

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER DECEMBER 2017

DEGREE/ DIPLOMA AND

YEAR OF STUDY : B. COM 111/ B.COM V LEVEL 4

TITLE OF PAPER : Advanced financial accounting 1

COURSE CODE : ACF311/ AC320/ AC411 (M) DECEMBER 2017

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 the necessary working.
 - 5 Calculations are to be made to zero decimal places of accuracy, unless otherwise instructed.

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

The statement of financial position and additional information relating to Priscilla Ltd are given below. Prepare a statement of cash flows for Priscilla Ltd for the year ending 31 December 2016 as required under IAS 7 using the indirect method.

Priscilla Limited**Statement of financial position as at 31 December**

	2016	2015
Non-Current Assets	E000	E000
Tangible assets	400	325
Intangible assets	230	180
Investments	-	25
	<u>630</u>	<u>530</u>
Current Assets		
Inventory	120	104
Accounts receivable	400	295
90 days notice deposit	50	-
Cash in hand	10	4
	<u>580</u>	<u>403</u>
Total Assets	1210	933
Current Liabilities		
Trade accounts payable	122	108
Bank overdraft	188	185
Taxation	120	110
	<u>430</u>	<u>403</u>
Non-Current Liabilities		
Long term loan	100	-
Deferred tax	80	60
	<u>180</u>	<u>60</u>
Total liabilities	610	463
Net assets	<u>600</u>	<u>470</u>
Equity		
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>

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:

	2016	2015
	E000	E000
At 31 December	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 net book value of E50,000, was sold for E37,000.

e) Tax paid to Swaziland Revenue authority during 2016 amounted to E110,000.

f) Dividends of E80,000 were paid during 2016.

Total: (25 Marks)

QUESTION 2

The following trial balance has been extracted from the books of Aisha PLC as at 31 March 2017:

	DEBIT	CREDIT
	E000	E000
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 2016)		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 2016		30
Plant and machinery at cost	400	
Acc. Depreciation for plant and machinery 1 April 2016		170
Retained profits 1 April 2016		229
Purchases	1,210	
Sales		2,265
Inventory at 1 April 2016	140	
Trade accounts payable		130
	<u>3,101</u>	<u>3,101</u>

Additional information

- i. Inventory at 31 March 2017 was valued at E150,000.
- ii. Depreciation for the year to 31 March 2017 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 2017.
- 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 2017 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 3

Redial Limited purchased 75% of Eunice Limited for E2,000,000 10 years ago when the balance on its retained earnings was E1,044,000. The statements of financial position of the two companies as at 31 March 2017 are as follows:

	Redial Ltd	Eunice Ltd
	E000	E000
Non current assets		
Investments in Eunice 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 Redial Ltd are amounts owed by Eunice Ltd 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 Eunice Ltd.

2. Included in the inventories of Eunice Ltd are items purchased from Redial Ltd during the year for E31,200. Redial 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. Eunice Ltd shares were trading at E4.40 just prior to acquisition by Redial Ltd and this price is used to value non-controlling interests.

Required:

Prepare the consolidated statement of financial position for the Redial Group of companies as at 31 March 2017. It is the group policy to value the non-controlling interest at full (or fair) value.

Show all your workings where relevant. Marks will be awarded for workings.

Total: (25 Marks)

QUESTION 4

- a) Zeus Co bought 25% shareholding on 31 December 2015 in Pretty Co at a cost of E38,000. During the year to 31 December 2016, Pretty Co made a profit before tax of E82,000 and the taxation charge on the year's profits was E32,000. A dividend of E20,000 was paid on 31 December 2016 out of these profits.

Calculate the entries for the associate which would appear in the consolidated accounts of the Zeus Group, in accordance with the requirements of IAS 28.

(5 Marks)

- b) What is the effect of the equity method on the consolidated statement of profit or loss and statement of financial position? (5 Marks)
- c) How should associates be accounted for in the separate financial statements of the investor? (4 Marks)
- d) On 1 January 2016 the net tangible assets of Alfred Co amounts to E220,000, financed by 100,000 ordinary shares (E1 each) and revenue reserves of E120,000. Pius Co, a company with subsidiaries, acquires 30,000 of the shares in Alfred Co for E75,000. During the year ended 31 December 2016 Alfred Co's profit after tax is E30,000 from which dividends of E12,000 are paid.

Show how Pius Co's investments in Alfred Co would appear in the consolidated statement of financial position at 31 December 2016. (6 Marks)

- e) Define an associate in terms of IAS 28. (5 Marks)

Total: (25 Marks)

END