UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER JULY 2013

DEGREE/ DIPLOMA AND YEAR OF STUDY	:	B. COM 111/ B.COM IV
TITLE OF PAPER	:	Advanced financial accounting 1
COURSE CODE	:	AC320/ AC411 (S) JULY 2013
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.

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVILATOR OR SUPERVISOR.

SPECIAL REQUIREMENTS: CALCULATOR

QUESTION 1

Hever has held shares in two companies, Spiro and Aldridge, for a number of years. As at 31 December 2012 they have the following statements of financial position:

	Hever	Spiro	Aldridge
	E'000	E'000	E'000
Non current assets			
Property, plant and equipment	370	190	260
Investments	218	-	-
	588	190	260
Current assets			
Inventories	160	100	180
Trade receivables	170	90	100
Cash	50	40	10
	380	230	290
	968	420	550
Equity			
Share capital (E1 ords)	200	80	50
Share premium	100	80	30
Retained earnings	568	200	400
	868	360	480
Current liability			
Trade payables	100	60	70
	968	420	550

You ascertain the following additional information:

(a) The 'investments' in the statement of financial position comprise solely Hever's investement in Spiro (E128,000) and in Aldridge (E90,000).

(b) The 48,000 shares in Spiro were acquired when Spiro's retained earnings balance stood at E20,000.
The 15,000 shares in Aldridge were acquired when that company had a retained earnings balance of E150,000.

(c) When Hever acquired its shares in Spiro the fair value of Spiro's net assets equalled their book values with the following exceptions:

	E'000
Property, plant and equipment	50 higher
Inventories	20 lower (sold during 2012)

Depreciation arising on the fair value adjustment to non-current assets since this date is E5,000.

(d) During the year, Hever sold inventories to Spiro for E16,000, which originally cost Hever E10,000. Three quarters of these inventories have subsequently been sold by Spiro

(e) No impairment losses on goodwill had been necessary by 31 December 2012.

Required

Prepare the consolidated statement of financial position for the Hever group (incorporating the associate).

Note: It is the group policy to value the non-controlling in full (or fair) value. The fair value of the non-controlling interest at acquisition was E90,000.

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:

Prepare the statement of cash flows for Duncan Co for the year ended 31 March 2012 as per IAS 7 using the indirect method.

QUESTION 3

The following information has been extracted from the books of account of Billinge PLC as at 30 June 2006:

	E000	E000
Administrative expenses	242	
Cash at bank and in hand	157	
Cash received on sale of fittings		3
Corporation tax (over-provision for the year previous year		10
Deferred taxation		60
Depreciation on fixtures, fittings, tools and equipment (1 July 2011)		132
Distribution costs	55	
Factory closure costs	30	
Fixtures, fittings, tools and equipment at cost (1 July 2011)	340	
Retained profits (at 1 July 2011)		40
Purchase of equipment	60	
Purchase of goods for resale	855	
Sales		1500
Share capital (500,000 authorised, issued and fully paid ordinary shares of E1 each		500
Inventory (at 1 July 2011)	70	
Trade accounts payable		64
Trade accounts receivable	500	
	2309	2309

Additional information:

i. The company was incorporated in 2000.

ii. The inventory at 30 June 2012 (valued at the lower of cost or net realizable value) was estimated to be worth E100,000.

iii. Fixtures, fittings, tools and equipment all related to administrative expenses. Depreciation is charged on them at a rate of 20% per annum on cost. A full year's depreciation is charged in the year of acquisition, but no depreciation is charged in the year of disposal.

iv. During the year to 30 June 2012, the company purchased E60,000 of equipment. It also sold some fittings (which had originally cost E20,000) for E3,000 and for which depreciation of E15,000 had been set aside.

v. The corporation tax based on the profits for the year at a rate of 35% is estimated to be E100,000. A transfer of E40,000 is to be made to the deferred taxation account.

vi. The company proposes a dividend of 20 cents per ordinary share.

Required:

a) In so far as the information permits, prepare Billinge PLC's statement of comprehensive income for the year ending 30 June 2012 in a form suitable for publication complying with relevant IFRS. (11 Marks)

b) Also prepare the company's statement of financial position as at that date in accordance with relevant IFRS (14 Marks)

NB: Show all your relevant workings and notes to the financial statements are not required.

QUESTION 4

a) What are the advantages and disadvantages of developing a conceptual framework? (6 Marks)

b) The needs of which category of user are paramount when preparing financial statements? (2 Marks)

c) In which two ways should users be able to compare an entity's financial statements? (2 Marks)

d) What is the most common measurement basis used in financial statements? (1 Mark)

e) List the different users of accounting information and for each category of user, briefly discuss their information requirements from the financial information? (14 Marks)