UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

MAIN EXAMINATION PAPER DECEMBER 2012

DEGREE/ DIPLOMA AND YEAR OF STUDY	:	B. COM 111/ B.COM IV
TITLE OF PAPER	:	Advanced financial accounting 1
COURSE CODE	:	AC320/ AC411 (M) DECEMBER 2012
TOTAL MARKS	:	100 MARKS
TIME ALLOWED	:	THREE (3) HOURS
INSTRUCTIONS	1	There are four (4) questions, answer all.
	2	Begin the solution to each question on a new page.
	3	The marks awarded for a question are indicated at the end of each question.
	4	Show the necessary working.
	5	Calculations are to be made to zero decimal places of accuracy, unless otherwise instructed.

Note: You are reminded that in assessing your work, account will be taken of accuracy of the language and general quality of expression, together with layout and presentation of your answer.

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SPECIAL REQUIREMENTS: CALCULATOR

QUESTION 1

Pius PLC acquired 80% of the ordinary share capital of Seth PLC for E150,000 and 50% of the issued 10% cumulative preference shares for E10,000 both purchases being effected on 1 May 2011. There have been no changes in the issued share capital of Seth PLC since that date. The following balances are taken from the books of the two companies at 30 April 2012:

	Pius PLC	SETH PLC
	E000	E000
Ordinary share capital (E1 shares)	300	100
10% Commulative preference shares (50 cents shares)	-	20
Share premium account	20	10
General reserve	68	15
Retained profits	65	45
Trade accounts payable	35	22
Taxation	50	30
Depreciation		
Freehold property	40	15
Plant and machinery	100	48
	678	305
Freehold property at cost	86	55
Plant and machinery at cost	272	168
Investment in Seth PLC	160	-
Inventory	111	65
Accounts receivable	30	15
Cash	19	2
	678	305

The following additional information is available:

(a) Inventory of Pius PLC includes goods purchased from Seth PLC for E20,000. Seth PLC charged out this inventory at cost plus 25%.

(b) A proposed dividend of E10,000 by Seth PLC includes a full year's preference dividend. No interim dividends were paid during the year by either company.

(c) Creditors of Pius PLC include E6,000 payable to Seth PLC in respect of inventory purchases. Debtors of Seth PLC include E10,000 due from Pius PLC. The parent sent a cheque for E4,000 to its subsidiary on 29 April 2012 which was not received by Seth Plc until May 2012.

(d) At 1 May 2011 the balances on the reserves of Seth PLC were as follows:

	E000
Share premium	10
General reserve	20
Retained profits	30

Required:

i. Prepare a consolidated statement of financial position for Pius PLC and its subsidiary S PLC at 30th April 2012 (14 Marks)

ii. Cost of control account ($3^1/_2$ Marks)

iii. Minority interest account (6 Marks)

iv. Consolidated profit and loss account ($1^1/_2$ Marks)

Total: (25 Marks)

QUESTION 2

The summarized accounts of Duncan Co for the year ended 31 March 2012 are as follows:

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012

	Em
Revenue	4,300
Cost of sales	(2,000)
Gross profit	2,300
Operating expenses	(1,000)
Finance costs	(250)
Profit before tax	1,050
Income tax expense	(450)
Profit/ Total comprehensive income for the year	600

STATEMENTS OF FINANCIAL POSITION AT 31 MARCH	2012	2011
	Em	Em
Non current assets		
Property, plant and equipment	4,200	3,700
Current assets		
Inventories	1,500	1,600
Trade receivables	2,200	1,800
	3,700	3,400
	7,900	7,100
Equity		
Share capital	1,200	1,200
Retained earnings	2,200	1,900
	3,400	3,100
Non current liabilities		
Deferred tax	1,070	850
Finance lease liabilities	1,300	1,200
	2,370	2,050
Current liabilities		
Trade payables	1,250	1,090
Current tax	225	205
Finance lease liabilities	500	450
Bank overdraft	155	205
	2,130	1,950
	7,900	7,100

Notes

(a) Depreciation charged for the year totaled E970 million. There were no disposals of property, plant and equipment.

(b) There was no accrual of interest at the beginning or at the end of the year.

(c) Duncan Co finances a number (but not all) of its property, plant and equipment purchases using finance leases. In the period, property, plant and equipment which would have cost E600 million to purchase outright was acquired under finance leases.

(d) Dividends paid in the period amounted to E300 million.

Required:

i. Prepare the statement of cash flows for Duncan Co for the year ended 31 March 2012 in accordance with IAS 7, using the indirect method. (18 Marks)

ii. Prepare the following ledger accounts for Duncan Co:

1. Property, plant and equipment (1 Mark)
2. Taxation payable account (3 Marks)
3. Finance lease liabilities account (3 Marks)

QUESTION 3

(a)

Set out below are the draft accounts of Pepsi Co and its subsidiaries and of Associate Co. Pepsi Co acquired 40% of the equity capital of Associate Co three years ago when the latte's reserves stood at E40,000.

SUMMARISED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2012

	Pepsi Co & Subsidiaries	Associate Co
	E000	E000
Tangible non current assets	220	170
Investment in Asscociate at cost	60	-
Loan to Associate Co	20	-
Current assets	100	50
Loan from Parent Co	-	(20)
	400	200
Share capital (E1 shares)	250	100
Retained earnings	150	100
	400	200

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME FOR 31 DECEMBER 2012

	E000	E000
Profit before tax	95	80
Income tax expense	35	30
Net profit for the year	60	50

Notes

1. Assume that the associate's assets/ liabilities are stated at fair value.
2. Assume that there are no controlling interests in the subsidiary companies.

Required:

i. Prepare the summarized consolidated statement of comprehensive income of the group as at 31 December 2012 and a statement of financial position for the group as at the same date. (17 Marks)
ii. Group retained earnings (3 Marks)
iii. Investment in associated company (3)

(b) On 1 January 2012 the net tangible assets of Africa Co amount to E220,000, financed by 100,000 E1 ordinary shares and revenue reserves of E120,000. Putrid Co, a company with subsidiaries, acquires 30,000 of the shares in Africa Co for E75,000. During the year ended 31 December 2012 Africa Co.'s profit after tax is E30,000 from which dividends of E12,000 are paid.

Required:
Show how Putrid Co.'s investment in Africa Co would appear in the consolidated statement of financial position at 31 December 2012. (2 Marks)

QUESTION 4

The following trial balance has been extracted from the books of Arnold PLC as at 31 March 2012:

	DEBIT E000	CREDIT E000
Administrative expenses	95	
Called up share capital (all ordinary shares of E1 each		200
Cash at bank and in hand	25	
Accounts receivable	230	
Deferred taxation (1 April 2011)		60
Distribution costs	500	
Non current asset investments	280	
Income from non current asset investments		12
Interim dividend paid	21	
Overprovision of last year's corporation tax		5
Land and buildings at cost	200	
Acc. Depreciation for land and buildings 1 April 2011		30
Plant and machinery at cost	400	
Acc. Depreciation for plant and machinery 1 April 2011		170
Retained profits 1 April 2011		229
Purchases	1,210	
Sales		2,265
Inventory at 1 April 2011	140	
Trade accounts payable		130
	3,101	3,101

Additional information

i. Inventory at 31 March 2012 was valued at E150,000.

ii. Depreciation for the year to 31 March 2012 is to be charged against administrative expenses as follows:

	E000
Land and buildings	5
Plant and machinery	40

iii. Corporation tax of E180,000 is to be charged against profits on ordinary activities for the year to 31 March 2012.

iv. E4,000 is to be transferred to the deferred taxation account.

v. The company proposes to pay a final ordinary dividend of 30 cents per share.

Required:

In so far as the information permits, prepare the company's statement of comprehensive income for the year ended 31 March 2012 and a statement of financial position as at that date which should be in published form and must comply with relevant IFRS (25 Marks)

NB: Relevant notes to the statement of comprehensive income and statement of financial position are not required.