

SUGGESTED SOLUTION**Question 1**

Excellente Bhd
Consolidated Statement of Profit or Loss and Other Comprehensive Income
as at 31 December 2017

		RM Million
Turnover	$(120+50+45)-9$ #7	206
Cost of Sales	$(36+15+20)-9+0.08+0.1$ #7	[62.18]
		143.82
Dividend Income	$(5+4+1)-1.2-0.8$ #9	7.2
Gain on Disposal of Assets	$(1.2+0.5)-0.4$	1.3
Administrative Expenses	$(25+18+15.5)-0.08$ #6 +0.3 #8	[58.72]
Selling & Distribution Expenses	$(10+8+2)$	[20]
Share of losses in J/V business	$RM1.6 \times 50\%$ #3	[0.8]
		72.8
Finance Costs	$[2.7+3+2]$	[7.7]
		65.1
Taxation	$[13.1+2.5+1.8]$	[17.4]
Net Profits		47.7

Net Profits attributable to:

The equity holders of the parent $47.7-2.851=44.849$

The Non-controlling Interest (W1) $1.875+0.976=2.851$

W1

	Brillar Bhd [RM Million]	Dorado Bhd [RM Million]
PAT	7.5	5.2
-) URP Equipment	-	[0.4]
+) Depreciation	-	0.08
Adjusted PAT	7.5	4.88
NCI %	25%	20%
NCI share of PAT of Sub	1.875	0.976

Excellente Bhd
Consolidated Statement of Changes in Equity
for the year ending 31 December 2017.

	GRE [RM Million]	NCI [RM Million]
Balance b/f W2/W3	68.55	13.125
Net profits/TCI attributable	44.849	2.851
Acquisition of Sub W4	-	3.04
Dilution on equity interest W5	(2.18)	
Dividend (1.5x25%+1 x20%)	[3]	[0.575]
Balance c/f	118.159	18.441

W2

Excellente Bhd profits:	62.7
Brillar Bhd profits: [25.8-18x75%]	5.85
	68.55

W3

Brillar Bhd:

		Goodwill	NCI
CT		35	
+) NCI	25%x44.7	11.175	11.175
-) FVNA 1.1.16			
OSC	25		
RE	18		
ARR	1.7	44.7	
		1.475	
-) Impairment		[0.3]	
		1.175	
RE Brillar profit 2016	25.8		
-) Pre	18		25%
	7.8		1.95
			13.125

W4

Dorado Bhd:

		Goodwill	NCI
CT		13	
NCI	20%x15.2	3.04	3.04
-) FVNA			
OSC	10		
RE	5.2	15.2	
Goodwill		0.84	

W5

Proceeds		7
Less FVNA 31.12.17		
OSC	25	
RE 25.8 +7.5 – 1.5	34.5	
ARR	1.7	
61.2 x 15%		9.18
loss		2.18

Question 2

- A. i. The property does not qualify as investment property in the consolidated financial statements, because the property is owner-occupied from the perspective of the group. However, from the perspective of the entity that owns it, the property is investment property because it meets the criteria of investment property (answer should detail the criteria satisfied) in its individual financial statements. (MFRS 140, para 15)
- ii. Based on the case, the office area cannot be sold separately. Since only 10% of the area is used as office and 90% area is rented out, the office portion is insignificant compared to the portion rented out. As such the factory is investment property. (MFRS 140, para 10)
- iii. It falls under MFRS 9 because:
- There was a written agreement
 - Short term repayment (this is not a permanent case)
 - There were no signs of a recurring loan pattern
- B. i. There are three types of hedging relationships:
- (a) Fair value hedge: a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.
- (b) Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognized asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss.
- (c) Hedge of a net investment in a foreign operation.
- ii. Retrospective restatement is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.
- iii. It is required by a MFRS or the changes will provide users with reliable and more relevant information about the effects of the relevant transactions on the entity's financial statements.

QUESTION 3

AXON BHD
STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
DECEMBER 2017

	RM'000
Revenue	38,160
Cost of sales	(20,560)
Gross profit	17,600
Other income	1,200
Deficit on revaluation of land	(200)
Administrative expenses (6,240 + 1,030)	(7,270)
Distribution cost	(2,320)
Finance costs (195 – 104(W1))	(91)
Loss on sale of machine (900 – (900 x 10% x 2y))- 660	(60)
Other expenses	(72)
Profit before taxation	8,787
Taxation (420 + 10)	(430)
Profit after taxation	8,357
Other comprehensive income	
Deficit on revaluation of land	(1,200)
Surplus in development cost	800
Total comprehensive income	7,957
Basic earning per share (8,357 /40,000)	21 sen

W1 = Capitalization of borrowing cost

Interest on loan : 5.2m x 5% x 6/12

Less investment income : 5.2m x 2% x 2/12 = 104

AXON BHD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

ASSETS	RM'000
Non current assets	
Property, plant and equipment (W2)	21,074
Investment property	22,000
Development costs (+800)	4,800
Current asset	
Inventories	1,602
Trade and other receivables	960
Bank (9,500+660-1,600)	8,560
	58,996

AFAR MIA QE MARCH 2018

EQUITY AND LIABILITIES	
Issued and paid up capital	
Share capital	40,000
Retained profits(W3)	10,272
Reserves (W3)	2,600
Non current liabilities	
Loan from Bank T	5,200
Deferred tax liability	250
Current liabilities	
Trade and other payables (502+72)	574
Tax payable	100
	58,996

	Retained profits		ARR
	RM'000		RM'000
1 January 2017	2,915		3,000
Profit after tax	8,357		
Deficit on revaluation of land			(1,200)
Surplus on revaluation of development costs			800
Dividend paid	(1,000)		
Balance as at 31 December 2017	10,272		2,600

	Land		Building		Plant & machinery		Office equipment		Total
	RM'000		RM'000		RM'000		RM'000		RM'000
Cost/valuation									
As at 1/1/2017	12,000		10,000		3,200		1,200		26,400
Disposal					(900)				(900)
Addition			104		1,600				1,704
Revaluation-deficit	(1,400)								(100)
	10,600		10,104		3,900		1,200		25,804
Accumulated depreciation									
As at 1/1/2017			2,000		1,280		600		3,880
Disposal					(180)				(180)
Charge for the year			400		390		240		1,030
	-		2,400		1,490		840		4,730
Carrying amount as at 31/12/ 2017	10,600		7,704		2,410		360		21,074

(25 marks)

QUESTION 4

A. MFRS15

- i. An entity shall disclose qualitative and quantitative information about all of the following:
- Revenue recognized from contracts with customers, including the disaggregation of revenue;
 - Contract balances, including the opening and closing balances of receivables, contract assets and contract liabilities;
 - Performance obligations, including when the entity typically satisfies its performance obligations and the transaction price that is allocated to the remaining performance obligations in a contract;
 - Significant judgments, and changes in judgments, made in applying the requirements to those contracts;
 - Assets recognized from the costs to obtain or fulfill a contract with a customer.

(5 marks)

- ii. 3 criteria to be met in identifying the contract with the customer:
- The parties to the contract have approved the contract
 - Each party's rights in relation to the goods or services to be transferred can be identified
 - The payment terms and conditions for the goods or services to be transferred can be identified
 - The contract has commercial substance
 - The collection of an amount of consideration to which the entity is entitled to in exchange for the goods or services is probable.

(3 marks)

B. MFRS 116 and MFRS141

i.

	RM
Gain from change in FV less point-of-sale costs	25,200
Less: Operating costs	
Depreciation of nursery (25,000/5 yrs)	5,000
Depreciation of plantation infrastructure (42,000/20 yrs)	2,100
Depreciation of plantation machinery and equipment (75,000/10 yrs)	7,500
Plantation overhead (excluding depreciation)	1,500
Weeding, fertilization & pest control	1,200
Salaries, wages & other employee benefits	4,500
Impairment of machinery (12,500 - 12,050)	<u>450</u>
Net profit	<u>2,950</u>

(6 marks)

- ii. A bearer plant is a living plant that:
- is used in the production or supply of agricultural produce;
 - is expected to bear produce for more than one period; and
 - has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

(3 marks)

C. MFRS120

- i. Those in support of the capital approach argue as follows:
- (a) Government grants are a financing device and should be dealt with as such in the statement of financial position rather than be recognised in profit or loss to offset the items of expense that they finance. Because no repayment is expected, such grants should be recognised outside profit or loss.
 - (b) It is inappropriate to recognise government grants in profit or loss, because they are not earned but represent an incentive provided by government without related costs.

(2 marks)

Arguments in support of the income approach are as follows:

- (a) Because government grants are receipts from a source other than shareholders, they should not be recognised directly in equity but should be recognised in profit or loss in appropriate periods.
- (b) Government grants are rarely gratuitous. The entity earns them through compliance with their conditions and meeting the envisaged obligations. They should therefore be recognised in profit or loss over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate.
- (c) Because income and other taxes are expenses, it is logical to deal also with government grants, which are an extension of fiscal policies, in profit or loss.

(2 marks)

ii. Journal entries

Deferred income method

1/6/2017	Dr	Cash / bank (SOFP)	RM500,000
	Cr	Deferred income (SOFP)	RM500,000
31/12/2017	Dr	Deferred income (500,000/10 x 7/12) (SOFP)	RM29,167
	Cr	Income from government grant (P/L)	RM29,167

Write off against asset method

1/6/2017	Dr	Cash / bank (SOFP)	RM500,000
	Cr	Property, Plant & Equipment	RM500,000
31/12/2017	Dr	Depreciation (800,000/10 x 7/12)	RM46,667
	Cr	Accumulated depreciation	RM46,667

(4 marks)

END OF SOLUTION