



FINAL EXAMINATION

COURSE : ADVANCED FINANCIAL REPORTING

COURSE CODE : PFA3213

DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES :

1. This question paper consists of **THREE (3)** parts:
Part A : Multiple Choice (16 questions)
Part B : Short Essay (2 questions)
Part C : 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 08 printed pages

2024/C/PFA3213

OCT2024/C/PFA3213

PART A
MULTIPLE CHOICE QUESTIONS

Choose the **BEST** answer for the following questions.

1. **(1 point)**

Which of the following is a key characteristic of an investment property?

- A. It is used for the production or supply of goods and services.
- B. It is held to earn rentals or for capital appreciation.
- C. It is occupied by the owner or leased to an operating tenant.
- D. It is classified as inventory for sale in the ordinary course of business.

2. **(1 point)**

Under MFRS 140, which of the following measurement models can be used for investment properties after initial recognition?

- A. Cost model only
- B. Revaluation model only
- C. Either cost model or fair value model
- D. Historical cost model only

3. **(1 point)**

Which of the following would **NOT** be classified as an investment property under MFRS 140?

- A. A building leased out under an operating lease.
- B. Land held for long-term capital appreciation.
- C. Property being constructed or developed for future use as an investment property.
- D. Property held for use in the production or supply of goods or services.

4. **(1 point)**

When an entity transfers a property from Property, Plant and Equipment to investment property, what should be the carrying amount of the property at the date of transfer according to MFRS 140?

- A. The lower of fair value and cost
- B. Fair value
- C. The carrying amount at the date of transfer
- D. The higher of fair value and cost

5. **(1 point)**

Which of the following statements is **TRUE** with regards to an investment property?

- A. An investment property primarily generates cash flows independently of the entity's other assets.
- B. The value in use of investment property is significantly higher than of owner-occupied property.
- C. An investment property unlike owner-occupied property shall not be depreciated over its useful life.
- D. An investment property unlike owner-occupied property shall always be measured at its historical cost

6. **(1 point)**

If a property is partly an investment property, and partly owner-occupied, the company should account for the property:

- A. As owner-occupied.
- B. Each portion should be accounted for separately.
- C. As investment property.
- D. As inventory.

7. **(1 point)**

Which of the following properties owned by an entity would be classified as an investment property?

- A. A property that had been leased to a tenant, but which is no longer required and is now being held for resale.
- B. Land purchased for its investment potential. Planning permission has not been obtained for building construction of any kind.
- C. A new office building used as entity's head office, purchased specifically in order to exploit its capital gains potential.
- D. A bungalow used for executive training.

8. **(1 point)**

If a property previously classified as an investment property under MFRS140 based on cost is transferred to property, plant, and equipment under MFRS116, what is the treatment?

- A. It is reclassified at its carrying amount and depreciated.
- B. It is reclassified at its fair value, and any difference between the carrying amount and fair value is recognized in profit or loss.
- C. It is reclassified at its fair value, and any difference between the carrying amount and fair value is recognized in other comprehensive income.
- D. It is reclassified at its carrying amount and immediately measured at fair value with changes recognized in profit or loss.

9. **(1 point)**

Which of the following best describes the definition of non-current assets held for sale?

- A The non-current asset is reclassified as current asset.
- B The management decides to dispose the non-current immediately.
- C The non-current asset is no longer giving the economic benefits to the company.
- D The asset value will be recovered by selling the asset rather than by using the assets.

10. **(1 point)**

Which of the following is **NOT** a condition for non-current asset held for sale?

- A The asset could be disposed off at the current location.
- B Rigorous marketing activities are carried out to locate a buyer.
- C The management is committed in selling the non-current asset.
- D The non-current asset is expected to be sold within one year from the date of classification.

11. **(1 point)**

What is the rule of measuring non-current asset held for sale?

- A The lower of net book value and fair value.
- B The lower of historical cost and market value.
- C The lower of market value and net book value.
- D The lower of the carrying amount and fair value less cost to sell.

12. **(1 point)**

What is the meaning of “the sale should be highly probable” for an asset held for sale?

- A Initiate actions to look for buyer.
- B Price should be based on fair value.
- C Management should be committed to sell the asset.
- D Sale is expected to happen within one year from the date of classification.

13. **(1 point)**

How a non-current asset held for sale is disclosed at the end of the accounting period as required by MFRS 5?

- A Equity.
- B Liability.
- C Current asset.
- D Non-current asset.

14. (1 point)

If carrying amount of a non-current asset held for sale is less than the fair value less cost to sell, it will result in _____.

- A loss
- B impairment
- C impairment loss
- D impairment profit

15. (1 point)

One of the criteria for an asset to be classified as non-current asset held for sale is _____.

- A the asset can be sold within one year.
- B the asset is used for rental only.
- C the asset is used for capital appreciation only.
- D the management's commitment is not needed in the reclassification process.

16. (1 point)

After classification of non-current asset held for sale, the asset will not be _____.

- A disposed
- B written off
- C disclosed
- D depreciated

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

On 1 April 2022, Jaya Corporation Berhad bought a building for RM5,000,000. The company decide to use 15% of the building as its corporate retreat center and rent out the remaining 85% as a rental to the public. Jaya Corporation Berhad also incurred the following costs:

- Legal Fees and Stamp Duty: RM500,000
- Renovation Costs for rent out areas: RM2,000,000
- Property Insurance Premiums for the First Year: RM1,500,000
- Advertising and marketing cost for rent out areas: RM500,000

Required:

- a. Which costs should be capitalized and what should be expensed? (2.5 points)
- b. Determine the cost of the investment property need to recognize under MFRS140. (2.5 points)
- c. Prepare the journal entries to record the change in fair value and rental income for the year ended 31 March 2023 and 31 March 2024 if the fair value of the building on 31 March 2023 and 31 March 2024 was RM6,300,000 and RM6,540,000, respectively. (5 points)

2. (10 points)

Qais Bhd bought a plant on 1 January 2020 for RM1,000,000. The plant is expected to be used for 20 years with no scrap value. In a BOD meeting on 31 December 2023 the plant was decided to be sold due to the decline in demand for the product manufactured by the plant. The management is actively conducting programs to locate an immediate buyer and plant presently ready to be disposed off.

The company adopts revaluation model where the plant was revalued at RM1,200,000 at 1 January 2023. On the same date, the fair value of the plant was RM1,050,000. The dismantle cost of the plant is expected to be RM20,000.

Required:

- a. Explain how Qais Bhd should classify the plant on 31 December 2023. (2 points)
- b. Discuss the impact of revaluation on the classification of the plant as non-current assets held for sale. (3.5 points)
- c. Determine the value at which the plant should be measured as at 31 December 2023 and compute the impairment if any. (3.5 point)
- d. Prepare extract Statement of Financial Position as at 31 December 2023. (1 point)

**PART C
ESSAY**

1. (34 points)

Chiro Bhd. which was established in 2012, is currently preparing its financial statements for the year ending 31 December 2023. Below is the trial balance as at 31 December 2023:

	DEBIT (RM)	CREDIT (RM)
Land	3,400,000	
Cost as at 31 December 2022:		
Building	3,800,000	
Motor vehicles	800,000	
Plants	1,500,000	
Accumulated depreciation as at 31 December 2022:		
Building		228,000
Motor vehicles		216,800
Plant		375,000
Investment property	1,100,000	
Investment – available for sale	750,000	
1,050,000 Ordinary shares		2,100,000
1,000,000 5% Preference shares		1,000,000
Retained earnings as at 1 January 2023		1,600,400
General reserve		840,000
Asset revaluation reserve		460,000
8% Debentures		1,600,000
5% Bank loan		2,500,000
Account receivables and payables	400,600	367,000
Bank	950,000	
Inventories	450,400	
Tax paid	120,000	
Dividend received		540,000
Sales		3,510,000
Cost of sales	1,100,000	
Interim dividend:		
Ordinary shares	67,500	
Administrative expenses	570,000	
Distribution expenses	210,500	
Finance cost	48,000	
Intangible assets	70,200	

Additional information:

- At 31 December 2023, the net realizable value of inventories was RM420,000.
- The fair value of the investment available for sale on 31 December 2023 was RM800,000.
- Auditor fees of RM25,000 is not yet recorded in the account. It will be paid on the second week of January 2024.
- The directors decided to revalue the land on 1 January 2023 to RM4 million.
- A motor vehicle purchased on 1 January 2023 costing RM80,000 was wrongly recorded as an administrative expense.

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- f. Interest expenses on debentures and bank loans were paid on time. However, no transaction has been recorded yet. Half of the bank loan will be settled in 2024.
- g. The land is not depreciated. The plant and building have a useful life of 20 years and 50 years respectively. Both assets are depreciated using the straight-line method. The motor vehicles are to be depreciated at 10% of their carrying value. Half of the motor vehicles are used to distribute goods to customers.
- h. The current tax was estimated at RM230,000.
- i. On 6 January 2021, the company bought a motor vehicle for RM50,000. On 1 January 2023, the company decided to sell the motor vehicle and start advertising on the Mudah.my platform. At the end of the accounting period, the motor vehicle still has not been sold. The carrying amount of the motor vehicle at that date is RM40,500, and the fair value less cost to sell is RM30,800.
- j. As at 31 December 2023, the directors had declared and paid a final dividend of 8 cent per share on ordinary shares and preference shares but no transaction have been recorded yet.

Required:

- i. Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023. (15 points)
- ii. Prepare the Statement of Changes in Equity for the year ended 31 December 2023. (6.5 points)
- iii. Prepare Statement of Financial Position as at 31 December 2023. (8.5 points)
- iv. Prepare notes to the account for Property, Plant and Equipment. (4 points)

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

END OF QUESTION PAPER