



# GLOW IN ACCOUNTING

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by:

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# Disclaimer

This book cannot be considered as a legal reference in providing professional guidance and advice in accounting work. It is just a guide developed according to the author's creativity for the purpose of facilitating the teaching and learning process in preparing the company financial statements.

*Noor Dasreena Shukria*  
*Faidatul Akma*



# Preface

The book, namely as **Glow in Accounting** is prepared mainly for lecturers teaching company financial statements and guiding students on how to prepare company financial statements. Students can also take advantage of the simplified technique to be more interested in preparing the company financial statements. It is known that financial reporting in Malaysia is governed by the Companies Act, Central Bank requirements, the Securities Commission Act, and the Bursa Malaysia (BM) listing requirements. We hope that, to some extent, this technique will help the teaching and learning process run smoothly. It is our sincere wish that lecturers and students, especially in polytechnics and other students in higher institutions, may find this book useful and valuable in understanding this topic. We hope that lecturers and students will benefit from this publication, and this book will contribute to the advancement of accounting education and learning in Malaysia. The contents are based on our experience with this topic, and therefore, we have been introducing this technique since last year. Thus, any mistakes or errors are unintentional and will be corrected from time to time.

# Acknowledgment

All praise to Allah SWT, whose help and guidance have sustained us in bringing this book to completion. We sincerely hope that this book will be a valuable aid and reference for all, especially lecturers teaching this subject matter and students taking accounting courses. We also wish to express our gratitude to all parties involved in the publication process, directly or indirectly. There was a lot of moral support and guidance given to us during the publication, as well as suggestions and encouragement. Our heartfelt appreciation goes to the Director of Politeknik Kuching Sarawak, En. Samsudin bin Mohd Saleh, Head of Commerce Department; Pn. Normala Jaya, Programme Coordinator Diploma Accountancy; Pn. Khatijah Ibrahim; and to all our colleagues at the Commerce Department of Politeknik Kuching Sarawak who have always been helpful and supportive during the publication of this book. Most of all, special thanks to our family's members, who never stop giving their support and encouragement to getting this book published. Without their blessings, this book will never be completed. Finally, we wish to express our deepest gratitude to our beloved students, who are always helpful. Without cooperation and support from all parties involved, none of this will ever come true. Hopefully, this book will become a valuable and useful reference to gain more knowledge in this world and hereafter.

*Let's make our accounting teaching and learning glow,  
and our students will Glow in Accounting.*



# Abstract

The objective of this book, **Glow in Accounting** is to enhance lecturers' teaching and learning practices to improve students' proficiency and comprehension of preparing company financial statements. Lecturers need to play a role in ensuring that students are able to prepare the company financial statements as well as fostering students' interest in preparing the company financial statements. This technique will try to attract students' interest and facilitate their preparation of the company financial statements. We hope that to some extent this book will help the teaching and learning process run smoothly, as according to Abdul Seliban et al. (2021), the use of colour as a teaching aid proved to play an important role in creating various different types of emotional reactions and attracting students' attention. Therefore, we as the lecturers teaching company financial statements, introduced and applied this colour-coding technique by using a highlighter pen. The students have to colour each item or account in the trial balance using three different highlighter pens. A highlighter pen is a type of writing device used to draw attention to a section of text by marking it with a bright, translucent colour. Each highlighter pen represents one financial statement that needs to be prepared.

Keywords : colour-coding, company financial statements, highlighter pens.

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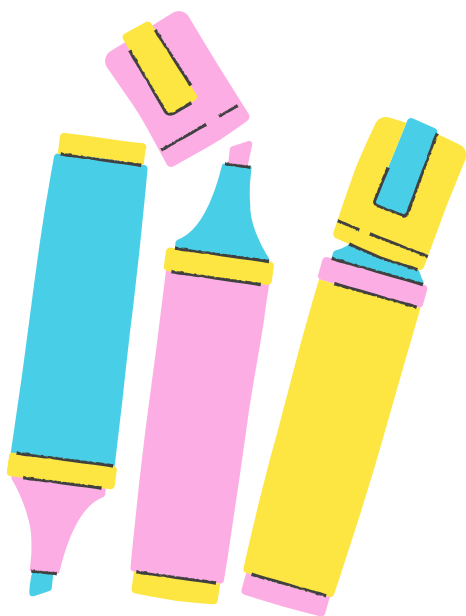
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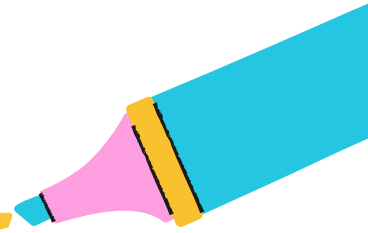
“—  
Life is like  
accounting,  
everything  
must be  
balanced  
~unknown |  
—”



The background is a vibrant collage of hand-drawn elements. On the left, three markers in yellow, pink, and blue are arranged diagonally. A fourth marker, pink with a blue tip, is positioned below the word 'Introduction', as if it has just finished writing it. To the right, there are several abstract shapes: a large green circle with pink scribbles inside, a purple spiral, a light blue circle with orange speckles, and a pink circle with blue and orange scribbles. A green leaf-like shape is at the top right, and a yellow shape is partially visible on the far right.

# Introduction

# Introduction



The process of preparing accounts for each company starts with the preparation or receipt of source documents and ends with the completion of financial reports. The company financial statements are the company financial report, which is the final account preparation process. The company financial statements are an overview of the results and financial position at the end of an accounting period. The company financial statements will only be prepared after all accounting entries have been made until a trial balance is issued.


The preparation of company financial statements is not as simple and easy as the preparation of sole proprietorship financial statements, where the items or accounts in the company trial balance and additional information are more compared to the sole proprietorship trial balance.

The sole proprietorship financial statements consist of :

1. Statement of Comprehensive Income; and
2. Statement of Financial Position.

The company's financial statements consist of :

1. Statement of Profit or Loss and Other Comprehensive Income (SOPL);
2. Statement of Changes in Equity (SOCIE); and
3. Statement of Financial Position (SOFP).



Basically, we need to understand the purpose of each the company financial statement as follows:

01

### **STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

a financial statement summarizing the income, costs and expenses involved for a specific period of time. This statement will calculate the profit or loss for an accounting period.

02

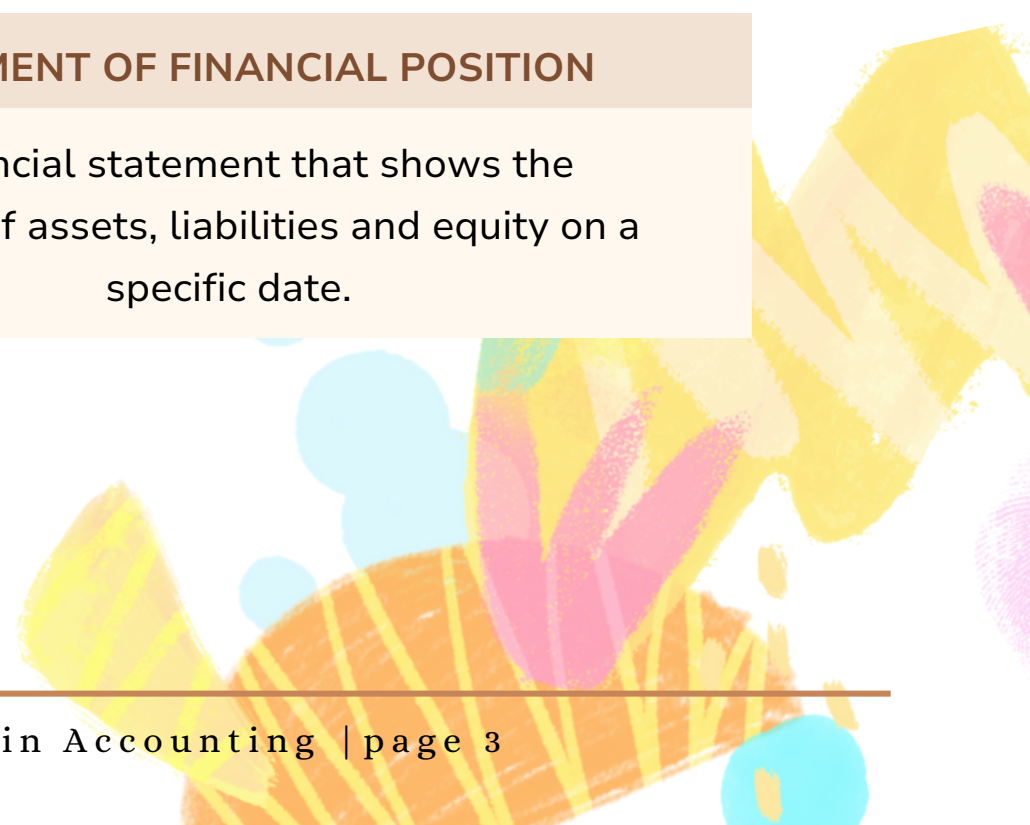
### **STATEMENT OF CHANGES IN EQUITY**

a financial statement that shows changes in the amount of equity (capital and reserves) owned by the company for an accounting period.

03

### **STATEMENT OF FINANCIAL POSITION**

a financial statement that shows the position of assets, liabilities and equity on a specific date.



Therefore, in teaching and learning process for the preparation of the company financial statements, students will be given a set of questions containing trial balances and additional information (adjustments). This technique was chosen to make it easier for students to see the colour directly without having to search for items or accounts that need to be included in any company financial statement.

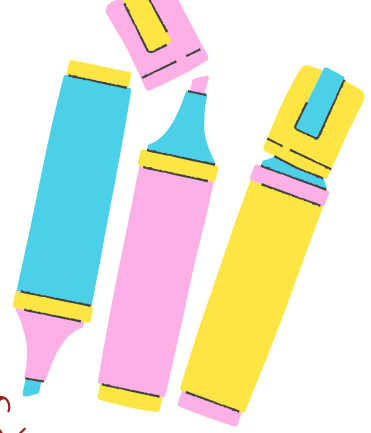
According to Chang et. al. (2018), humans cannot part with colour, especially the use of colour in teaching and learning. Everyone, including students, likes colourful things. Colour also affects students' efficiency, emotions, and attention in learning. And because of this too, textbooks, modules, and any printed material that is coloured is more attractive to students. In other words, the use of colour has been proven to play an important role in stimulating different emotions and attracting students' attention. In fact, certain colours can affect our memory of something we have seen or learned, in addition to making it easier for us to recall something, whether the memory is stored in short-term or long-term memory.

This statement is in line with the opinion of Dzulkifli and Mustafar (2013), who believe that colour is the most important human visual experience. It functions as an effective information channel for the human cognitive system and is found to play an important role in strengthening memory. Nevertheless, notes can also be coloured by using a highlighter pen, where the highlighter pen can help us mark any important information to make it easier for us to find the information. (Olurinola & Tayo, 2015).

The background is a vibrant collage of artistic elements. In the top left, a pink highlighter with a blue tip is shown drawing a pink line. To the right, there are large, textured circles in teal, pink, and purple, some with wavy or spiral patterns. At the bottom, three highlighters (blue, pink, and yellow) are standing upright. To their right, there are more colorful brushstrokes in blue, orange, and yellow. The title text is centered on a light yellow brushstroke background.

# Steps to Use the Colour-Code with Highlighter Pens

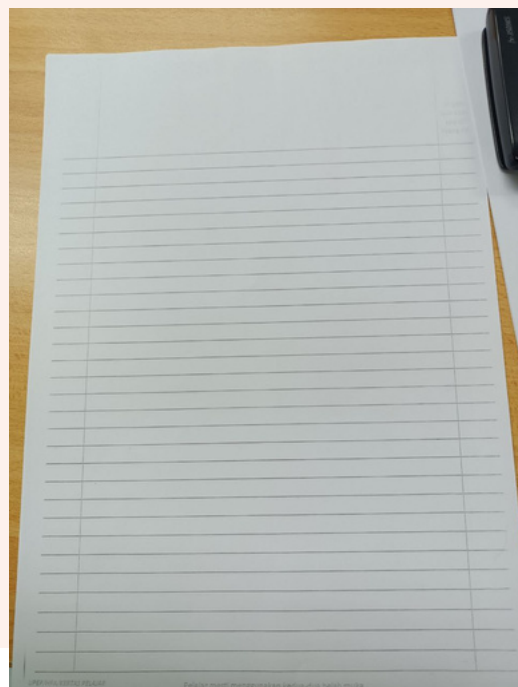
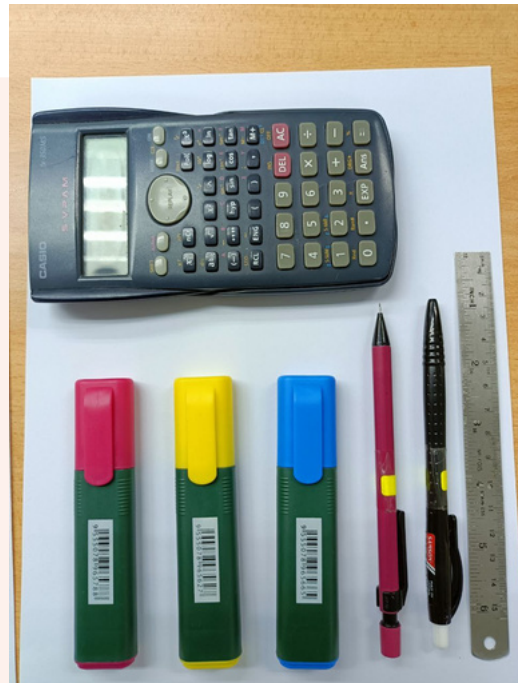
# Steps to Use the Colour-Code with Highlighter Pens



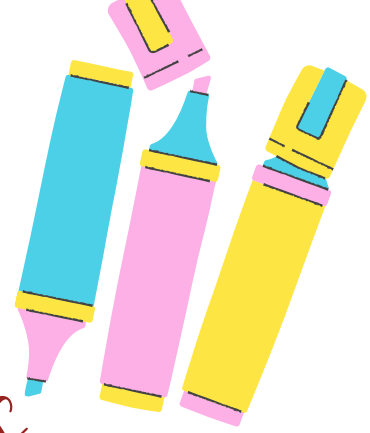
## STEP 1

Students are required to prepare the following materials :

- ✓ 3 sticks of highlighter pens (Pink, Yellow and Blue)
- ✓ Pencil
- ✓ Pen
- ✓ Ruler
- ✓ Calculator
- ✓ Answer sheets



# Steps to Use the Colour-Code with Highlighter Pens



## STEP 2

Provide the questions for the students.

- ✓ In the preparation of the company financial statements, students will be given questions with a trial balance and additional information.

EXAMPLE 1

This trial balance is derived from Contoh Berhad as at 30 September 2020

Trial Balance as at 30 September 2020

	DEBIT (RM)	CREDIT (RM)
Issued capital:		
500,000 ordinary shares of RM1.00 each		500,000
200,000 8% preference shares of RM 1.00 per unit		200,000
10% Debentures		300,000
Retained earnings as 31 October 2019		100,000
Quoted Investments	800,000	
Land and buildings	120,000	
Office equipment	74,000	
Closing stock	42,500	
Debtors	33,000	
Bank		160,000
Gross profit for the year	35,000	
Administrative expenses	14,000	
Selling expenses	10,000	
Patents	15,000	
Directors' remuneration	5,500	
Auditors fees	4,000	
Preliminary expenses	5,000	
Preference dividends	10,000	
Ordinary dividends		2,000
Income interest from investment		6,000
Creditors	1,268,000	1,268,000

Additional Information:

- Land was revalued and the value increase by RM 10,000 on 30 September 2020 and the increase should be credit to the Asset Revaluation Reserve Account.
- Office equipment depreciation is 5% on cost
- Transfer RM20,000 to general reserve ✓
- Write off preliminary expenses ✓
- Patents is to be amortized by 10% ✓
- Market value for Quoted Investment is RM108,000. ✓
- proposed dividends on preference shares and debentures interest ✓
- proposed ordinary dividend of 5% ✓
- company tax is estimated to be RM20,000 ✓

Prepare the Statement of Profit or Loss and Other comprehensive Income for the year ended 30 September 2020, Statement of changes in equity and the Statement of Financial Positions as at that date for the internal users.

# Steps to Use the Colour-Code with Highlighter Pens



## STEP 3

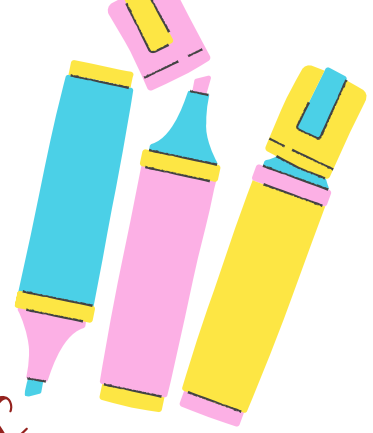
The lecturer will guide the students how to colour the accounts in the trial balance (using the colour code in Table 1) as the company financial statements comprises of three main statements as mentioned earlier. The colour-code use are as follows:

- ✓ All accounts to be included in the Statement of Profit or Loss and other Comprehensive Income will be using **pink** colour.
- ✓ All accounts under the equity classification (capital and reserves) to be recorded in the Statement of Changes in Equity will use **yellow** colour.
- ✓ All accounts related to assets and liabilities that will in the Statement of Financial Position will be using **blue** colour.

Colour-coding	Company Financial Statement
Pink	Statement of Profit or Loss and Other Comprehensive Income
Yellow	Statement of Changes in Equity
Blue	Statement of Financial Position

Table 1 : Colour - coding

# Steps to Use the Colour-Code with Highlighter Pens



## STEP 4

Colour the additional information.

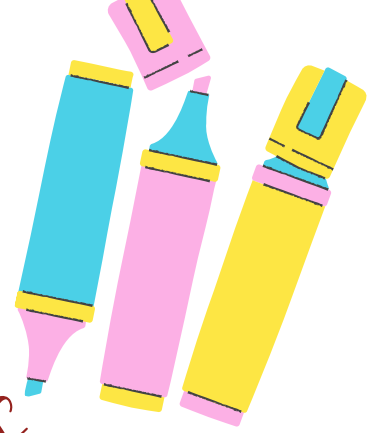
- ✓ The lecturer will explain and guide the workings of each additional information and will explain the statements involved in each additional information. The students are required to colour the workings.

## STEP 5

Prepare the Statement of Profit or Loss and other Comprehensive Income.

- ✓ The lecturer will guide the students on how to prepare the Statement of Profit or Loss and other Comprehensive Income by referring to pink-coloured accounts and items only.

# Steps to Use the Colour-Code with Highlighter Pens



## STEP 6

Prepare the Statement of Changes in Equity

- ✓ The lecturer will guide the students on how to prepare the Statement of Changes in Equity by referring to yellow-coloured accounts and items only.

## STEP 7

Prepare the Statement of Financial Position.

- ✓ The lecturer will guide the students on how to prepare the Statement of Profit or Loss and other Comprehensive Income by referring to pink-coloured accounts and items only.

 **FINISHED**



# Example: Internal Publication

Follow the steps that already been discussed before :

**1**

Prepare all the materials needed.



**2**

Provide one example to the students.



# Example

This trial balance is derived from Contoh Berhad as at 30 September 2020

**Trial Balance as at 30 September 2020**

	DEBIT (RM)	CREDIT (RM)
Issued capital:		
500,000 ordinary shares of RM1.00 each		500,000
200 000 8% preference shares of RM 1.00 per unit		200,000
10% Debentures		300,000
Retained earnings as 31 October 2019		100,000
Quoted Investments	100,000	
Land and buildings	800,000	
Office equipment	120,000	
Closing stock	74,000	
Debtors	42,500	
Bank	33,000	
Gross profit for the year		160,000
Administrative expenses	35,000	
Selling expenses	14,000	
Patents	10,000	
Directors' remuneration	15,000	
Auditors fees	5,500	
Preliminary expenses	4,000	
Preference dividends	5,000	
Ordinary dividends	10,000	
Income interest from investment		2,000
Creditors		6,000
	1,268,000	1,268,000

Additional Information:

- Land was revalued and the value increase by RM 10,000 on 30 September 2020 and the increase should be credit to the Asset Revaluation Reserve Account.
- Office equipment depreciation is 5% on cost
- Transfer RM20,000 to general reserve
- Write off preliminary expenses
- Patents is to be amortized by 10%.
- Market value for Quoted Investment is RM108,000.
- proposed dividends on preference shares and debentures interest
- proposed ordinary dividend of 5%
- company tax is estimated to be RM20,000

**Prepare the Statement of Profit or Loss and Other comprehensive Income for the year ended 30 September 2020, Statement of changes in equity and the Statement of Financial Positions as at that date for the internal users.**

### 3

Colour the trial balance using the colour-code with highlighter pens.



Colour-coding	Company Financial Statement
Pink	Statement of Profit or Loss and Other Comprehensive Income
Yellow	Statement of Changes in Equity
Blue	Statement of Financial Position

Table 1 : Colour - coding

#### Trial Balance as at 30 September 2020

	DEBIT (RM)	CREDIT (RM)
Issued capital:		
500,000 ordinary shares of RM1.00 each		500,000
200 000 8% preference shares of RM 1.00 per unit		200,000
10% Debentures		300,000
Retained earnings as 31 October 2019		100,000
Quoted Investments	100,000	
Land and buildings	800,000	
Office equipment	120,000	
Closing stock	74,000	
Debtors	42,500	
Bank	33,000	
Gross profit for the year		160,000
Administrative expenses	35,000	
Selling expenses	14,000	
Patents	10,000	
Directors' remuneration	15,000	
Auditors fees	5,500	
Preliminary expenses	4,000	
Preference dividends	5,000	
Ordinary dividends	10,000	
Income interest from investment		2,000
Creditors		6,000
	1,268,000	1,268,000

# 4

Prepare the workings for the additional information and colour the statements needed.



- a. Land was revalued and the value increase by RM 10,000 on 30 September 2020 and the increase should be credit to the Asset Revaluation Reserve Account.

New value for Land in SOFP = RM10,000 + RM800,000  
= RM810,000

Asset Revaluation Reserve in SOCIE = RM10,000

- b. Office equipment depreciation is 5% on cost

Calculate the depreciation expenses = RM120,000 x 5%  
= RM6,000 will be recorded in SOPL

No accumulated depreciation in Trial Balance, so SOFP = RM6,000

- c. Transfer RM20,000 to general reserve

Record in SOCIE = (-) Retained Earnings and (+) General Reserves

- d. Write off preliminary expenses

Record in SOPL under expenses = RM 4,000  
SOFP = NIL

- e. Patents is to be amortized by 10%.

Calculate amortization expenses = RM10,000 x 10%  
= RM1,000 will be recorded in SOPL

No accumulated amortization in Trial Balance, so SOFP = RM1,000

- f. Market value for Quoted Investment is RM108,000.

Compare market value with current value = Increase
Record in <b>SOPL</b> under revenue = RM8,000
<b>SOFP</b> = RM108,000

- g. proposed dividends on preference shares and debentures interest

Proposed dividends on preference shares:

Calculate Dividends for Preference Shares = RM200,000 x 8%	
	= RM16,000
(-) interim dividends in Trial Balance	<u>(RM5,000)</u>
Final Dividends	= RM11,000
Recorded in <b>SOCIE</b> and <b>SOFP</b> under Current Liabilities = RM11,000	

Proposed debenture interest:

Calculate Debenture interest = RM300,000 x 10%	
	= RM30,000
Record in <b>SOPL</b> = RM30,000	
Check any debenture interest in Trial Balance, NIL, so in <b>SOFP</b> under current liabilities = RM30,000	

- h. proposed ordinary dividend of 5%

Calculate Dividends for Ordinary shares = RM500,000 x 5%	
	= RM25,000
Recorded in <b>SOCIE</b> and <b>SOFP</b> under Current Liabilities = RM25,000	

- i. company tax is estimated to be RM20,000

<b>SOPL</b> = RM 20,000
Check any Tax Paid in Trial Balance, Nil, so in <b>SOFP</b> under current liabilities = RM20,000

5

Prepare the Statement of Profit or Loss and Other Comprehensive Income by referring to pink-coloured accounts and items.



<p style="text-align: center;"><b>CONTOH BERHAD</b>  <b>STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME</b>  <b>FOR THE YEAR ENDED 30 SEPTEMBER 2020</b>  <b>(refer to only Pink colour)</b></p>		
	RM	RM
Gross profit for the year		160,000
(+) other revenues:		
Income interest from investment	2,000	
Unrealized gain on quoted investment	8,000	10,000
		170,000
(-) expenses		
Administrative expenses	35,000	
Selling expenses	14,000	
Directors' remuneration	15,000	
Auditors fees	5,500	
Write off Preliminary expenses	4,000	
Amortisation expenses on patents	1,000	
Depreciation expenses on office equipment	6,000	
Debenture interest	30,000	(110,500)
Net profit before taxation		59,500
(-) company taxation		(20,000)
Net profit after taxation (will be transfer to SOCIE – Yellow Colour)		39,5000

6

Prepare the Statement of Changes in Equity by referring to **yellow**-coloured accounts and items.



**CONTOH BERHAD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**  
 (refer to only Yellow colour)

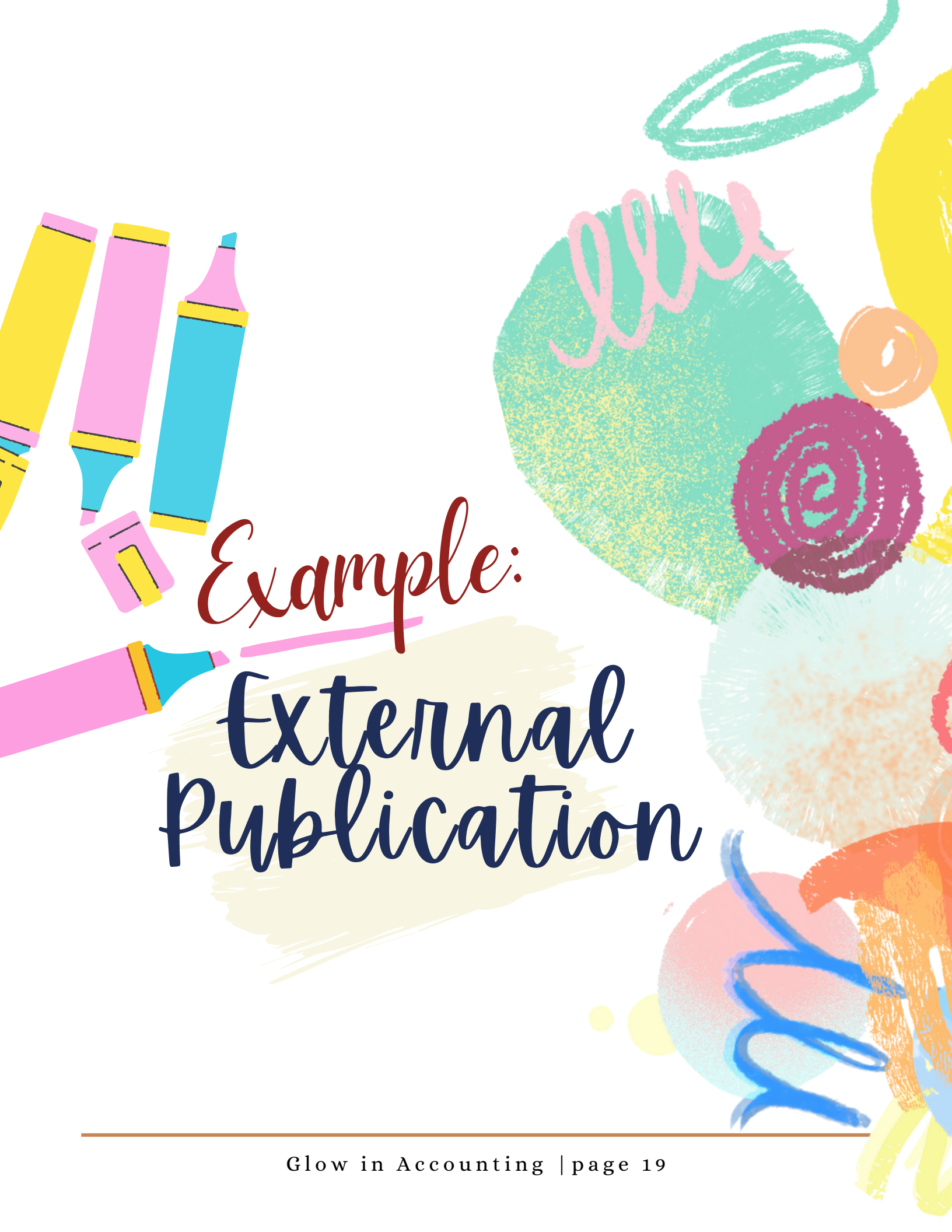
	Ordinary shares capital	Preference shares capital	General reserves	Retained earnings	Revaluation reserves
	RM	RM	RM	RM	RM
Balance b/f (from TB)	500,000	200,000		100,000	10,000
Profit for the year				39,500	
Surplus on revaluation of land					10,000
(-) appropriation					
Transfer to general reserves			20,000	(20,000)	
Interim dividends:					
Preference shares				(5,000)	
Ordinary shares				(10,000)	
Final/proposed dividends:					
Preference shares				(11,000)	
Ordinary shares				(25,000)	
<b>TOTAL (to SOFP)</b>	<b>500,000</b>	<b>200,000</b>	<b>20,000</b>	<b>68,500</b>	<b>10,000</b>

7

Prepare the Statement of Financial Position by referring to **blue**-coloured accounts and items.



<p style="text-align: center;"><b>CONTOH BERHAD</b>  <b>STATEMENT OF FINANCIAL POSITIONS</b>  <b>AS AT 30 SEPTEMBER 2020</b></p>			
<b>NON-CURRENT ASSETS:</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Land and building		810,000	
Office equipment	120,000		
(-) accumulated depreciation	(6,000)	114,000	924,000
<b>INVESTMENT</b>			
Quoted investment			108,000
<b>INTANGIBLE ASSETS</b>			
Patent		10,000	
(-) accumulated amortization		(1,000)	9,000
<b>CURRENTS ASSETS</b>			
Closing stock		74,000	
Debtors		42,500	
Bank		33,000	149,500
<b>TOTAL ASSETS</b>			<b>1,190,500</b>
<b>FINANCED BY</b>			
<b>ISSUED AND PAID UP CAPITAL</b>			
Ordinary shares of RM1.00 each		500,000	
8 % Preference shares of RM1.00 each		200,000	700,000
<b>RESERVES</b>			
Asset revaluation reserves		10,000	
General reserves		20,000	
Retained Earnings		68,500	98,500
<b>NON-CURRENT LIABILITIES</b>			
10% Debentures			300,000
<b>CURRENT LIABILITIES</b>			
Tax payable		20,000	
Creditors (Payable accounts)		6,000	
Accrued debenture interests		30,000	
Proposed final dividends for:			
Preference dividends		11,000	
Ordinary dividends		25,000	92,000
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>1,190,500</b>



*Example:*

# External Publication

# Example

The following balances were extracted from the book of Dunia Kita Berhad on 30 April 2021.

Dunia Kita Berhad  
Trial balance as at 30 April 2021

	DEBIT (RM)	CREDIT (RM)
Ordinary shares @ RM1.50 per unit		60,000
5% Preference shares @ RM2.00		20,000
7% Debentures		10,000
Retained earnings as at 30 April 2021		36,000
Sales		230,000
Sales return	3,500	
Cost of goods sold	140,000	
Inventory as at 30 April 2021	24,000	
Directors emolument	6,000	
Insurance expenses	12,000	
General expenses	10,000	
Stationery expenses	300	
Receivable and payable accounts	26,000	16,000
Provision for doubtful debts		400
Fixture and fittings on cost	41,000	
Accumulated depreciation on fixture and fittings		13,000
Land and buildings on cost	29,000	
Unquoted investment	5,000	
Bank	36,700	
Dividend interims for preference shares	500	
Dividend interims for ordinary shares	2,000	
Tax paid	4,000	
Software	18,000	
Auditors fees	4,000	
Wages and salaries	24,000	
Deferred taxation		600
	386,000	386,000

Additional information:

- Depreciation of Fixture and fittings is calculated on straight line basis with useful lives of 10 years.
- Insurance is paid for a period of one year beginning 1 January 2021.
- Software have useful life of 5 years.
- Corporate tax rate is 24% and increase the deferred tax to RM1,000.
- The board of directors proposes the following:
  - transfer 10% of profit after tax to the general reserve
  - final dividend for on preference shares
  - final dividends for ordinary shares are RM0.06 per unit
- Debentures interest is still being accrued for the year.
- Market value for unquoted investment is RM5,200.
- Provision for doubtful debts is increased by RM200.
- Dunia Kita Berhad is facing a contingent liability of RM30,000.

You are required to provide the company's financial statements based on the minimum information to comply with the requirements of the Companies Act 2016

# Solution

Follow the steps that already been discussed before :

The following balances were extracted from the book of Dunia Kita Berhad on 30 April 2021.

Dunia Kita Berhad  
Trial balance as at 30 April 2021

	DEBIT (RM)	CREDIT (RM)
Ordinary shares @ RM1.50 per unit		60,000
5% Preference shares @ RM2.00		20,000
7% Debentures		10,000
Retained earnings as at 30 April 2021		36,000
Sales		230,000
Sales return	3,500	
Cost of goods sold	140,000	
Inventory as at 30 April 2021	24,000	
Directors emolument	6,000	
Insurance expenses	12,000	
General expenses	10,000	
Stationery expenses	300	
Receivable and payable accounts	26,000	16,000
Provision for doubtful debts		400
Fixture and fittings on cost	41,000	
Accumulated depreciation on fixture and fittings		13,000
Land and buildings on cost	29,000	
Unquoted investment	5,000	
Bank	36,700	
Dividend interims for preference shares	500	
Dividend interims for ordinary shares	2,000	
Tax paid	4,000	
Software	18,000	
Auditors fees	4,000	
Wages and salaries	24,000	
Deferred taxation		600
	386,000	386,000

Additional information:

- a. Depreciation of Fixture and fittings is calculated on straight line basis with useful lives of 10 years.

Calculate depreciation expenses = $\frac{\text{RM41,000}}{10 \text{ years}}$ = RM4,100 will be recorded in SOPL
Accumulated depreciation in Trial Balance, so SOFP = RM17,100

- b. Insurance is paid for a period of one year beginning 1 January 2021.

Calculate insurance expenses from 1 January 2021 until 30 April 2021 = $\text{RM12,000} \times \frac{4}{12}$ = RM4,000 will be recorded in SOPL
Balance of the insurance expenses is prepaid insurance, will be in SOFP = RM8,000

- c. Software have useful life of 5 years.

Calculate amortization expenses = $\frac{\text{RM18,000}}{5 \text{ years}}$ = RM3,600 will be recorded in SOPL
No accumulated amortization in Trial Balance, so SOFP = RM3,600

- d. Corporate tax rate is 24% and increase the deferred tax to RM1,000.

Corporate tax rate = 24% in SOPL
Compare corporate tax with tax paid in SOFP (tax payable or tax recoverable)

Increase the deferred tax to RM1,000.

Deferred taxation in Trial Balance = RM600
Increased to be RM1,000 will be in SOFP
The difference will be in SOPL = RM400

- e. The board of directors proposes the following:
- transfer 10% of profit after tax to the general reserve

Record in SOCIE = (-) Retained Earnings and (+) General Reserves
--

- final dividend for on preference shares

Calculate Dividends for Preference Shares = RM20,000 x 5%	
= RM1,000	
(-) interim dividends in Trial Balance	(RM500)
Final Dividends	= RM500
Recorded in <b>SOCIE</b> and <b>SOFP</b> under Current Liabilities = RM500	

- final dividends for ordinary shares are RM0.06 per unit

Calculate total units in Ordinary Shares capital = RM60,000	
RM1.50	
= 40,000 units	
Calculate Dividends for Ordinary shares = 40,000 units x RM0.06	
= RM2,400	
Recorded in <b>SOCIE</b> and <b>SOFP</b> under Current Liabilities = RM2,400	

- f. Debentures interest is still being accrued for the year.

Calculate Debenture interest = RM10,000 x 7%	
= RM700	
Record in <b>SOPL</b> = RM700	
Check any debenture interest in Trial Balance, NIL, so in <b>SOFP</b> under current liabilities = RM700	

- g. Market value for unquoted investment is RM5,200.

New market value will be in <b>SOFP</b> = RM5,200	
Difference in market value and current value will be in <b>SOPL</b> = RM200 (increase – other comprehensive income)	

- h. Provision for doubtful debts is increased by RM200.

Increased in provision for doubtful debts is an expense, will be in <b>SOPL</b> = RM200	
Provision for doubtful debts in <b>SOFP</b> = RM600	

- i. Dunia Kita Berhad is facing a contingent liability of RM30,000.

Just a note in the account
----------------------------

# Financial Statements

DUNIA KITA BERHAD STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2021			
	NOTE	RM	RM
Sales	1		226,500
(-) cost of goods sold	2		(140,000)
Gross profit			86,500
(+) other revenues	3		200
			86,700
(-): operating expenses			
Selling and distribution expenses	4	200	
Administrative expenses	5	56,000	(56,200)
Operating profit			30,500
(-) Finance cost	6		(700)
Net profit before taxation			29,800
(-) company taxation			(7,152)
(-) transferred to deferred tax			(400)
Net profit after taxation (transfer to SOCIE)			22,248

DUNIA KITA BERHAD STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2021				
	Ordinary shares capital	Preference shares capital	General reserves	Retained earnings
	RM	RM	RM	RM
Balance b/f (from TB)	60,000	20,000		36,000
Profit for the year				22,248
(-) appropriation				
Transfer to general reserves			2,225	(2,225)
Interim dividends:				
Preference shares				(500)
Ordinary shares				(2,000)
Final/proposed dividends:				
Preference shares				(500)
Ordinary shares				(2,400)
TOTAL (transfer to SOFP)	60,000	20,000	2,225	50,623

**DUNIA KITA BERHAD**  
**STATEMENT OF FINANCIAL POSITIONS**  
**AS AT 30 APRIL 2021**

	NOTE	RM	RM
<b>NON-CURRENT ASSETS</b>			
Plant, property and equipment	7	52,900	
Unquoted investments		5,200	
Intangible assets	8	14,400	72,500
<b>CURRENT ASSETS</b>			
Closing inventory		24,000	
Receivable accounts		25,400	
Bank		36,700	
Accruals and prepayments	9	8,000	94,100
<b>TOTAL ASSETS</b>			<b>166,600</b>
<b>FINANCED BY</b>			
<b>ISSUED AND PAID UP CAPITAL</b>			
Ordinary shares of RM1.50 each		60,000	
5% Preference shares of RM2.00 each		20,000	80,000
<b>RESERVES</b>			
General reserves		2,225	
Retained Earnings		50,623	52,848
<b>NON-CURRENT LIABILITIES</b>			
7% Debentures		10,000	
Deferred taxation		1,000	11,000
<b>CURRENT LIABILITIES</b>			
Tax payable	10	3,152	
Proposed dividends	11	2,900	
Payable accounts		16,000	
Accruals and prepayments	12	700	22,752
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>166,600</b>

# Notes to the account

## NOTES TO THE ACCOUNT:

1.		RM
	Net sales:	
	Sales	230,000
	(-) sales return	(3,500)
		226,500

2.		RM
	Other revenue:	
	Unrealized gain on unquoted investment	200

3.		RM
	Selling and distribution expenses:	
	Provision for doubtful debts	200

4.		RM
	Administrative expenses	
	Directors emoluments	6,000
	Insurance expenses	4,000
	General expenses	10,000
	Stationery expenses	300
	Auditors fees	4,000
	Wages and salaries	24,000
	Depreciation expenses for fixture and fittings	4,100
	Amortization expenses for software	3,600
		56,000

5.		RM
	Finance costs:	
	Debenture interests	700

6.	Property, plant and equipment:	Cost	Accumulated depreciation	Carrying Amount
		RM	RM	RM
	Land and buildings	29,000	-	29,000
	Fixture and fittings	41,000	(17,100)	25,900
				54,900

7.	Intangible assets	Cost	Accumulated amortization	Carrying amount
		RM	RM	RM
	Software	36,000	(3,600)	32,400

8.		RM
	Receivables account:	
	Receivables account	26,000
	(-) provision for doubtful debts	(600)
		25,400


9.		RM
	Accrual and prepayments:	
	Prepaid insurance expenses	8,000

10.		RM
	Tax payable:	
	Company tax (from SOPL)	7,152
	(-) tax paid	(4,000)
		3,152

11.		RM
	Proposed dividends:	
	Preference shares	500
	Ordinary shares	2,400
		2,900

12.		RM
	Accrual and prepayments:	
	Accrued debenture interest	700

13.	Dunia Kita Berhad is facing a contingent liability of RM30,000.
-----	---



# Test Your Knowledge!

# Question 1

The following trial balance was extract from Serenity Berhad as at 31 December 2023:

	DEBIT (RM)	CREDIT (RM)
Gross profit for the year		905,000
Income received on investment		20,000
Tax paid	20,000	
Audit fees	10,000	
General expenses	36,000	
Insurance expenses	12,000	
Utilities expense	45,000	
Directors' emolument	30,000	
Offices salaries	128,500	
Sales and distribution expenses	30,500	
Administrative expenses	41,300	
Ordinary share dividends (interim)	5,000	
Preference share dividends (Interim)	3,000	
Debtors	128,000	
Provision for doubtful debts		3,500
Bank	192,700	
Cash	85,000	
Stock as at 31 December 2023	32,000	
Quoted investment	150,000	
Research and development expenditure	40,000	
Land and buildings	500,000	
Properties, plant and equipment	450,000	
Accumulated depreciation for Properties, plant and equipment		120,000
Motor vehicles	480,000	
Accumulated depreciation for motor vehicles		50,000
Creditors		110,500
10% Preference shares capital @ RM2.00		200,000
Ordinary shares capital @ RM1.00		500,000
General reserves		50,000
Retained earnings as at 1 January 2023		400,000
5% Debentures		60,000
	<b>2,419,000</b>	<b>2,419,000</b>

**Additional information:**

- a. Depreciation of non-fixed asset as follows:
  - Properties, plant and equipment      -      10% on cost
  - Motor vehicles                              -      5% on book value
- b. Debentures interest for the year ended 2023 still being accrued.
- c. Land and buildings have been revalued to RM520,000 and the increased been transferred to Asset Revaluation Reserves.
- d. Provision for doubtful debt decreased to RM3,000.
- e. 2/5 of the Research and Development Expenditure is to be written off.
- f. Company tax is 24% and transfer to deferred tax is RM5,000.
- g. Board of directors proposed the following:
  - i. Transferred RM10,000 to general reserves.
  - ii. Final dividends on preference shares
  - iii. Final dividends on ordinary shares is RM0.07 per unit

**You are required to prepare (for internal user):**

- 1. Statement of comprehensive income for the year ended 31 December 2023.**
- 2. Statement of Changes in Equity for the year ended 31 December 2023.**
- 3. Statement of Financial Position as at 31 December 2023.**

## Question 2

The following trial balance was extracted from the book of Squirrel Berhad as at 30 June 2023:

	DEBIT (RM)	CREDIT (RM)
Land and buildings	275,000	
Plant, property and equipment (PPE)	96,000	
Accumulated depreciation for PPE		18,000
Technology	15,000	
Cash and bank	123,100	
Trade receivables	74,810	
Provision for doubtful debts		2,400
Closing Inventory	20,270	
Quoted Investment	30,000	
Trade payables		37,270
Ordinary shares @ RM0.50		250,000
8% preference shares @ RM1.00		100,000
General reserves		30,000
Retained earnings		57,840
10% Debentures		26,000
Sales		468,560
Cost of goods sold	249,460	
Selling expenses	7,430	
Administrative expenses	58,000	
Insurance expenses	4,000	
Directors' remunerations	20,000	
Interim debenture interest	1,000	
Interim preference dividend	3,000	
Interim ordinary dividend	4,000	
Tax paid	10,000	
Dividend received on quoted investment		1,000
	<b>991,070</b>	<b>991,070</b>



**Additional information:**

1. Debenture interest yet to be fully paid for the year ended 30 June 2023.
2. The insurance expenses are for one year starting for 1 Mac 2023.
3. Audit fees yet to be paid amounted to RM4,000.
4. Amortize the Technology for 5 years.
5. Depreciation for plant, property and equipment are based for 10 years with RM6,000 as the scrap value.
6. The board of directors also decided the following:
  - a. Corporate tax is 24%
  - b. Transfer RM3,000 to deferred taxation.
  - c. Transfer RM5,000 to general reserves.
  - d. Full years' preference dividends
  - e. A dividend of RM0.03 per share for ordinary shares.

**You are required to (external publication):**

- a. Prepare Statement of comprehensive income for the year ended 30 June 2023.
- b. Illustrate Statement of Changes in Equity for the year ended 30 June 2023.
- c. Construct Statement of Financial Position as at 30 June 2023.



# References

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Olurinola, Oluwakemi. & Tayo, Omoniyi. (2015). Colour in Learning: It's Effect on Rate of Graduate Students. Journal of Education and Practice, Vol.6, No.14, 2015, 1-6.

The background is a vibrant collage of hand-drawn, colorful elements. On the left, three markers in blue, pink, and yellow are shown. The right side features a large green circle with pink scribbles, a purple spiral, a yellow circle, and a blue scribble. The bottom right has a red circle and a blue scribble. The text 'Appendix' is in a red script font, underlined with a pink line, and 'Samples' is in a dark blue script font, set against a light yellow brushstroke background.

# Appendix Samples

# Question 1

The following is the trial balance of Penny Bhd as of 30 September 2023:

Penny Bhd		
Trial Balance as of 30 September 2023		
	Debit (RM'000)	Credit (RM'000)
Ordinary shares of RM1 each		100,000
3% Preference shares of RM1 each		5,000
5% Debentures		5,000
Capital reserve		500
Retained profit		25,600
Properties, plants, and equipment (PPE)	200,000	
Accumulated depreciation of PPE		60,000
Opening stock	25,100	
Purchases	35,600	
Sales		160,500
Wages & salaries	15,300	
Insurance	5,660	
Advertising expenses	2,500	
Director's emolument	5,000	
Trade receivables and payables	40,000	10,300
Interim dividend:		
Ordinary shares dividend	2,500	
3% Preference shares dividend	140	
Bank	32,600	
Unquoted investment	2,500	
	366,900	366,900

Additional information:

- i. Stock as of 30 September 2023 was RM12,500,000.
- ii. Expenses incurred during 30 September 2023:
  - a) Audit fees of RM1,500,000.
  - b) Interest on debentures was still accrued.
  - c) Prepaid insurance of RM 60,000.
- iii. Received dividend income from (unquoted) investment amounted RM125,000 by cheque
- iv. Depreciation has been charged at 10% per annum.
- v. Tax charged for the year is 28%
- vi. The director has proposed the following:
  - a) To provide final ordinary shares dividend of 5%
  - b) To provide final preference shares dividend of 3%

### Additional Information:

i) Closing stock RM12,500,000 — SOPL  
SOFP

### ii) Expenses:

a) Audit fees RM1,500,000 — SOPL + TB  
SOFP accrued

b) Interest on debenture

= 5% × 5,000,000 — SOPL  
= 250,000 — SOFP accrued

c) Prepaid insurance RM60,000 — SOPL + TB  
SOFP

iii) Dividend received on unquoted investment  
RM125,000 by bank

— Bank + RM125,000 — SOPL  
SOFP

seen

iv. Depreciation expenses PPE

= 10% × 200,000,000

= 20,000,000 — SOPL  
SOFP + ACD

v. Tax charge 28%

vi. a) Final ordinary shares dividend

= 5% × 100,000,000

= 5,000,000 — SOLE  
SOFP

b) Final preference shares dividend

= 3% × 5,000,000

= 150,000 — 140,000

= 10,000 — SOLE  
SOFP

Penny Bhd  
Statement of Profit or Loss  
and other Comprehensive Income  
for the year ended 30 September 2023

	RM	RM
Sales		160,500,000
(-) Cost of sales		
Opening stock	25,100,000	
Purchase	35,600,000	
Cost of good available for sale	60,700,000	
(-) Closing stock	(12,500,000)	
		48,200,000
Gross profit		112,300,000
(+) Other Income		
Dividend received from unquoted investment		125,000
		112,425,000
(-) operating Expenses		
wages and salaries	15,300,000	
Insurance (5,660,000 - 60,000)	5,600,000	
Advertising expenses	2,500,000	
Director's emolument	5,000,000	
Audit fees	1,500,000	
Interest on debenture	250,000	
Depreciation expenses PPE	20,000,000	(50,150,000)
Net profit <del>for</del> before taxation		62,275,000
(-) Company taxation (62,275,000 x 28%)		(17,437,000)
Net profit after taxation		44,838,000

(i)

Penny Bhd  
Statement of Changes In Equity  
for the year ended 30 September 2023

	OSL (RM)	PSC (RM)	Capital reserve (RM)	Retained profit (RM)
Balance b/f	100,000,000	5,000,000	500,000	25,600,000
(+) Net profit after taxation				44838000
(-) appropriation				
Interim dividend:				
Preference share				(140,000)
Ordinary share				(2,500,000)
Final dividend				
PSC				(10000)
OSL				(5000000)
TOTAL	100,000,000	5,000,000	500,000	62788000

Penny Bhd Statement of Financial Position as at 30 September 2023		
	Rm	Rm
<u>Non-Current Asset</u>		
Properties, plants and equipment	200,000,000	
(-) accumulated depreciation	(80,000,000)	
		120,000,000
unquoted investment		2500,000
<u>Current Asset</u>		
Closing stock		12,500,000
Trade receivables		40,000,000
Bank (32,600,000 + 125,000)		32,725,000
Prepaid insurance		60,000
TOTAL ASSETS		207,885,000
<u>Financed by</u>		
<u>Shares capital</u>		
Ordinary shares capital		100,000,000
Preference share capital		5,000,000
<u>Reserve</u>		
Capital reserve		500,000
Retained profit		62,785,000
<u>Non-current liability</u>		
5% debenture		5,000,000
<u>Current liability</u>		
Payables		10,300,000
Accrued expenses:		
Audit fees	-	1,500,000
Interest on debenture		250,000
Final dividend:		
psl		10,000
osc		5,000,000
Tax payable		17437000
		207,885,000

# Question 2

The Trial Balance of Teguh Berhad for the year ended 30 June 2019 show the balances as follow.

	DEBIT RM '000	CREDIT RM '000
Ordinary Shares		500
Land and Building at cost	600	
Motor Vehicles at cost	120	
Accumulated depreciation		
- Building		24
- Motor Vehicles		48
Investment at cost	250	
Debtors	400	
Creditors		385
Bank	160	
General Reserve		95
Retained Profit		208
Purchases	350	
Sales		950
General expenses	5	
Beginning inventories	55	
Salaries and wages	240	
Director's remuneration	50	
Vehicle expenses	18	
Administration expenses	82	
10% Debenture		100
Income from investment		20
	2,330	2,330

## Additional information:

- Stock at 30 June 2019 was RM 65,000, valued at lowest price between costs and realize value. Costs are determined based on weighted average method.
- Building on cost RM 400,000 was depreciated at 2% per annum.
- Depreciation on motor vehicle base on straight line method 20% per annum.
- The market value for investment as at 30 June 2019 is RM 300,000.
- The Board of Director proposed final dividend at 5% on capital ordinary shares and RM 50,000 was transferred to General Reserve.
- Provision for taxes RM 45,000.
- Interest on debenture still accrued at the end of period.
- Provisions for auditors' fees RM 15,000.

## You are required to construct:

- Statement of Comprehensive Income for the year ended 30.06.2019
- Statement of Changes in Equity for the year ended 30.06.2019
- Statement of Financial Position as at 30.06.2019

### Add Info

a. Closing stock RM65,000

SOPL

SOFP

b. Depreciation expenses for:

Building

$$400,000 \times 2\%$$

$$= 8,000$$

SOPL

SOFP (+TB)

c. depreciation expenses for motor vehicle

$$120,000 \times 20\%$$

$$= 24,000$$

SOPL

SOFP (-TB)

d. Market value for Investment  
CV

300,000

SOFP

250,000

50,000

SOPL

[Unrealized gain]

e.i. Final dividend for old shares

$$5\% \times 500,000$$

$$= 25,000$$

SOE

SOFP

ii. Transfer to general Reserve RM50,000

SOE

(-) RE

(+) GR

f. Tax RM45,000

SOPL

SOFP

check TB (tax paid)

x  
= Tax payable.

g. Interest on debenture

$$10\% \times 100,000$$

$$= 10,000$$

SOPL

SOFP (accrued)

h. Auditor fees RM15,000

SOPL

SOFP (accrued)

Teguh Berhad			
Statement of Profit or Loss and other Comprehensive Income			
for the year ended 30 June 2019			
	NOTE	Rm	Rm
Sales			950,000
(-) Cost of sales	1		(340,000)
Gross profit			610,000
(+) Other Income	2		70,000
			680,000
(-) expenses			
Administrative expenses	3		(442,000)
Operating profit			238,000
(-) Finance cost	4		(10,000)
Net profit before taxation			228,000
(-) company taxation	5		(45,000)
Net profit after taxation			183,000

Teguh Berhad			
Statement of Changes in Equity			
for the year ended 30 June 2019			
	OSC (RM)	General Reserve (RM)	Retained Profit (RM)
Balance b/d	500,000	95,000	208,000
(+) Profit for the year			183,000
(-) appropriation			
Final dividend :			
OSC			(25,000)
Transfer to general reserve		50,000	(50,000)
Total	500,000	145,000	316,000

Teguh Berhad  
Statement of Financial Position  
as at 31 June 2019

	NOTE	RM
<u>NON-CURRENT ASSETS</u>		
Property, plant and Equipment	5	616,000 ✓
Investment		300,000
<u>CURRENT ASSETS</u>		
Debtors		400,000
Bank		160,000
Closing stock		65,000 ✓
<b>TOTAL ASSETS</b>		<b>1,541,000 ✓</b>
<u>FINANCED BY</u>		
Ordinary share Capital		500,000 ✓
<u>RESERVES</u>		
Retained earnings		316,000
General reserves		145,000 ✓
<u>NON-CURRENT LIABILITIES</u>		
10% Debenture		100,000 ✓
<u>CURRENT LIABILITIES</u>		
Tax Payable		45,000 ✓
Final dividend	6	25,000 ✓
Creditors		385,000
Accrual & prepayment	7	25,000 ✓
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,541,000 ✓</b>

# About the Authors

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