

**FINAL EXAMINATION****BACHELOR OF ACCOUNTANCY (HONOURS)**

COURSE	: FINANCIAL ACCOUNTING AND REPORTING II
COURSE CODE	: ACC3374
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** : _____

ID. NO. : _____

LECTURER : _____

SECTION : _____

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 8 printed pages including the front page

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QUESTION 1

Orion Bhd is a Malaysian manufacturing company involved in producing smart home appliances. For the financial year ended 31 December 2025, two issues arose during the preparation of the financial statements.

Situation 1: Inventory Valuation Method

Since incorporation, Orion Bhd has consistently valued its inventories using the weighted average method. However, beginning 1 January 2025, management decided to change the inventory valuation method to FIFO because it believes FIFO provides more relevant and reliable information during inflationary periods.

The following inventory values were determined:

	Weighted Average (RM)	FIFO (RM)
Closing inventory at 31 December 2024	420,000	470,000
Closing inventory at 31 December 2025	510,000	560,000

The profit before tax for the year ended 31 December 2025, prepared using the weighted average method, was RM1,200,000.

The directors requested the accounting department to apply the new method only for the current year to avoid additional work in recalculating prior-year figures.

Situation 2: Discovery of Prior-Year Error

During an internal audit conducted in November 2025, Orion Bhd discovered that utility expenses amounting to RM180,000 relating to the financial year ended 31 December 2024 had not been recorded in the accounting records due to misplaced supplier invoices.

The retained earnings balance before adjustment on 1 January 2025 was RM3,500,000.

Management is considering recognising the omitted expenses in the current year to avoid amending previously published financial statements.

Extract of Financial Information:**Statement of Profit or Loss (Extract) for the year ended 31 December 2025**

	RM
Profit before tax	1,200,000

Statement of Changes in Equity (Extract) as at 1 January 2025

	RM
Opening retained earnings	3,500,000

Required:

- a. Explain the appropriate accounting treatments required under MFRS 108 for each situation.
(8 marks)
 - b. Compute the adjusted profit before tax for the year ended 31 December 2025 after applying the FIFO inventory valuation method. Show all relevant workings.
(6 marks)
 - c. For situation 2:
 - i. Show the journal entry required on 1 January 2025 to correct the prior-period error.
(3 marks)
 - ii. Prepare the adjusted Retained Earnings as at 1 January 2025 after correcting the prior-period error relating to utility expenses. Show all relevant workings.
(3 marks)
- (Total: 20 marks)

QUESTION 2

Zenova Bhd is a Malaysian company involved in manufacturing and distributing consumer electronic products. The company is preparing its financial statements for the year ended 31 December 2025 in accordance with MFRS.

During the financial year, several matters arose that require consideration under MFRS 137.

1. In December 2025, a flood damaged part of the company's warehouse inventory. Zenova Bhd submitted an insurance claim amounting to RM600,000.

The insurance company has acknowledged receipt of the claim, but investigations are still ongoing. Legal advisers believe it is possible, but not virtually certain, that compensation will be received.

Management intends to recognise the compensation receivable immediately to improve the company's financial position.

2. In November 2025, Zenova Bhd entered into a non-cancellable contract to purchase specialised materials for RM1,200,000. Due to technological changes, the materials are no longer needed for production purposes.

The materials can only be resold for RM700,000, and the penalty for cancelling the contract is RM250,000.

The purchasing manager suggested ignoring the matter until payment is made in the following financial year.

Required:

- a. Discuss the appropriate accounting treatment required under MFRS 137 for each situation of the above.
(8 marks)
- b. Compute the amount, if any, to be recognised for both situations in accordance with MFRS 137.
(6 marks)
- c. Illustrate the presentation of both situations in:
 - i. Statement of Profit or Loss (extract)
(1 mark)
 - ii. Statement of Financial Position (extract)
(1 mark)
 - iii. Notes to the Financial Statements.
(4 marks)

(Total: 20 marks)

QUESTION 3

Nexora Bhd is a Malaysian company involved in the distribution of electronic accessories. The company's financial year ended on 31 December 2025. The financial statements were authorised for issue on 31 March 2026.

On 15 January 2026, one of Nexora Bhd's major customers owing RM420,000 was declared bankrupt by the court. Prior to the reporting date of 31 December 2025, the customer had already experienced serious financial difficulties and several outstanding balances were long overdue. However, no allowance for impairment had been recognised because management believed the customer would recover financially. The finance manager suggested recognising the loss in 2026 since the bankruptcy occurred after year-end.

On 10 February 2026, a fire destroyed one of the company's warehouses together with inventories valued at RM1,800,000. Investigations confirmed that the fire was caused by an electrical short circuit that occurred after the reporting date. The inventories were properly stored and in good condition as at 31 December 2025. Management is considering adjusting the inventories balance in the 2025 financial statements to reflect the loss.

At 31 December 2025, Nexora Bhd was involved in a legal dispute with a supplier and had recognised a provision of RM300,000 based on legal advice available at year-end. On 20 February 2026, the court finalised the case and ordered the company to pay RM450,000. The accountant is uncertain whether the additional RM150,000 should be adjusted in the 2025 financial statements.

On 25 March 2026, the directors of Nexora Bhd declared a final dividend amounting to RM500,000 relating to the financial year ended 31 December 2025. The dividend had not been declared before the reporting date. The managing director requested the accountant to recognise the dividend payable in the Statement of Financial Position as at 31 December 2025.

Required:

- a. Classify the above events into adjusting or non-adjusting event. Support your answer.
(8 marks)
- b. Prepare the required adjustments or disclosures for each event in the financial statements for the year ended 31 December 2025.

(7 marks)

(Total: 15 marks)

QUESTION 4

Aurelius Berhad is a public company listed on Bursa Malaysia and involved in the manufacturing and distribution of smart electronic appliances. The company closes its accounts on 31 December each year. The financial statements were authorised for issue on 31 March 2026.

Account	Debit (RM)	Credit (RM)
Share capital		15,000,000
Retained earnings (1 January 2025)		4,200,000
Revenue		18,040,000
Other operating income		320,000
Trade receivables	4,600,000	
Allowance for impairment of receivables		120,000
Inventories	5,800,000	
Property, plant and equipment	18,000,000	
Accumulated depreciation — PPE		5,200,000
Cash and bank balances	2,400,000	
Trade payables		3,400,000
Bank loan		6,000,000
Administrative expenses	2,300,000	
Distribution expenses	1,500,000	
Finance costs	420,000	
Income tax expense	680,000	
Provision for legal claim		250,000
Warranty provision		180,000
Deferred revenue		400,000
Dividend paid	600,000	
Purchases	14,800,000	
Selling and marketing expenses	1,250,000	
Utilities expenses	540,000	
Insurance expenses	210,000	
Audit fees	160,000	
Accrued expenses		190,000
Interest receivable	40,000	
	53,300,000	53,300,000

Additional Information:

The following matters were identified during the audit of Aurelius Berhad for the year ended 31 December 2025.

1. Included in trade receivables is an amount of RM280,000 due from Delta Trading Sdn. Bhd. The customer has experienced severe cash flow problems during December 2025, and management estimated that only 40% of the outstanding balance is recoverable. No adjustment has been made to the allowance for impairment.
2. On 1 December 2025, Aurelius Berhad received RM240,000 from a customer for maintenance services covering a six-month period beginning 1 December 2025. The full amount was recorded as revenue during the year.
3. During the year, the company discovered that depreciation expense for office equipment amounting to RM90,000 relating to the financial year ended 31 December 2024 had been omitted from the accounting records. The error has not yet been corrected.
4. On 20 January 2026, a major customer owing RM150,000 to Aurelius Berhad was declared bankrupt. The liquidator confirmed that the amount is irrecoverable. Investigations revealed that the customer had already experienced serious financial difficulties before 31 December 2025. No adjustment has been made to the financial statements.
5. On 28 December 2025, Aurelius Berhad decided to discontinue one of its product lines and formally announced the restructuring plan to employees affected by the closure. The estimated restructuring cost is RM320,000. No provision has been recognised as at 31 December 2025.
6. Property, plant and equipment are depreciated at 10% per annum using the straight-line method. Depreciation expense for the year has not yet been recorded.
7. Audit fees amounting to RM40,000 relating to the current financial year remain outstanding as at 31 December 2025.
8. Insurance expenses include an annual insurance premium of RM72,000 paid on 1 October 2025 for the period from 1 October 2025 until 30 September 2026.
9. Interest receivable outstanding as at 31 December 2025 amounted to RM15,000. This amount has not yet been recognised in the accounts.
10. Utilities expenses amounting to RM25,000 incurred in December 2025 have not yet been recorded.
11. Closing inventories as at 31 December 2025 were valued at RM4,950,000.

Required:

- a. Prepare Statement of Profit or Loss for the year ended 31 December 2025. (13 marks)
 - b. Prepare Statement of Changes in Equity for the year ended 31 December 2025. (3 marks)
 - c. Prepare Statement of Financial Position as at 31 December 2025. (13 marks)
 - d. Prepare notes to the Financial Statements for the following:
 - i. Revenue (2 marks)
 - ii. Trade Receivables (2 marks)
 - iii. Property, Plant and Equipment (4 marks)
 - iv. Deferred Revenue (3 marks)
 - v. Provisions (3 marks)
 - vi. Events after the Reporting Period (2 marks)
- (Total: 45 marks)
- (TOTAL: 100 MARKS)**

END OF QUESTION PAPER