## QUESTION 1

Luminosa Bhd started business many years ago as a family owned private limited company. Over the years, it has successfully acquired smaller companies and grown into a multi-national conglomerate. The following are the Statements of Profit or Loss of Luminosa Bhd and its subsidiaries:

**Statements of Profit or Loss for the year ended 31 December 2018**

| | **Luminosa Bhd RM Million** | **Radiante Bhd RM Million** | **Luce Bhd RM Million** |
|---|---|---|---|
| Turnover | 120 | 50 | 45 |
| Cost of Sales | (36) | (15) | (20) |
| Gross profits | 84 | 35 | 25 |
| Dividend Income | 5 | 4 | 1 |
| Gain on Disposal of Assets | 1.2 | - | 0.5 |
| Administrative Expenses | (25) | (18) | (15.5) |
| Selling & Distribution Expenses | (10) | (8) | (2) |
| Earnings before Interest and Tax | 55.2 | 13 | 9 |
| Finance Costs | (2.7) | (3) | (2) |
| Profits before taxation | 52.5 | 10 | 7 |
| Taxation | (13.1) | (2.5) | (1.8) |
| Net Profits | 39.4 | 7.5 | 5.2 |

Other related information:

| | **Luminosa Bhd RM Million** | **Radiante Bhd RM Million** | **Luce Bhd RM Million** |
|---|---|---|---|
| Retained Profits on 1 January 2018 | 62.7 | 25.8 | 5.2 |
| Ordinary shares (issued at RM1 each) | 100 | 25 | 10 |
| Dividend declared and paid on 20 December 2018 | 3 | 1.5 | 1 |

**Additional information:**

1. On 1 January 2017, Luminosa Bhd acquired 75% of Radiante Bhd's ordinary shares for RM35 million cash. Radiante Bhd's retained earnings stood at RM18 million on this date.

2. On 1 January 2018, Radiante Bhd acquired 80% of Luce Bhd's ordinary shares for RM13 million.

3. On 1 March 2018, Luminosa Bhd entered into a joint venture business with Raggi Bhd to set-up a new business where Luminosa Bhd has a 50% equity interest. As at 31 December 2018, the business incurred accumulated losses of RM1.6 million.

4. On 1 September 2018, Radiante Bhd disposed 2 million shares in Luce Bhd for RM1.70 per share.

5. Revaluation of Radiante Bhd's assets on the acquisition date revealed that a vacant land has increased in value compared to its carrying value by RM1.7 million. Radiante Bhd has not accounted for the increase its books.

6. Luce Bhd disposed a plant to Radiante Bhd on 1 February 2018 and recognised a gain of RM0.4 million. The remaining useful life of plant is five (5) years.

7. During the financial year, Radiante Bhd sold inventories to Luce Bhd as follows:

| **Date of sale** | **Selling Price (RM Million)** | **Note** |
|---|---|---|
| 20 March 2018 | 3 | Luce Bhd has sold all the goods |
| 15 July 2018 | 4 | Luce Bhd still kept 20% of the inventory |
| 10 November 2018 | 2 | Luce Bhd managed to sell 50% of the inventory |

The group policy is to earn 10% profits on the selling price.

8. At the end of 2018, goodwill from the acquisition of Radiante Bhd should be impaired by RM0.3 million.

9. The parent companies have received dividends from their respective subsidiary.

10. Luminosa Bhd and Radiante Bhd value non-controlling interest using the **partial goodwill** method.

**Required:**

The Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Statement of Changes in Equity of Luminosa Bhd Group for the year ended 31 December 2018.

(25 marks)

**QUESTION 2**

A. i. On 1 July 2019, Company A entered into an agreement to sell an asset to Company B. Delivery of the asset is expected on 31 August 2019. Company B offered to settle the purchase by cash or shares for which Company A agreed to accept shares instead of cash.

State two (2) possible reasons for Company A's decision.

(4 marks)

ii. On 3 January 2018, Tayba Bhd entered into an agreement with Shuran Bhd to purchase 15 lawn tractors. The agreement required Shuran Bhd to deliver the tractors on or before 1 March 2018. Tayba Bhd has the option to either pay the cash price or issue 300,000 of its ordinary shares. Shuran Bhd delivered all the tractors on 25 February 2018. Due to its tight cash position, Tayba Bhd issued shares as payment on 1 March 2018. Share prices of Tayba Bhd on 3 January 2018, 25 February 2018 and 1 March 2018 were RM0.75, RM0.77 and RM0.80 each respectively. The listed prices of the tractors on 3 January 2018, 25 February 2018 and 1 March 2018 were RM14,900, RM15,000 and RM15,100 each respectively. Tayba Bhd and Shuran Bhd are not related to each other.

**Required:**

Prepare the journal entries in the books of Tayba Bhd to record the acquisition of the tractors. Narrations are not required.

(6 marks)

B. i. Aplus Bhd is an established and well known company in the knowledge creation sector. In 2017, it agreed with Stone Wall Construction Bhd to conduct research and development in order to produce cheaper construction materials. Aplus Bhd spent the whole of 2017 conducting research to create knowledge to produce the material. By 2018, it started developing the prototype of the material. Costs incurred in 2017 and 2018 were RM500,000 and RM1,200,000 respectively.

In January 2019, Stone Wall Constuction Berhad, unexpectedly, withdrew from the agreement. Aplus Bhd sued Stone Wall Construction Bhd for damages. Aplus Bhd estimates the recoverable amount of the research and development at RM1.1 million. However, in July 2019, Aplus Bhd managed to sell the research and development to Zheng He Constuction Berhad at RM1.5 million.

Prepare the journal entries in the books of Aplus Bhd for each of the above transactions/events.

(8 marks)

ii. The market value (market capitalisation) of ABC Bhd as at 31 March 2019 is RM478.23 billion. DEF Bhd has a market value of RM913.33 billion on the same date. The former's total assets as at 31 March 2019 were RM109.48 billion, while the later's were RM263.28 billion. Both companies provide advanced information technology for business transactions and solutions.

Comment on the difference in the above values based on MFRS 138 *Intangible Assets*.

(3 marks)

iii. Data is very important especially for decision making. Big data analytics and artificial intelligence enable conversion of huge amounts of data into meaningful information in seconds.

Discuss whether data is an intangible asset based on MFRS 138 *Intangible Assets*.

(4 marks)
(Total: 25 marks)

**QUESTION 3**

LaserPro Bhd is involved in the manufacturing, packaging and marketing of micro fibre products in Kajang, Selangor. Below is the trial balance of LaserPro Bhd for the year ended 30 June 2019:

| | **Debit RM'000** | **Credit RM'000** |
|---|---|---|
| Revenue | | 169,000 |
| Cost of sales | 69,310 | |
| Interim dividend paid | 16,000 | |
| Administrative expenses | 31,025 | |
| Distribution expenses | 28,331 | |
| Finance cost | 1,900 | |
| Income tax payable | | 1,208 |
| Freehold land at valuation as at 1 July 2018 | 142,600 | |
| Building at cost as at 1 July 2018 | 90,650 | |
| Plant and equipment at cost as at 1 July 2018 | 53,430 | |
| Accumulated depreciation as at 1 July 2018: | | |
| Building | | 9,065 |
| Plant and equipment | | 15,915 |
| Investment property at fair value as at 1 July 2018 | 4,628 | |
| Development cost | 60,800 | |
| Investment in fixed deposit | 21,200 | |
| Ordinary share capital | | 240,000 |
| Retained earnings as at 1 July 2018 | | 63,256 |
| Asset revaluation reserve as at 1 July 2018 | | 16,000 |
| 5% Debentures | | 28,000 |
| Trade receivables and payables | 4,184 | 1,152 |
| Deferred tax | | 2,451 |
| Cash and bank | 16,680 | |
| Inventories | 3,658 | |
| Income tax paid | 1,651 | |
| | **546,047** | **546,047** |

**Additional information:**

1. The company decided to adopt the revaluation model for building and the fair value on 1 July 2018 is RM90,000,000. The remaining useful life of the building as at that date is 25 years. The fair value of the land as at 30 June 2019 is RM150,000,000. Both revaluations have yet to be recorded in the accounts as at year end. In addition, the company wishes to make annual transfers to retained earnings for any revaluation surplus made as the asset is being used and depreciated.

2. On 1 July 2018, LaserPro Bhd entered into a 4-year operating lease agreement with Kamen Bhd for a machine. The annual lease payment for the machine is RM1,200,000, payable at the end of each lease year at an interest rate of 6%. The estimated useful life of the asset is 10 years. None of these transactions have been recorded in the accounts as at year end. The company wishes to adopt MFRS 16 *Leases* in preparing its accounts for the financial year ended 30 June 2019.

   Extract of Present Value Annuity Table:

| Year | Interest 5% | Interest 6% |
|---|---|---|
| 1 | 0.9524 | 0.9434 |
| 2 | 1.8594 | 1.8334 |
| 3 | 2.7232 | 2.6730 |
| 4 | 3.5460 | 3.4651 |
| 5 | 4.3295 | 4.2124 |

3. A new equipment costing RM1,650,000 was purchased on 1 July 2018 to replace the old equipment that was purchased on 1 July 2014 at a cost of RM1,220,000. The old equipment was disposed for RM885,000. None of these transactions have been recorded in the accounts at year end.

   Plant and equipment are depreciated over their useful life of 10 years. All depreciation charges are included in administrative expenses.

   The policy of the company is to depreciate all its assets using the straight line method, giving full year's depreciation in the year of purchase and none in the year of disposal.

4. A plant that was purchased on 1 July 2012 at a cost of RM1,340,000 had a reduction in production capacity since September 2018. This had caused several breakdowns during the production process. The board of directors of LaserPro Bhd therefore decided to provide impairment on the plant as at year end. The fair value of the plant as at 30 June 2019 is RM350,000. If the plant is to be disposed, a dismantling cost of RM12,400 is required. The impairment charge has yet to be recorded in the accounts.

5. LaserPro Bhd acquired a freehold building costing RM2,500,000 on 1 July 2013. The building is fully rented out to various organisations, thus qualifies to be accounted for as an investment property under MFRS 140 *Investment Property*. The estimated life of the building is 30 years.

   As at 30 June 2019, the fair value of the building is RM5,350,000. The company adopts the fair value model in its measurement of investment property subsequent to initial recognition. The revaluation has yet to be incorporated in LaserPro's accounts as at year end. However, as at that date the company decided to occupy the building as a second headquarters for operation of the business. As at year end, reclassification of the building has yet to be recorded in the accounts.

6. The directors have estimated that the income tax charge for the year ended 30 June 2019 is RM1,512,000, excluding the deferred tax charge. The deferred tax provision as at 30 June 2019 is RM3,455,000.

7. The issue price of the ordinary share capital of LaserPro Bhd is RM6.40.

**Required:**

i. Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019. (The Note on Earnings per Share is required)

(8 marks)

ii. Prepare the Statement of Financial Position as at 30 June 2019.

(12 marks)

iii. Prepare the note on Property, Plant and Equipment as at 30 June 2019.

(5 marks)
(Total: 25 marks)

**QUESTION 4**

A. HGR Bhd acquired a building costing RM3,400,000 on 1 July 2001 with an estimated useful life of 50 years. The building was occupied as the headquarters for its business operations in Nilai, Negeri Sembilan. In a recent board meeting in January 2019, the directors had agreed to move the company's headquarters to a new building located in Shah Alam, Selangor. Since then the company has been actively seeking a buyer. In addition, advertisements have also been placed to speed up the sale of the building. The building in Nilai has been vacated in May 2019 and a buyer has been located.

The fair value of the building as at 30 June 2019 is RM2,120,000. It was estimated that property brokerage fee of RM45,000 and legal fee of RM26,000 will be incurred in order to sell the building.

The net carrying amount of the property, plant and equipment of HGR Bhd as at 30 June 2019 is RM286,781,000. This amount has not been adjusted for any reclassification.

Note: The financial year of HGR Bhd ends on 30 June each year.

**Required:**

*i.* Explain whether as at 30 June 2019, the building in Nilai can be classified as a non-current asset held for sale in accordance with MFRS 5 *Non-current Asset Held for Sale and Discontinued Operations.*

(6 marks)

ii. Determine the value of the building to be recognised in the financial statement of HGR Bhd as at 30 June 2019.

(5 marks)

iii. Show the amount to be disclosed in an extract of the company's Statement of Financial Position and Statement of Profit or Loss for the year ended 30 June 2019 regarding the measurement of the building in Nilai.

(4 marks)

B. Slime Bhd acquired 500,000 ordinary shares of TY Bhd at RM3.50 per share and 200,000 ordinary shares of Milly Bhd for RM860,000 on 1 July 2018.The transaction costs for both acquisitions were RM85,000 and RM24,000 respectively.

As at 30 June 2019, the fair value of the shares in TY Bhd and Milly Bhd were RM4.20 and RM3.25 per share, respectively. Slime Bhd classifies the shares in TY Bhd as measured at fair value through other comprehensive income while the shares in Milly Bhd are classified as measured at fair value through profit or loss in accordance with MFRS 9 *Financial Instruments.*

Note: The financial year of Slime Bhd ends on 30 June each year.

**Required:**

i. Discuss the accounting treatment (on initial recognition and at year end) of the shares in TY Bhd and Milly Bhd in Slime Bhd's books for the year ended 30 June 2019.

(6 marks)

ii. In 1 August 2018, Slime Bhd issued redeemable debentures to finance its new project. The directors of Slime Bhd have been arguing on how to classify the debentures in its financial statement in accordance with MFRS 9 *Financial Instruments.*

Advise the directors of Slime Bhd on the classification of the redeemable debentures in accordance with MFRS 9 *Financial Instruments*.

(4 marks)
(Total: 25 marks)

**END OF QUESTION PAPER**