

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY EXAMINATION PAPER JULY 2016

DEGREE/ DIPLOMA AND YEAR OF STUDY : B. COM IV & B.COM LEVEL 7

TITLE OF PAPER : Advanced Financial Accounting II

COURSE CODE : AC427/ AC504 (S) JULY 2016

TOTAL MARKS : 100 MARKS

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS
- 1 There are four (4) questions.
 - 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 to zero decimal places.

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

QUESTION NO. 1

The statement of financial position of Abu company limited, Giza company limited and San company limited, at 31st March 2016 are summarized as follows.

Particulars	Abu Comp. Ltd.	Giza Comp. Ltd.	San Comp. Ltd.
	E	E	E
Non- Current Assets			
Free- hold property	4,00,000	4,00,000	----
Plant and machinery	8,40,000	3,20,000	12,000
	-----	-----	-----
	12,40,000	7,20,000	12,000
	-----	-----	-----
Investment in subsidiaries			
Shares at cost	4,40,000	24,800	----
Loan account	----	15,200	----
Current accounts	40,000	48,800	----
	-----	-----	-----
	4,80,000	88,800	----
	-----	-----	-----
Current Assets			
Inventories	6,80,000	82,000	60,000
Accounts receivables	5,60,000	2,00,000	4,000
Cash at bank	2,40,000	66,000	16,000
	-----	-----	-----
	14,80,000	3, 48,000	80,000
	-----	-----	-----
Total Assets	32,00,000	11,56,800	92,000

Equity and liabilities			
Equity ordinary share capital	8, 00,000	4,00,000	40,000
Retained Earnings	15,18,400	5,16,800	_ 4,000
	-----	-----	-----
	23, 18,400	9, 16,800	36,000
	-----	-----	-----
Current liabilities			
Accounts payable	6, 41,600	1,60,800	3,200
Due to Abu company ltd	-----	51,200	2,400
Due to Giza company ltd	-----	-----	50,400
Taxation	4, 80,000	56,000	-----
	-----	-----	-----
	8, 81,600	2, 40,000	56,000
	-----	-----	-----
Total Liabilities	32, 00,000	11, 56,800	92,000
	-----	-----	-----

Additional information.

- a) Abu Company limited acquired 75% of the shares of Giza Company limited in 2014. When the credit balance on the retained earnings of that company was E. 1, 60,000. No dividends have been paid since that date.
- b) Giza Company limited acquired 80% of the shares in san company limited in 2015. When there was a debit balance on the retained earnings of that company of E12, 000.
- c) c) During the year to 31st march 2016 Giza Company limited purchased inventory from Abu Company limited for E 80,000. Which is included in a profit mark up of E 16,000 for the company on 31st March 2016 One half of this amount was still held in the inventories of Giza Company limited. Group accounting policies are to make full allowance for unrealised intra – group profits.
- d) 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 .

1. Prepare the consolidated statement of financial position on 31st March 2016 for Abu Company limited. (Assume no impairment of goodwill). (Marks:13)
2. Prepare the note on minority interest working. (Marks:03)
3. Calculate the good will relating to the above transaction. (Marks:05)
4. Calculate the retained earnings of different company. (Marks:04)

QUESTION NO.2

- i. What is a cash generating unit according to IAS36 and also discuss the impairment test and goodwill for the cash generating unit. (Marks:10)
- ii. Define the Deferred - tax in accordance with IAS 12 and explain different types of deductible temporary difference. (Marks:06)
- iii. In 2015 Dam Company limited had taxable profits of E1, 50,000. in the previous year 2014. And tax rate 30% on profit Income tax on 2014 profits had been estimated as E35, 000. Calculate the payable tax and charge for the year 2014. If the tax due on 2014 profits was subsequently agreed with the tax authorities as (a) E.40,000 (b) E. 30,000 (Marks:09)

QUESTION NO. 3

- i. What are the points should be disclosed for all investment properties in the financial statements? (Marks:13)
- ii. Discuss the different types of classification of financial instruments(Marks:12)

QUESTION NO. 4

- i. Define the revenue according to IAS 18 and discuss the criteria for recognition of revenue from the sale of goods. (Marks:09)
- ii. An inventory item is sold for R 2, 40, 000 (excluding VAT) at 1st November 2015. Sale conditions stipulate that the consideration is payable on 30th June 2016 and interest is 2 per cent per annum on the outstanding amount based on the customer credit rating and finance is also available at rate of 12 per cent. The company financial year will be end on 31st December. (Mark:16)

Required. To calculate recognising revenue when a low interest rate is charged