

UNIVERSITY OF SWAZILAND  
DEPARTMENT OF ACCOUNTING  
MAIN EXAMINATION PAPER DECEMBER 2016

DEGREE/ DIPLOMA AND

YEAR OF STUDY : B. COM 111/ B.COM Level 4 & 5

TITLE OF PAPER : Advanced financial accounting 1

COURSE CODE : AC320/ AC411 (M) DECEMBER 2016

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**

Betty acquired 60% of Mary's ordinary share capital on October 2012 at a price of E1.06 per share. The balance on Mary's retained earnings at that date was E104m and the general reserve stood at E11m.

Their respective statements of financial position as at 30 September 2016 are as follows:

	Betty	Mary
	Em	Em
<b>Non current assets</b>		
Property, plant and equipment	2 848	354
Patents	45	-
Investment in Mary	159	-
	<u>3 052</u>	<u>354</u>
<b>Current assets</b>		
Stock	895	225
Trade and other receivables	1 348	251
Cash and cash equivalents	212	34
	<u>2 455</u>	<u>510</u>
<b>Total assets</b>	<u>5 507</u>	<u>864</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital (20c ordinary shares)	920	50
Retained earnings	2 086	394
General reserve	775	46
	<u>3 781</u>	<u>490</u>
<b>Non current liabilities</b>		
Long term borrowings	558	168
<b>Current liabilities</b>		
Trade and other payables	1 168	183
Current portion of long term borrowings	-	23
	<u>1 168</u>	<u>206</u>
	<u>5 507</u>	<u>864</u>

At the date of acquisition, the fair values of some of Mary's assets were greater than their carrying amounts. One line of Mary's inventory had a fair value of E8m above its carrying amount. This inventory had all been sold by 30 September 2016. Mary's land

and buildings had a fair value E26m above their carrying amounts. E20 of this is attributable to the buildings, which had a remaining useful life of 10 years at the date of 10 years at the date of acquisition.

It is group policy to value non-controlling interest at full (or fair) value. The fair value of the non-controlling interests at acquisition was E86m.

Annual impairment tests have revealed cumulative impairment losses relating to recognized goodwill of E20m to date.

**Required**

Produce the consolidated statement of financial position for the Betty Group as at 30 September 2016. (25 Marks)

**Total (25 Marks)**

**QUESTION 2**

As financial accountant for Ellen Pty Limited, you are responsible for the preparation of a statement of cash flows for the year ended 31 March 2016. The following information is available.

<b>ELLEN (PTY) LIMITED</b>		
<b>STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016</b>		
	2016	2015
	Em	Em
<b>Non current assets</b>		
Property, plant and equipment	327	264
<b>Current assets</b>		
Stock	123	176
Trade receivables	95	87
Short term investments	65	30
Cash at bank and in hand	29	-
	<u>312</u>	<u>293</u>
	<u>639</u>	<u>557</u>
<b>Equity</b>		
Share capital - E1 shares	200	120
Share premium	30	-
Revaluation surplus	66	97
Retained earnings	71	41
	<u>367</u>	<u>258</u>
<b>Non current liabilities</b>		
10% Debentures	100	150
<b>Current liabilities</b>	172	149
	<u>639</u>	<u>557</u>

<b>ELLEN (PTY) LIMITED</b>		
<b>INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2016</b>		
		<b>Em</b>
Revenue		473
Cost of sales		-229
Gross profit		244
Disbribution costs		-76
Administrative expenses		-48
Finance income		6
Finance costs		-17
Profit before tax		109
Income tax expense		-47
Profit for the year		62

Dividends paid in the period E32m

The following notes are also relevant.

1. **Property, plant and equipment**  
Property, plant and equipment held by Ellen Pty Limited are items of plant and equipment and freehold premises. During 2016 items of plant and equipment which originally cost E40m were disposed of, resulting in a loss of E6m. These items have a net book value of E28m at the date of disposal.

2. **Short term investments**  
The short term investments meet the definition of cash equivalents per IAS 7 Statement of cash flows.

3. **Current liabilities**  
Current liabilities consist of the following.

	2016	2015
	<b>Em</b>	<b>Em</b>
Bank overdraft	-	22
Trade payables	126	70
Interest payable	7	3
Taxation	39	54
	<b>172</b>	<b>149</b>

4. **10% Debentures**  
On 1 August 2015 E50m of 10% debentures was converted into E50m of E1 ordinary shares.
5. The depreciation charge for the year, included in the income statement, was E43m.

**Required:**

Using the information provided, prepare a statement of cash flows for Ellen (Pty) Limited for the year ended 31 March 2016 using the indirect method. (25 Marks).

**QUESTION 3**

It is not always clear whether an event occurring after the reporting date is an adjusting event or a non-adjusting event. Explain the difference between an adjusting and a non-adjusting event and give five examples of adjusting events and two examples of non-adjusting events.

**Total (25 Marks)**

**QUESTION 4**

The following trial balance has been extracted from the books of Arnold PLC as at 31 March 2014:

	<b>DEBIT</b>	<b>CREDIT</b>
	<b>E000</b>	<b>E000</b>
Administrative expenses	95	
Called up share capital (all ordinary shares of E1 each)		200
Cash at bank and in hand	25	
Accounts receivable	230	
Deferred taxation (1 April 2013)		60
Distribution costs	500	
Non current asset investments	280	
Income from non current asset investments		12
Interim dividend paid	21	
Overprovision of last year's corporation tax		5
Land and buildings at cost	200	
Acc. Depreciation for land and buildings 1 April 2013		30
Plant and machinery at cost	400	
Acc. Depreciation for plant and machinery 1 April 2013		170
Retained profits 1 April 2013		229
Purchases	1,210	
Sales		2,265
Inventory at 1 April 2013	140	
Trade accounts payable		130
	<b>3,101</b>	<b>3,101</b>



**Additional information**

- i. Inventory at 31 March 2014 was valued at E150,000.
- ii. Depreciation for the year to 31 March 2014 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 2014.
- iv. E4,000 is to be transferred to the deferred taxation account.
- v. The company proposes to pay a final ordinary dividend of 30 cents per share.

**Required:**

In so far as the information permits, prepare the company's statement of comprehensive income for the year ended 31 March 2014 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)**