

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

FACULTY OF COMMERCE

SUPPLEMENTARY EXAMINATION PAPER

JULY 2017

DEGREE / YEAR OF STUDY: BACHELOR OF COMMERCE YEAR IV (FULL-TIME) and V&VII (Part-Time)

Title of Paper : Advanced Financial Accounting-II
Course Code : AC 427/ IDE AC 427&504 JULY 2017
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

QUESTION NO. 1

The statements of financial position of Supa Company Limited, Giza Company Limited and San Company Limited, at 31st March 2017 are summarized as follows.

Particulars	Supa Comp. Ltd	Giza Comp. Ltd	San Comp. Ltd.
	E	E	E
Non- Current Assets			
Free- hold property	1, 00,000	1, 00,000	----
Plant and machinery	2, 10,000	80,000	3,000
	-----	-----	-----
	3, 10,000	1, 80,000	3,000
	-----	-----	-----
Investment in subsidiaries			
Shares at cost	1, 10,000	6,200	----
Loan account	----	3,800	----
Current accounts	10,000	12,200	
	-----	-----	-----
	1, 20, 000	22,200	----
	-----	-----	-----
Current Assets			
Inventories	1, 70,000	20,500	15,000
Accounts receivables	1, 40,000	50,000	1,000
Cash at bank	60,000	16,500	4,000
	-----	-----	-----
	3, 70,000	87,000	20,000
	-----	-----	-----
Total Assets	8, 00,000	2, 89,200	23,000
	-----	-----	-----

Equity and liabilities

Equity ordinary share capital	2, 00,000	1, 00,000	10,000
Retained Earnings	3, 79,600	1, 29,200	-1,000
	-----	-----	-----
	5, 79,600	2, 29,200	9,000
	-----	-----	-----
Current liabilities			
Accounts payable	1, 60,400	40,200	800
Due to Abu company ltd	-----	12,800	600
Due to Giza company ltd	-----	-----	12,600
Taxation	60,000	7,000	-----
	-----	-----	-----
	2, 20,400	60,000	14,000
	-----	-----	-----
Total Liabilities	8, 00,000	2, 89,200	23,000
	-----	-----	-----

Additional Information.

- a) Supa Company Limited acquired 75% of the shares of Giza Company Limited in 2015. When the credit balance on the retained earnings of that company was E. 40,000. No dividends have been paid since that date.
- b) Giza Company Limited acquired 80% of the shares in San Company Limited in 2016. When there was a debit balance on the retained earnings of that company of E3, 000
- c) During the year to 31st march 2017 Giza Company Limited purchased inventory from Supa Company Limited for E 20,000, which included in a profit mark up of E 4,000 for the company on 31st March 2017. 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 2017 for Supa 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 in 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. Explain different types of temporary taxable differences. (Marks:06)
- iii. In 2016 Sam Company Limited had taxable profits of E3, 00,000. In the previous year 2015. And tax rate 30% on profit Income tax on 2015 profits had been estimated as E70, 000. Calculate the payable tax and charge for the year 2016. If the tax due on 2015 profits was subsequently agreed with the tax authorities as (a) E.80,000 (b) E. 60,000 (Marks:09)

QUESTION NO. 3

- i. What are the points should be disclosed for all investment properties in the financial statements? (Marks:13)
- ii. Define financial instrument in accordance with IAS 32and explain the different types of financial instruments. (Marks:12)

QUESTION NO. 4

- i. Define the revenue according to IAS 18 and discus the criteria for recognition of revenue from the use of assets by third parties. (Marks:09)
- ii. An inventory item is sold for R 4, 80, 000 (Excluding VAT) at 1st November 2016. Sale conditions stipulate that the consideration is payable on 30th June 2017 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. (Marks:16)

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