

UNIVERSITY OF ESWATINI
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER DECEMBER 2018

DEGREE : MBA
YEAR OF STUDY : YEAR TWO (1ST SEMESTER)
ACADEMIC YEAR : 2018/2019
TITLE OF PAPER : ADVANCED CORPORATE REPORTING
COURSE CODE : ACF 631
TOTAL MARKS : 100 MARKS
TIME ALLOWED : THREE (3) HOURS
INSTRUCTIONS

- 1 There are THREE (3) 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.

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVILATOR OR SUPERVISOR.

SPECIAL REQUIREMENTS: CALCULATOR

QUESTION 1:

Bravo Limited has a February year end. The following information has been extracted from the financial statements as at 28 February 2018 and 2017:

Bravo Limited
Balance as at 28 February 2018

	2018	2017
	E	E
Property, plant and equipment	1 430 000	684 000
Inventories	2 220 000	1 210 000
Prepaid expenses	33 000	-
Debtors	782 000	606 000
Dividends payable	36 000	20 000
Petty cash	3 000	14 000
Bank	98 000	560 00
Issued capital	760 000	400 000
Revaluation reserve (property revaluation)	1 084 000	293 000
Retained earnings	254 000	155 000
Long term borrowings	264 000	330 000
Debentures	102 000	102 000
Deferred taxation	700 000	676 000
Current tax payable	142 000	166 000
Creditors	726 000	416 000
Short-term loan	498 000	516 000

Bravo Limited
Statement of profit or loss and other comprehensive income for the year
ended 28 February 2018

	E
Revenue	1 680 000
Cost of sales	<u>(1 032 000)</u>
Gross profit	648 000
Other income (Profit on sale of PPE)	120 000
Other expenses	<u>(543 000)</u>
Finance costs	<u>(70 000)</u>
Profit before tax	155 000
Income tax expense	<u>(40 000)</u>
Profit for the year	115 000
Other comprehensive income:	
Gains on property revaluation (1 084 000 – 293 000)	791 000
Income tax relating to components of other comprehensive income	---
Total profit and comprehensive income for the year	<u>906 000</u>

Bravo Limited
Statement of changes in equity for the year ended 28 February 2018

	Share capital	Revaluation (property)	Retained earnings	Total
	E	E	E	
Opening balance – 01/03/2017	400 000	293 000	155 000	848 000
Profit and Comprehensive income for the year		791 000	115 000	906 000
Dividends paid			<u>(16 000)</u>	<u>(16 000)</u>
Issue of shares	360 000			360 000
Closing balance – 28/02/2018	<u>760 000</u>	<u>1 084 000</u>	<u>254 000</u>	<u>2 098 000</u>

Additional information:

1. Property, plant and equipment consists of the following:

	28 February 2018	28 February 2017
	E	E
Cost or revalued amount	2 200 000	1 196 000
Accumulated depreciation	(770 000)	(512 000)
	1 430 000	684 000

2. The depreciation on property, plant and equipment is included in other expenses.
3. Other income consists in total of the profit on sale of assets (PPE).
4. Property, plant and equipment originally purchased for E230 000 were sold during the year for E200 000.
5. The share issue was for cash.

YOU ARE REQUIRED TO:

- A. Prepare the Statement of cash flows of Bravo Limited for the year ended 28 February 2018 in accordance with the requirements of IAS7. **(18 Marks)**
- B. Show the note for the reconciliation between of the profit before taxation with the cash generated from operating activities. **(8 Marks)**
- C. Show the following calculations:
- | | |
|--|------------------|
| I. Cash receipts from customers | (2 Marks) |
| II. Cash payment to suppliers and employees | (4 Marks) |
| III. Property, Plant and Equipment (PPE) Account | (3 Marks) |
| IV. PPE Accumulated Depreciation | (3 Marks) |

(QUESTION 1: TOTAL MARKS 38)

QUESTION 2:

The followings are the condensed annual financial statements of Barney Limited and Smith Limited.

Statements of profit or loss and other comprehensive income for the year ended 31 December 2017

	Barney Limited E	Smith Limited E
Income	380 000	320 000
Cost of sales	(152 000)	(128 000)
Gross profit	228 000	192 000
Other operating expenses	(94 800)	(103 200)
Dividends received: Ordinary	16 800	---
Profit before tax	150 000	88 800
Taxation	(60 000)	(42 800)
Profit for the year/Total comprehensive income	90 000	46 000

Statements of financial position as at 31 December 2017

	Barney Limited E	Smith Limited E
ASSETS		
Property, plant and equipment	410 000	260 000
Investment in Smith Limited at cost: <i>168 000 of 240 000 ordinary shares</i>	190 000	---
Cash and cash equivalents	40 000	20 000
Inventory	30 000	18 000
Trade and other receivables	40 000	62 000
	710 000	360 000
EQUITY AND LIABILITIES		
Equity		
Issued capital	500 000	240 000
Non distributable reserves	40 000	---
Asset replacement reserve	60 000	40 000
Retained earnings	50 000	32 000
Trade and other payables	60 000	48 000
	710 000	360 000

Statements of changes in equity for the year ended 31 December 2017

	Barney Limited, E	Smith Limited E
Retained Earnings:		
Balance on 1 January 2017	20 000	16 000
Total comprehensive income for the year	90 000	46 000
Transfer to asset replacement reserve	(10 000)	(6 000)
Ordinary dividends paid	(50 000)	(24 000)
Balance on 31 December 2017	50 000	32 000

Additional information:

- Barney Limited acquired the investment in Smith Limited (70%) on 1 January 2014 when the other components of equity of Smith Limited consisted of:

Asset replacement reserve – E8 000
Retained earnings – E10 000

- Share capital of Smith Limited has remained unchanged since acquisition.
- It is Barney Limited's accounting policy to account for investments in subsidiaries at cost in its separate financial statements.
- Assume an income tax rate of 30%.

YOU ARE REQUIRED TO:

- Prepare the analysis of equity of subsidiary company (Smith Limited) for the year ended 31 December 2017. **(15 Marks)**
- Prepare the consolidated statement of profit or loss and other comprehensive income of the Barney Limited Group for the year ended 31 December 2017. **(6 Marks)**
- Prepare the consolidated statement of changes in equity of the Barney Limited Group for the year ended 31 December 2017. **(11 Marks)**

Show all calculations.

(QUESTION 2: TOTAL MARKS 32)

QUESTION 3:

- A. Explain when consolidated financial statements are not required. (15 marks)
- B. Discuss the following terms:
- I. Contingent liabilities (5 marks)
 - II. Provisions (5 marks)
 - III. Impairment of assets (5 marks)

(QUESTION 3: TOTAL MARKS 30)

END