UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER JULY 2014

DEGREE/ DIPLOMA AND YEAR OF STUDY	:	B. COM 111/ B.COM V LEVEL 5
TITLE OF PAPER	:	Advanced financial accounting 1
COURSE CODE	:	AC320/ IDE AC411 (S) JULY 2014
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

The following summarised statements of financial position relate to Zeus Limited.

	2013	2012
	E000	E000
Non current assets at cost	650	500
Less: Accumulated depreciation	(300)	(200)
	350	300
Investments at cost	50	200
	400	500
Current assets		
Inventory	700	400
Accounts receivable	1,550	1,350
Cash at bank	-	100
	2,250	1,850
Total assets	2,650	2,350
Current liabilities		
Bank overdraft	60	-
Accounts payable	920	800
Taxation	190	230
	1,170	1,030
Net assets	1,480	1,320
Equity		
Called up share capital (E1 Ordinary shares)	750	500
Share premium account	200	150
Retained profits	530	670
	1,480	1,320

Additional information:

1. During the year to 30 June 2013, some non-current assets originally costing E25,000 had been sold for E20,000 in cash. The accumulated depreciation on these non-current assets at 30 June 2012 amounted to E10,000. Similarly, some of the investments originally costing E150,000 had been sold for cash at their book value.
2. The taxation balances disclosed in the above statements of financial position represent the actual amounts agreed with the Swaziland Revenue Authority. All taxes were paid on their due dates. Advance corporation tax may be ignored.
3. A dividend of E130,000 was paid during the year to 30 June 2013.

4. During the year to 30 June 2013, the company made a 1 for 2 rights issue of 250 000 ordinary shares at 120 cents per share.

Required:
Prepare Zeus Ltd's statement of cash flows for the year to 30 June 2013 in accordance with the requirements of IAS 7 using the indirect method. [25 Marks]

Total: (25 Marks)

QUESTION 2

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 3

From the following balances in the books of Biker Ltd, you are required to draw up:

i. A detailed income statement for the year ending 31 March 2013 for internal use, and

ii. An income statement for publication.

	E
Plant and machinery, at cost (see note c)	105,000
Bank interest receivable	3,000
Discount allowed	7,000
Discount received	6,000
Hire of motor vehicles: sales and distribution	14,000
Hire of motor vehicles: Administrative	5,000
Licence fees receivable	13,000
General distribution expenses	26,000
General administrative expenses	19,000
Wages and salaries: sales and distribution	177,000
Wages and salaries: administrative	98,000
Directors' remuneration	41,000
Motor expenses (see note e)	11,000
Ordinary dividend paid	80,000
Inventory 31 March 2012	208,000
Revenue	1,450,000
Purchases	700,000
Returns outwards	22,000
Returns inwards	29,000
Retained profits as at 31 March 2012	88,000

Notes:

a) Inventory at 31 March 2013for E230,000.

b) Accrued auditor's remuneration E8,000

c) Of the plant and machinery, E70,000 is distributive in nature, whilst E35,000 is for administration.

d) Depreciate plant and machinery 25% on cost.

e) Of the motor expenses, $^{4}/_{5}$ are for sales and distribution and $^{1}/_{5}$ for administration.

f) Corporation tax on ordinary profits is estimated at E143,000.

g) A sum of E25,000 is to be transferred to general reserve.

`Total: (25 Marks)

QUESTION 4

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 E'000	Spiro E'000	Aldridge 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)