

AC 427 (Full-Time) May 2016

**UNIVERSITY OF SWAZILAND**

DEPARTMENT OF ACCOUNTING

FACULTY OF COMMERCE

**MAIN FINAL EXAMINATION PAPER**

**May 2016**

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**DEGREE / YEAR OF THE STUDY: BACHELOR OF COMMERCE YEAR IV (FULL- TIME)**

Title of Paper : **ADVANCED FINANCIAL ACCOUNTING -II**

Course Code : AC427 May 2016

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 REQUIREMENT : CALCULATOR**

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**QUESTION NO . 1**

The statement of financial position of Bona Company limited, Chime Company limited Duke Company limited at 31<sup>st</sup> December 2015 are summarized as follows.

Particulars	Bona Com Ltd	Chime Com Ltd	Duke Com Ltd
	E	E	E
<b>Non-Current Assets</b>			
Free –hold property	1, 50, 000	1, 50,000	--
Plant and machinery	3, 15,000	1, 20,000	4,500
	-----	-----	-----
	4, 65,000	2, 70,000	4,500
	-----	-----	-----
<b>Investment in subsidiaries</b>			
Shares at cost	1, 65,000	9,300	--
Loan account	---	5,700	--
Current account	15,000	18,300	---
	-----	-----	-----
	1, 80,000	33,3,00	----
	-----	-----	-----
<b>Current – Assets</b>			
Inventories	2, 55,000	30,750	22,500
Receivables	2, 10,000	75,000	1,500
Cash at bank	90,000	24,750	6,000
	-----	-----	-----
	5, 55,000	1, 30,500	30,000
	-----	-----	-----
<b>Total Assets</b>	<b>12,00, 000</b>	<b>4,33,800</b>	<b>34,500</b>

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Equity and liabilities			
Equity ordinary share capital	3, 00,000	1, 50,000	15,000
Retained Earnings	5, 69,400	1, 93,800	-1,500
	-----	-----	-----
	8, 69,400	3, 43,800	13,500
	-----	-----	-----
Current liabilities:			
Trade payables	2, 40,600	60,300	1,200
Due to Bona company ltd.	---	19,200	900
Due to Chime company ltd.	---	---	18,900
Taxation	90,000	10,500	---
	-----	-----	-----
	3, 30,600	90,000	21,000
	-----	-----	-----
Total liabilities	12, 00,000	4, 33,800	34,500
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**Additional information.**

- a. Bona Company limited acquired 75% of the shares of Chime Company limited in 2013. When the credit balance on the retained earnings of that company was E60, 000. No dividends have been paid since that date.
- b. Chime company limited acquired 80% of the shares in duke company limited in 2014. When there was a debit balance on the retained earnings of that company of E4,500
- c. During the year to 31<sup>st</sup> march 2015 chime company limited purchased inventories from bona company limited for E30,000, which included a profit mark-up of E6,000 for bona company limited. At 31<sup>st</sup> march 2015 one half of this amount was still held in the inventories of Chime Company limited. Group accounting policies are to make full allowance for unrealised intra-group profits.

- d. It is the group's policy to measure the Non- controlling interest at its proportionate share of the fair value of the subsidiaries net assets.

**REQUIRED**

1. Prepare Bona company limited group consolidated statement of financial Position At 31<sup>st</sup> December 2015 (assume no impairment of good will) (Marks: 13)
2. Prepare minority interest workings (Marks: 03)
3. Calculate the goodwill relating to the above transactions. (Marks: 05)
4. Calculate the group retained earnings (Marks: 04)

**QUESTION NO. 02**

- i. When should an entity undertake an impairment test? List **five** circumstances that may indicate that an asset may be impaired. (Marks:08)
- ii. Gabo company limited has identified a cash generating unit that has been Assessed for impairment. It has been determined that the unit has incurred an impairment loss of E 1, 00, 000. The carrying amounts of the assets included in 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: 08)

Particulars	Carrying Amount
Factory building	E.80, 000
Machinery	E.60, 000
Equipment	E.40, 000
Plant	E.20, 000
- iii. Describe what are the different types of measurement models an investment Properties. (Marks: 09)

**QUESTION NO.03.**

- i. Define financial instrument in accordance with IAS 32 and explain the different types of financial instruments. (Marks:10)
- ii. Euro company limited buys equipment for E2, 00,000 and depreciates it on a straight line basis overall is expected useful life of five years. For tax purposes, 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 2010.The entity's taxable profit was E50, 000. The tax rate is 40%. Assuming nil profits/ losses after depreciation in years 2011 to 2015(Marks: 15)

**Required.**

To show the current tax profit income statement and deferred tax profit Income statement in year 2011 to 2015 of the acquisition of the equipment.

**QUESTION NO.04.**

- i. Define revenue in accordance with IAS 18 and explain the criteria for recognition of revenue from the rendering of services. (Marks:10)
- ii. An inventory item is sold for R. 40,000 (excluding vat) at 1<sup>st</sup> November 2015. 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 month time with no interest payable. Based on the customer credit rating, finance would be available at a rate of 12 per annum. The company financial year – end is 31<sup>st</sup> December 2015.

**Required.** To calculate recognising revenue with deferred payment amounts.

(Marks:15)