

**UNIVERSITY OF SWAZILAND**

DEPARTMENT OF ACCOUNTING

**MAIN FINAL EXAMINATION PAPER**

**MAY 2015**

---

**DEGREE / YEAR OF STUDY: BACHELOR OF COMMERCE YEAR IV /Level VI PART TIME**

Title of Paper : **Advanced Financial Accounting II**  
Course Code : AC427/AC504/ IDE AC 504 (Part Time) May 2015  
Total Marks : 100  
Time Allowed : **THREE HOURS**

**Instructions**

- (i) There are **FOUR** Questions Answers to All
- (ii) Begin the solutions to each Question on a New page
- (iii) The marks awarded for each question are indicated at the end of the question
- (iv) Show all your workings
- (v) Calculations are to be made to zero decimal places of accuracy, unless otherwise Instructed.

**RECOMMENDATION:** Reading time should not exceed fifteen minutes

**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 INVIGILATOR OR SUPERVISOR**

**SPECIAL REQUIREMENTS : CALCULATOR**

Current Liabilities

Trade Payables	80,200	20,100	400
Due to Hans Co. Ltd.	-	6,400	300
Due to Aans Co. Ltd.	--	---	6,300
Taxation	30,000	3,500	---
	<hr/>	<hr/>	<hr/>
	1,10,200	30,000	7,000
	<hr/>	<hr/>	<hr/>
Total Liabilities	4,00,000	1,44,600	11,500
	<hr/>	<hr/>	<hr/>

**Additional Information**

- Han Co. Ltd acquired 75% of the shares of Aans Co. Ltd. in 2013. When the Credit balance on the retained Earnings of that company was E 20,000. No dividends have been paid since that date
- Aans Co. Ltd acquired 80% of the shares in Alex Co. Ltd. in 2014 When there was a debit balance on the retained earnings of that company of E1,500
- During the year to 31 march2015 Aans Co. Ltd purchased inventory from Hans limited company for E 10000 Which included a profit mark- up of E2,000 for Hans Co. Ltd At 31 march 2015one half of this Amount was still held in the inventories of Aans Co. Ltd. Group Accounting policie are to make full allowance for unrealised intra-group profits.
- It is the groups policy to measure the Non –controlling interest at its proportionate share of the fair value of the subsidiaries net assets.

**Required**

- Prepare Hans Co. Ltd group consolidated statement of financial position at 31 march 2015(Assume No Impairment of goodwill) (Marks: 13)
- Prepare Minority Interest Workings (Marks: 2.5)
- Calculate the goodwill relating to the above transactions (Marks: 5.5)
- Calculate the group retained Earnings (Marks: 4.0)

**Marks-25**

**QUESTION 2**

- i. What do you mean by Impairment loss in accordance with IAS 36 and explain when to undertake an Impairment Test at least with **five** examples. **(Marks: 7)**
- ii T. H. Shongwe company limited has identified a cash generating unit that has been Assessed For impairment. It has been determined that the unit has incurred on Impairment loss of E. 50,000. The carrying Amounts of the Assets included in the cash generating unit and the Allocation of the Impairment loss on a **Pro-rata basis** to each of the asset were determined as follows **(Marks: 8)**

Particulars	Carrying Amount
Factory Building	E 40,000
Machinery	E30,000
Equipment	E20,000
Plant	E10,000

- iii. A Toy company Limited entered into a lease agreement in terms of which a machine with a fair value of E5,00,900 was acquired in Exchange for five Annual lease payments of E,139,200 in Arrears. In addition A toy company Limited will pay E40,000 at the end of year 5 to take ownership of the machine. The machine is expected to have a total use full life of five years. The interest rate implicit in the lease is 13.82 percent. This is the rate that discounts the future minimum lease payments of E 1,39,200 for five years and the quaranteed payment of E40,000 at the end of year 5 to equal the fair value of E5,00,900. **(Marks: 10)**

This lease will be classified as a finance lease as :

- A toy company Limited will take ownership of the Asset at the end of the lease term (which is five years)
- The lease term is for the entire use full life of the Asset (the Asset will be depreciated over Five years, Assuming No residual volume)
- The present value of the minimum lease payments is equal to the fair value of the Asset.

**Required**

- To show the classification of the lease payments between interest and capital payments
- To prepare the statement of financial position of A Toy company limited

**(Marks 25)**

**QUESTION 3**

- i Define Current tax in accordance with IAS 12 and Explain different **Types** of Temporary Tax differences with suitable Examples? **(Marks: 6)**
- ii What do you mean provision in accordance with IAS and discuss **six** disclose for each class of provision an entity. **(Marks: 7)**
- iii Hopper limited company buys equipment for E 1,00,000 and depreciates It on a Straight line basis over it is Expected useful life of five years. For tax purpose the Equipment is depreciated at 25% per Annum on a straight line basis. Tax losses may be carried back against taxable profit of the previous five years. In the year 2009. The entity's taxable profit was E 50,000. The tax rate is 40%. Assuming Nil profits/losses after depreciation in years 2010 to 2014. **(Marks: 12)**

**Required**

To show the **current tax profit** income statement and **deferred tax profit** income statement in year 2010 to 2014 of the acquisition of the Equipment

**(Marks-25)**

#### QUESTION 4

i Define disposal group in accordance with **IFRS 5** and discuss **four points** an entity need to meet disclosure requirements relating to Non –current Assets classified as held for sale and disposal groups. **(Marks: 6)**

ii Discuss **Five points** on the criteria for the recognition of Revenue from the sale of goods as highlighted in IAS 18 **(Marks: 5)**

iii An Inventory Item is sold for R 10,000 (Excluding VAT) at 1<sup>st</sup> November 2014. Sale condition stipulate that the consideration is payable in two equal Amounts , the First payment Amount Payable at the date of the Transaction and the second payment Amount is six months time with No interest payable. Based on the customers credit rating, Finance would be Available at a rate of 12% per Annum. The company Financial year – end is 31 December 2014 **(marks 14)**

#### Required :

To Calculate Recognising Revenue with deferred payment Amounts

**(Marks 25)**