



**FINAL EXAMINATION**  
**MARCH 2024**

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<b>COURSE TITLE</b>	<b>FINANCIAL ACCOUNTING AND REPORTING 4</b>
<b>COURSE CODE</b>	<b>AACT4113</b>
<b>DATE/DAY</b>	<b>21 JUNE 2024 / FRIDAY</b>
<b>TIME/DURATION</b>	<b>03:00 PM - 06:00 PM / 03 Hour(s) 00 Minute(s)</b>

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**INSTRUCTIONS TO CANDIDATES :**

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the Invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of 6 Printed Pages including front page)

**\*\*\*DO NOT OPEN THE QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO\*\*\***

This question paper consists of FOUR (4) questions. Answer ALL questions in the answer booklet. (80 MARKS)

**QUESTION 1 (25 Marks)**

You are required to answer ALL the followings:

- a) IFRS 10 provides a definition of control and identifies three separate elements of control. Briefly explain. (6 marks)
- b) Can we apply the concept of control in investment in associates? Why or why not? Justify your answer with the relevant standard(s). (6 marks)
- c) Mix-and-Match: You are required to match the following descriptions to the table the descriptions. (6 marks)
  - i. As for single company accounts
  - ii. Significant influence (20 per cent + rule)
  - iii. No significant influence (< 20 per cent rule)
  - iv. Equity accounting (IAS 28)
  - v. Control (> 50 per cent rule)
  - vi. Full consolidation (IFRS 10)

INVESTMENT	CRITERIA	REQUIRED TREATMENT
Subsidiary		
Associate		
Investment which is neither of the above		

- d) Eshmael Sdn. Bhd. is a privately held company with substantial assets and operations. Lead Bhd. is a publicly traded shell company with no significant operations or assets. Lead acquires all the shares in Eshmael by issuing shares and obtain control in Eshmael. As a professional accountant, do you make the same judgement? Identify the acquirer with the relevant standard(s), followed by a brief comment on the accounting treatment. (7 marks)

**QUESTION 2**

**(10 Marks)**

Dina Bhd. owns X per cent of the share capital of Dini Sdn. Bhd. since the date of Dini's incorporation at 1.1.2023. Their latest statements of financial position are given below. Assume that the tax rate is 30%.

**Dina Bhd.**

**STATEMENT OF FINANCIAL POSITION AS AT 31.12.2023** **RM ('000)**

<b>Non-current assets</b>	
Property, plant and equipment	50
30 000 ordinary shares in Dini Sdn. Bhd. at cost	30
	<u>80</u>
<b>Current assets</b>	45
<b>Total assets</b>	<u>125</u>
<b>Equity</b>	
80 000 ordinary shares	80
Retained earnings	25
	<u>105</u>
<b>Current liabilities</b>	20
<b>Total equity and liabilities</b>	<u>125</u>

**Dini Sdn. Bhd.**

**STATEMENT OF FINANCIAL POSITION AS AT 31.12.2023** **RM ('000)**

<b>Non-current assets</b>	
Property, plant and equipment	35
<b>Current assets</b>	35
<b>Total assets</b>	<u>70</u>
<b>Equity</b>	
40 000 ordinary shares	40
Retained earnings	10
	<u>50</u>
<b>Current liabilities</b>	20
<b>Total equity and liabilities</b>	<u>70</u>

**Required:**

- a) Compute X and comment if there is a significant influence, or control, or neither of them. (2 marks)
- b) Prepare the pre-acquisition elimination entry. (2 marks)
- c) Prepare the consolidated statement of financial position. Dina 's accounting policy is to measure non-controlling interest at acquisition as a proportional share of the subsidiary's net assets. (6 marks)

**QUESTION 3**

**(25 Marks)**

Fara Bhd. acquired 75 per cent of the ordinary shares of Yana Sdn. Bhd. on 1 September 2022.

- Non-controlling interest is valued at full fair value which was deemed to be RM 18,000 at the acquisition date.
- At that date the fair value of Yana's non-current assets was RM 23,000 greater than their carrying amount, and the balance of retained earnings was RM 21,000.
- Yana has not incorporated any revaluation in its books of account. (*hint: Revaluation at consolidation level is required*)
- If Yana were to revalue its non-current assets at 1 September 2022, an addition of RM 3,000 would have been made to the depreciation charged for 2022/2023.
- Assume that the tax rate is 20%.

The statements of financial position of both companies at 31 August 2023 are given below:

**Fara Bhd.**

**STATEMENT OF FINANCIAL POSITION AS AT 31.8.2023** **RM ('000)**

<b>Non-current assets</b>	
Property, plant and equipment	63
Investment in Yana Sdn. Bhd. at cost	51
	<hr/>
	114
<b>Current assets</b>	82
Total assets	<hr/>
	196
<b>Equity</b>	
80 000 ordinary shares	80
Retained earnings	96
	<hr/>
	176
<b>Current liabilities</b>	20
Total equity and liabilities	<hr/>
	196

Yana Bhd.

<u>STATEMENT OF FINANCIAL POSITION AS AT 31.8.2023</u>		<u>RM</u> <u>('000)</u>
<b>Non-current assets</b>		
Property, plant and equipment		28
<b>Current assets</b>		
Total assets		<u>43</u> <u>71</u>
<b>Equity</b>		
Ordinary shares		20
Retained earnings		<u>41</u> <u>61</u>
<b>Current liabilities</b>		
Total equity and liabilities		<u>10</u> <u>71</u>

**Required:**

- a) Compute parent's goodwill and NCI's goodwill. State the method used in your computation. (5 marks)
- b) Prepare the pre-acquisition consolidation entries on 1 September 2022. (8 marks)
- c) Prepare the consolidation entries on 31 August 2023 in relation to the Property, plant and equipment. (4 marks)
- d) Prepare the consolidated statement of financial position using the proportionate method. (8 marks)

**QUESTION 4**

**(20 Marks)**

You are required to answer **ALL** the followings:

- a) Azra Sdn. Bhd. bought a 25 per cent shareholding on 31 December 2022 in Hasvin Sdn. Bhd. at a cost of RM 38,000. During the year to 31 December 2023 Hasvin made a profit before tax of RM 82,000 and the taxation charge on the year's profits was RM 32,000. A dividend of RM 20,000 was paid on 31 December out of these profits. You are required to prepare all relevant entries for the year 2023, followed by the investment closing balance. (8 marks)
- b) Hezrin Bhd., a parent with subsidiaries, holds 25 per cent of the equity shares in Rina Sdn. Bhd. During the year, Hezrin makes sales of RM 1,000,000 to Rina at cost plus a 25 per cent mark-up. At the year-end, Rina has all inventories on hand.

Assuming a 30% tax rate, you are required to comment on the above scenario followed by journal entries (if applicable). (5 marks)

- c) Comment on the accounting treatment when an associate made a loss during the year with the relevant method, standard. Illustrate the difference between profit-sharing and loss-sharing with a simple example respectively. (7 marks)

**\*\*\* END OF QUESTION PAPER \*\*\***

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