuation of these investments was RM360,000.
4. GoldenApex Bhd. bought office furniture that had fair value of RM600,000 from Platinum Edge Bhd. Both parties signed memorandum of understanding on 1 January 2025 and agreed to share based payment of 360,000 ordinary share for the settlement of office furniture. The fair value of GoldenApex Bhd. share on grant date was RM1.30. The office furniture was shipped and payment was made on 1 January 2025.
5. A letter from the Inland Revenue Board of Malaysia confirms tax payable for the company for the year was RM316,800.

At the end of the financial year, the tax base for the company's Property, plant and equipment was RM9,288,000. At the same time, the company incurred research and development cost amounting to RM68,000 and RM130,000 respectively and paid by cheque. The development expenditure meets the criteria for capitalisation and is recognised as a deferred asset, to be amortised annually in future periods. The transaction has not yet been recorded during the year.

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%.

6. On 26 December 2025, the directors of GoldenApex Bhd. declared final proposed dividend of:

Ordinary dividend	RM48,000
Preference dividend	RM28,800

7. Both the 7% Non-cumulative preference shares and 5% Debentures are convertible to ordinary shares on 1 January 2030. (Note: for the purpose of calculation of diluted earnings per share the tax rate is 25%). The conversion rates are:

Financial Instruments	Rate of conversion
7% Non-cumulative preference shares	1 Ordinary share for every 8 Preference shares held
5% Debentures	1 Ordinary share for every RM4 of Debenture owed

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.
(11 marks)
- b. Statement of Changes in Equity for the year ended 31 December 2025.
(2 marks)
- c. Statement of Financial Position as at 31 December 2025 and
(9 marks)
- d. Notes to accompany the above financial statements on:
 - i. Property, plant and equipment,
 - ii. Basic earnings per share,
 - iii. Diluted earnings per share and
 - iv. Non-current asset of investments.
(8 marks)

(Total: 30 marks)

QUESTION 2

- A. PulseFit Wellness Bhd. is a health and fitness services company operating in Kuala Lumpur, Malaysia. The company manages multiple fitness centres and wellness studios and is responsible for facility planning, fitness programme design, staffing of trainers, and membership promotions. PulseFit Wellness Bhd.'s financial year-end is 31 December annually. The company applies a policy of charging full-year depreciation in the year of purchase for owned assets and in the year of commencement for leased assets, with no depreciation charged in the year of disposal or at the end of the lease term. PulseFit Wellness Bhd. has entered into two lease agreements.

1. Lease of Fitness Centre Outlet.

On 1 August 2023, PulseFit Wellness Bhd. entered into a four-year lease agreement with KipFitness Properties Bhd. for the lease of a commercial fitness centre outlet. The terms of the lease are as follows:

- The fair value of the leased property at inception is RM1,080,000.
- The monthly lease payment is RM24,000, which is payable in advance starting on 1 August 2023.
- The guaranteed residual value at the end of the lease is RM33,193.
- The implicit interest rate of the lease is 6% per annum.
- The estimated useful life of the leased asset is five years, and ownership of the property remains with KipFitness Properties Bhd. at the end of the lease term.

The leased property is explicitly intended for use as a fitness centre outlet, and PulseFit Wellness Bhd. has the right to direct how the outlet is used, including its layout, equipment arrangement, and operating hours.

For this lease, the present value of the minimum lease payments (PVMLP) is RM1,080,000, which equals the fair value of the leased property at the inception of the lease. The right-of-use asset is also initially recognised at RM1,080,000.

2. Medical Rehabilitation and Fitness Equipment.

PulseFit Wellness Bhd. also provides rehabilitation and wellness equipment services to corporate and healthcare clients. On 1 January 2025, PulseFit Wellness Bhd. entered into a contract with Pure Events Sdn. Bhd. to provide portable rehabilitation machines and fitness training equipment together with related services for a period of three years.

The equipment (including physiotherapy machines, resistance training devices, and recovery therapy units) was acquired by PulseFit Wellness Bhd. on 1 July 2021 at a cost of RM247,500 and has an estimated useful life of 10 years. PulseFit Wellness Bhd. is responsible for the maintenance of the equipment throughout the contract period. The monthly rental charged to Pure Events Sdn. Bhd. is RM9,000, payable at the end of each month. As at 31 December 2025, rental income for five months remains accrued by Pure Events Sdn. Bhd.

Required:

- i. Designate a table showing the interest charged for each accounting period in the books of PulseFit Wellness Bhd. in respect of the lease agreement with KipFitness Properties Bhd. over the four-year lease period.
(8 marks)
- ii. Illustrate the journal entries in the books of PulseFit Wellness Bhd. for the year ended 31 December 2025.
(6 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 PulseFit Wellness Bhd.
(6 marks)

(All answers must be rounded to the nearest figure)

- B. Jentayu Setia Bhd., a growing company in Malaysia, is considering expanding its operations by acquiring new machinery and office premises. The management is evaluating whether to purchase the assets outright or enter into lease arrangements. At the same time, a financial institution is interested in acting as a lessor by providing lease financing to companies like Jentayu Setia Bhd.

Management is aware that leasing arrangements may offer different benefits to both the lessee and the lessor depending on the company's financial position, risk appetite, and business strategy.

Required:

Analyse **ONE (1)** advantage of leasing to Jentayu Setia Bhd. as a lessee and **ONE (1)** advantage of leasing to the financial institution as a lessor. For each advantage, provide **TWO (2)** relevant examples to support your answer.

(10 marks)

(Total: 30 marks)

QUESTION 3

Unik One Bhd. is a Malaysian manufacturing company specializing in eco-friendly lifestyle products and smart consumer accessories. It was incorporated on 21 March 1981 and is headquartered in Kuala Lumpur, Malaysia. The company has an authorized share capital of 24 million ordinary shares of RM1 each and 12 million 10% cumulative preference shares of RM1 each.

Given below is the extract information of Unik One Bhd. for the year ended 31 December:

	2024	2025
Issued and paid-up capital:		
Ordinary shares of RM1 each on 1 January	RM10.8 million	RM10.8 million
10% Cumulative preference shares of RM1 each on 1 January	RM6.75 million	RM6.75 million
5% Convertible debentures on 1 January	-	RM5.4 million

Additional information:

For the year ended 31 December 2025:

- 55% of the debentures were converted on 1 September 2025. Debentures of RM300 can be converted into 120 ordinary shares.
- The profit after tax for the year ended 31 December 2024 and 31 December 2025 are RM1,515,000 and RM2,790,000 respectively.
- The company had declared the preference dividend for the year.
- On 1 November 2025, the following transactions took place:
 - The company also bought back 945,000 ordinary shares at a price of RM2.32 per share.
 - The company issued new ordinary shares of 528,000 at par value of RM1 each.
- Tax rate is 25%.

Required:

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

(Total: 20 marks)

QUESTION 4

- A. Verdant Harvest Berhad operates in the agriculture and food processing sector. On 10 July 2025, the company started initial discussions with AgriTech Solutions Sdn. Bhd. to acquire a custom-designed automated food processing system. Further negotiations took place on 20 July 2025, but no final decision was made at that time. On 5 August 2025, both parties agreed on all key terms of the transaction, including payment using shares, and signed a contract on the same date. The system was shipped on 12 August 2025, received on 20 August 2025, and confirmed to be complete on 25 August 2025. It became ready for use on 15 September 2025. Verdant Harvest Berhad agreed to settle the purchase by issuing 100,000 ordinary shares, which were issued on 28 December 2025. The fair value of the company's shares was as follows:

Date	Share Price
10 July 2025	RM4.00
20 July 2025	RM4.50
5 August 2025	RM4.50
12 August 2025	RM4.55
20 August 2025	RM4.60
25 August 2025	RM4.70
15 September 2025	RM5.50
28 December 2025	RM5.60
31 December 2025	RM5.95

The fair value of the system cannot be measured reliably. The financial year end is 31 December, and the company applies MFRS 2 Share-based Payment.

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. GreenPulse Energy Berhad is a company operating in the renewable energy and smart grid solutions industry. On 29 April 2023, the company entered into a service agreement with EcoGrid Advisory Sdn. Bhd., an independent sustainability consulting firm, to design and implement an integrated energy efficiency and monitoring system over three years.

Instead of settling the contract through a fixed cash fee, both parties agreed that EcoGrid Advisory Sdn. Bhd. would be compensated using a share-based payment arrangement on 30 April 2024.

The main terms of the agreement are as follows:

1. EcoGrid Advisory Sdn. Bhd. will receive cash settlement.
2. The amount payable is determined based on the value of 18,000 Share Appreciation Rights (SARs).
3. The SARs will vest at the end of the 3-year service period, on 30 April 2026, provided that the services are fully completed.
4. Payment will be made immediately upon vesting.
5. The SARs are cash-settled and their value is linked to GreenPulse Energy Berhad's share price.

The fair value of each SAR at the relevant dates is shown below:

Date	Fair value per SAR
29 April 2023	RM2.20
30 April 2024	RM2.50
30 April 2025	RM2.60
30 April 2026	RM3.10

GreenPulse Energy Berhad prepares its financial statements annually, with a financial year end of 30 April.

Required:

- i. Assess the type of share-based payment transaction. (1 mark)
- ii. Compute the expense and liability to be recognised at 30 April 2024, 2025 and 2026. (5 marks)
- iii. Prepare the journal entries for Year 2 and Year 3. (3 marks)

- C. On 1 January 2023, the management of Kenanga Bhd. granted its 300 employees in the production unit options to buy 210 shares each. If production increased by a minimum of 9%, the options granted would increase by 10% and if the production increased by 15% or more the options granted would increase by 20%. The options would vest at the end of the third year.
- In 2023, the company estimated that production would not increase and 20 employees would leave before the end of year 2025. In year 2, 16 employees left, and the company estimated that productivity would increase by 9% only and only 240 employees would remain in service till end of year 3.
- In year 3, productivity rose by 16% and another 14 employees left the company. The fair value of the option was RM4 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