



FINAL EXAMINATION

COURSE : ADVANCED FINANCIAL REPORTING

COURSE CODE : PFA3213

DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES :

1. This question paper consists of **TWO (2)** parts:
Part A : True or False (16 questions)
Short Essay (2 questions)
Part B : Essay (1 question)
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 unless permission is given by the invigilator.
5. Please write your answer using a ball-point pen.

MYKAD NO : _____

ID. NO. : _____

LECTURER : _____

SECTION : _____

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

The question paper consists of 05 printed pages

2024/B/PFA3213

MAR2024/B/PFA3213

PART A:

TRUE or FALSE QUESTIONS

(16 points)

Indicate whether the statement is **TRUE** or **FALSE**

1.	Booney Bhd owned a 10-storey building and used a 4-storey for business purposes. The remaining floors are rented out and will be classified as investment property in the statement of financial position.
2.	Depreciation expenses need to be allocated for investment property under the fair value model.
3.	According to MFRS140, land purchased with the intention of being sold in the future must be classified as investment property.
4.	Investment property (MFRS140) valued using the cost model transferred to property, plant and equipment (MFRS116) will be recorded at the carrying amount and continue to be depreciated.
5.	Gain on fair value determined by using the fair value model will be classified under other comprehensive income.
6.	The market price of the building increased by RM500,000 from its original price. This gain in the market value will be considered capital appreciation.
7.	Initial recognition for investment properties is similar to the initial cost measurement of a property, plant and equipment.
8.	Any gain or loss on disposal of investment property shall be recognized in the profit or loss statement in the period of disposal.
9.	A building that is decided to be sold next year will be classified as a non-current asset held for sale under non-current asset.
10.	A non-current asset held for sale is assumed to be sold within one year.
11.	Impairment loss will be charged to the statement of profit or loss when the carrying amount less than the fair value less cost to sell.
12.	An entity is permitted to extend the limit period when the property to be sold is still under construction.
13.	No depreciation is provided when the asset is classified as a non-current asset held for sale under MFRS 5.
14.	Reversal of impairment loss provided when carrying amount less than fair value less cost to sell.
15.	Non-current asset held for sale is measured at the lower of the carrying amount and value in use for the current year.
16.	An entity shall conduct an active programme to locate buyer and a complete plan must be indicated for the asset classified as a non-current asset held for sale.

SHORT ESSAY**1. (10 points)**

On 1 January 2021, Diamond Bhd. acquired at a cost of RM9,000,000. The company incurred legal fees of RM50,000. the building was rented out to CeraGel Bhd. at RM10,000 per month. The fair value of the building on 31 December 2022 and 31 December 2023 was RM10,500,000 and RM9,500,000 respectively. It is the policy of Diamond Bhd. to adopt the fair value model in the subsequent measurement of its investment properties. The estimated useful life of the building was 50 years.

Required:

- a. Calculate the initial cost of the building. (1 point)
- b. Prepare the journal entries to record the change in fair value and rental income for the year ended 31 December 2022 and 31 December 2023. (9 points)

2. (10 points)

Walaweh Bhd acquired a plant on 1 January 2017 with a cost value of RM792,000. During acquisition, additional cost of RM20,000 incurred for site preparation, RM5,000 for legal documents and RM3,000 for professional fees charges. The plant is estimated to be used for 16 years.

On 31 December 2022, the company is committed to dispose of the plant. It classified the plant as held for sale under MFRS5 as it does meet the classifications. The current market price of the plant is RM550,000 and the disposal cost of the plant is RM15,000.

The company managed to sell the plant on 1 March 2023 at fair value less costs to sell.

Required:

- a. Explain how the plant should be valued on 31 December 2022. (7 points)
(Show all relevant workings.)
- b. Prepare the journal entry for 1 March 2023. (3 points)

PART B: ESSAY

1. (34 points)

The following trial balance is taken from the financial records of AZ Sdn Bhd as at 30 June 2023.

	DEBIT (RM'000)	CREDIT (RM'000)
Sales		1,380
Cost of sales	734	
Inventory as at 30 June 2023	68	
Distribution expenses	120	
Administrative expenses	225	
Investment in quoted shares (at cost) -available for sale	121	
Dividend received		134
Copyright	60	
Land and buildings (including land RM700,000)	2,650	
Office equipment	86	
Machinery	810	
Accumulated depreciation as at 1 July 2022:		
Building		450
Office equipment		25
Machinery		120
Investment property	332	
Trade receivables	50	
Trade payables		130
Cash and bank	954	
Ordinary share of RM1 each, fully paid		3,000
4% Preference share		350
3% Debentures		125
8% Loan from Bank Rakyat		225
Tax paid	25	
Interim dividend paid:		
Ordinary share	55	
4% Preference share	4	
Retained earnings as 1 July 2022		355
	6,294	6,294

Additional information:

- The issued capital of the company is 3,000,000 ordinary shares and 350,000 of 4% preference shares.
- On 30 June 2023, the land was revalued to RM850,000.
- Fair value of investment of quoted shares is RM116,000.
- Interest expenses on debentures were paid on time and interest on bank loan will be paid on 1 August 2023. All the items have not yet being recorded.

- e. Income tax for the year is recognized at RM75,000.
- f. Depreciation on company's property, plant and equipment are to be provided as follows:

Building	10% Reducing balance method, yearly basis
Office equipment	10% Straight line method, yearly basis
Machinery	15% Straight line method, monthly basis

Due to the increase in demand, a new machine was acquired at RM135,000 on 1 March 2023. This amount has been included in the trial balance.

- g. The company has a premise that is being classify under MFRS140 which was acquired on 1 July 2022 with initial cost RM332,000. The company decided to adopts the fair value model to record on the investment property. At the end of the year, local property suggest that the fair value of the property has risen to RM450,000.
- h. The company used revaluation model for their copyright amounting to RM60,000. Therefore, no amortization required.
- i. On 1 September 2019, the company bought a limited-edition office equipment for RM42,000. On 1 July 2022, the company decides to sell the limited-edition office equipment and starts action to locate buyer. It has been confirmed that the asset meets the criteria to be classified as asset held for sale under MFRS5. The asset still has not been sold at year end. The information relating to the asset are as follows:

As at 1 July 2022	RM
Carrying amount	29,400
Fair value less cost to sell	26,000

- j. Auditor's fee of RM25,000 has not been recorded in the account.
- k. As at 30 June 2023, the directors declared a final dividend of 7% on ordinary shares and the remaining dividend of 4% preference shares. Payment will be made on July 2023. Ignore tax effect.

Required:

- Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023. (15 points)
- Prepare the Statement of Changes in Equity for the year ended 30 June 2023. (6.5 points)
- Prepare the Statement of Financial Position as at 30 June 2023. (8.5 points)
- Prepare the notes to the accounts for Property, Plant and Equipment. (4 points)

(Show all workings. Round up figure to the nearest ringgit)

END OF QUESTION PAPER