

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER DECEMBER 2015

DEGREE/ DIPLOMA AND

YEAR OF STUDY : B. COM 111/ B.COM Level 5

TITLE OF PAPER : Advanced financial accounting 1

COURSE CODE : AC320/ IDE AC411 (M) DECEMBER 2015

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 all the necessary workings.
 - 5 Round off as you deem appropriate.

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

Rica Ltd purchased 75% of Edie Ltd for E2,000,000 10 years ago when the balance of retained earnings was E1,044,000. The statement of financial position of the two companies as at 31 March 2015 are as follows:

	Rica Ltd E'000	Edie Ltd E'000
Non current assets		
Investment in Edie Ltd	2,000	-
Land and buildings	3,350	-
Plant and equipment	1,010	2,210
Motor vehicles	510	345
	<u>6,870</u>	<u>2,555</u>
Current assets		
Inventories	890	352
Trade receivables	1,372	514
Cash and cash equivalents	89	51
	<u>2,351</u>	<u>917</u>
	<u>9,221</u>	<u>3,472</u>
Equity		
Share capital -E1 Ordinary shares	1,000	500
Retained earnings	4,225	2,610
Revaluation surplus	2,500	-
	<u>7,725</u>	<u>3,110</u>
Non current liabilities		
10% Debentures	500	-
Current liabilities		
Trade payables	996	362
	<u>9,221</u>	<u>3,472</u>

The following additional information is available:

- Included in trade receivables of Rica Ltd are amounts owed by Edie of E75,000. The current accounts do not at present balance due to a payment for E39,000 being in transit at the year end from Edie Ltd.
- Included in inventories of Edie are items purchased from Rica during the year for E31,200. Rica Ltd marks up its goods by 30% to achieve its selling price.

3. E180,000 of the recognized goodwill arising is to be written off due to impairment losses.
4. Edie shares were trading at E4.40 just prior to acquisition by Rica Ltd and this price is used to value non-controlling interests.

Required:

Prepare the consolidated statement of financial position for Rica group of companies as at 31 March 2015; showing all your workings where relevant and marks will be awarded for them. It is group policy to value non-controlling interest at full (or fair) value.

Total (30 Marks)

QUESTION 2

The statements of financial position and additional information relating to Pius Ltd are given below.

Pius Ltd**Statement of financial position as at 31 December 2014**

	2014 E000	2013 E000
Non current assets		
Property, plant and equipment	400	325
Intangible assets	230	180
Investments	-	25
	<u>630</u>	<u>530</u>
Current assets		
Inventory	120	104
Accounts receivable	400	295
Three months fixed deposit	50	-
Cash in hand	10	4
	<u>580</u>	<u>403</u>
Total assets	<u><u>1,210</u></u>	<u><u>933</u></u>
Equity and liabilities		
Share capital (E1 ordinary shares)	200	150
Share premium	160	150
Revaluation reserve	100	90
Retained profits	140	80
	<u>600</u>	<u>470</u>
Non current liabilities		
Long term loan	100	-
Deferred tax	80	60
	<u>180</u>	<u>60</u>
Current liabilities		
Trade accounts payable	122	108
Bank overdraft	188	185
Taxation	120	110
	<u>430</u>	<u>403</u>
Total liabilities	<u><u>1210</u></u>	<u><u>933</u></u>

Additional information:

- a) During the year interest of E75,000 was paid, and interest of E25,000 was received.
- b) The following information relates to tangible non-current assets:
- | At 31 December | 2014 | 2013 |
|--------------------------|--------------|--------------|
| Cost | 740 | 615 |
| Accumulated depreciation | <u>(340)</u> | <u>(290)</u> |
| Net book value | <u>400</u> | <u>325</u> |
- c) The proceeds of the sale of non-current assets investments were E30,000.
- d) Plant with an original cost of E90,000 and a net book value of E50,000 was sold for E37,000.
- e) Tax paid to Swaziland Revenue Authority during 2014 amounted to E110,000.
- f) Dividends of E80,000 were paid during 2014.

You are required to prepare a statement of cash flows for Pius Ltd for the year ended 31 December 2014 as required under IAS 7 using the indirect method. (25 Marks)

QUESTION 3

The following trial balance has been extracted from the books of Aida Ltd as at 31 March 2015:

	E000	E000
Administrative expenses	95	
Share capital (E1 each)		200
Cash and bank balances	25	
Accounts receivable	230	
Deferred taxation (1 April 2014)		60
Distribution costs	500	
Non current assets investments	280	
Income from non-current asset investments		12
Dividend paid	21	
Overprovision of last year's corporation tax		5
Land and buildings at cost	200	
Land and buildings Acc. Depreciation at 1 April 2014		30
Plant and machinery at cost	400	
Plant and machinery Acc. Depreciation at 1 April 2014		170
Retained profits (at 1 April 2014)		229
Purchases	1,210	
Sales		2,265
Inventory at 1 April 2014	140	
Trade accounts payable		130
	3,101	3,101

Additional information

- i. Inventory at 31 March 2015 was valued at E150,000.
- ii. Depreciation for the year to 31 March 2015 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 2015.
- iv. E4,000 is to be transferred to the deferred taxation account.

Required:

In so far as the information permits, prepare the company's statement of comprehensive income for the year ended 31 March 2015 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.

Total (25 Marks)

QUESTION 4

- a) On 1 January 2014 the net tangible assets of Nompepho Ltd amounts to E220,000, financed by 100,000 E1 ordinary shares and revenue reserves of E120,000. Sluga Ltd, a company with subsidiaries, acquires 30,000 of the shares in Nompepho Ltd for E75,000. During the year ended 31 December 2014 Nompepho Ltd's profit after tax is E30,000 from which dividends of E12,000 are paid.

Required

- Show how Sluga Ltd's investments in Nompepho Ltd would appear in the consolidated statement of financial position at 31 December 2014. (5 Marks)
- b) Discuss two types of events after the reporting date and explain how they should be accounted for in the financial statements of the entity and give examples of each. (10 Marks)
- c) Define significant influence? (1 Mark)
- d) What are the requirements that should be met by a parent company if it is to be exempted from preparing consolidated financial statements outlined in IFRS 10? (4 Marks)

Total (20 Marks)