
UNIVERSITY OF ESWATINI

DEPARTMENT OF ACCOUNTING & FINANCE

RESIT EXAMINATION PAPER

JANUARY_FEBRUARY_2020

DEGREE/YEAR OF STUDY:	BACHELOR OF COMMERCIAL YEAR III/ IDE LEVEL IV
TITLE OF PAPER	: ADVANCED FINANCIAL ACCOUNTING I
COURSE CODE	: ACF 311/ AC 323 (S) JANUARY/FEBRUARY 2020
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 each question are indicated at the end of the question.
	4 Show all your workings. The working for any individual amount should be properly referenced to the answer, otherwise it will be ignored in the award of marks.
	5 For theory questions, responses should be in bullet form and each unique point should be presented under a separate bullet/paragraph. Failure to do so will result in a loss of marks.
	6 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 language together with the layout and presentation of your final answer.

SPECIAL REQUIREMENTS: CALCULATOR

This paper is not to be opened until permission has been granted by the invigilator

QUESTION 1

The following draft financial statements relates to Nomzamo Ltd, a privately owned entity.

	31-Dec-19	31-Dec-18
	E' 000	E' 000
ASSETS		
Tangible non-current assets (note ii)	10,600	15,800
Current assets	8,000	5,650
Inventories	2,550	1,850
Trade receivables	3,100	2,600
Insurance claims (note iii)	1,500	1,200
Cash and Bank	850	-
Total assets	18,600	21,450
EQUITY AND LIABILITIES		
Equity	8,550	8,450
Share capital (E 1 each)	6,000	6,000
Retained earnings	2,550	850
Revaluation (note ii)	-	1,600
Non-current liabilities	4,400	7,100
Lease liability (note ii)	2,000	1,700
6% loan notes	800	-
10% loan notes	-	4,000
Deferred tax	200	500
Government grants (note ii)	1,400	900
Current liabilities	5,650	5,900
Government grants (note ii)	600	400
Lease liability (note ii)	900	800
Current tax payable	100	1,200
Trade payables	4,050	2,950
Bank overdraft	-	550
Total equity and liabilities	18,600	21,450

The following information is relevant:

i) Statement of profit or loss extract for the year ended 31 December 2019:

	E'000
Profit from operations	270
Finance costs	(260)
Interest income	40
	50
Net tax credit	50
Profit for the period	100

Note: The finance cost includes lease interest.

ii) The details of the tangible non-current assets are:

	Cost	Accumulated depreciation	Carrying amount
	E'000	E'000	E'000
At 31 December 2018	20,200	4,400	15,800
At 31 December 2019	16,000	5,400	10,600

During the year Nomzamo sold its factory for its fair value of E 12 million. At the date of sale it had a carrying amount of E 7.4 Million based on a previous revaluation of E 8.6 million less depreciation of E 1.2 Million since revaluation. The profit on the sale of the factory has been included in operating profit. The surplus on the revaluation surplus related entirely to the factory. No other disposals of non-current assets were made during the year.

Plant acquired under leases during the year was E 1.5 million and has been included with tangible non-current assets. Other purchases of plant during the year qualified for government grants of E 950 000 received during the year. Release of government grants has been credited to cost of sales.

iii) The insurance claim related to flood damage to Nomzamo's inventories which occurred in December 2018. The original estimate has been revised during the year. The claim is expected to be settled in the near future.

Required:

- a) Prepare the statement of cash flows using the indirect method for Nomzamo Limited for the year ended 31 December 2019 [25 Marks]
- b) Comment on the cash generated from operations of Nomzamo Limited for the year ended 31 December 2019. [5 Marks]

[30 Marks]

Total:

QUESTION 2

The Statement of Financial positions of Shiselweni Ltd and its subsidiary, Mahlalini Limited as at 28 February 2019 are presented below:

	Shiselweni Ltd E	Mahlalini Ltd E
ASSETS		
Non current assets	210,000	95,000
Land and buildings	80,000	75,000
Investment in L Ltd at fair value	130,000	-
32 000 ordinary shares (Cost price: E 117 000)	117,000	-
8 000 8% cumulative preference shares	13,000	-
Loan- Shiselweni Ltd	-	20,000
Current assets	45,000	72,000
Trade and other receivables	30,000	53,000
Inventories	15,000	19,000
Total assets	255,000	167,000
EQUITY AND LIABILITIES		
Equity	185,000	154,000
Share capital:	140,000	120,000
Ordinary shares (50 000/40 000 shares)	100,000	100,000
8% cumulative preference shares (40 000/20 000)	40,000	20,000
Retained earnings	45,000	34,000
Loan- Mahlalini Ltd	16,000	-
Current liabilities: Trade and other payables	54,000	13,000
Equity and Liabilities	255,000	167,000

Additional information

- Shiselweni Ltd acquired its total interest in Mahlalini Limited on 01 March 2018, on which date the retained earnings of Mahlalini Ltd were E 20 000.

2. On the date of acquisition, it was decided to revalue Mahlalini's land and buildings upwards with an amount of E 20 000. The fair value of all other assets and liabilities were fairly valued on the day of acquisition.
3. Mahlalini Ltd's preference dividends are in arrears for the 2019 financial year.
4. With effect from 01 March 2018, Shiselweni purchased some of its inventories from Mahlalini Limited. Mahlalini sold its inventories to Shiselweni at cost plus $33\frac{1}{3}\%$. On 28 February 2019, Shiselweni had inventories to the value of E 5 000 on hand which it had purchased from Mahlalini Ltd.
5. On 2 January 2019, Shiselweni Ltd sold a non-depreciable asset with a cost price of E 10 000 to L Ltd at cost plus 25%.
6. Cash to the value of E 4 000 in respect of the last consignment of inventories that Shiselweni purchased from Mahlalini was still in transit on 28 February 2019.

Required: Draft the consolidated statement of financial position of the Shiselweni Ltd group as at 28 February 2019 in compliance with the requirements of International Financial Reporting Standards (IFRS). Notes are not required. Properly referenced workings should be provided.

Total:

[30 Marks]

QUESTION 3

On 2 January 2017, Hhohho limited acquired 40% of the issued shares of Buhleni (Pty) Ltd for E 100 000. On this date, the shareholder's equity of Buhleni Limited consisted of the following:

	E
Share capital (200 000 shares)	200,000
Retained earnings	50,000
	250,000

Hhohho Limited exercises joint control over the financial and operating policy decisions of Buhleni (Pty) Ltd in terms of a contractual arrangement. Hhohho limited classifies the investment in Buhleni Limited as available for sale and recognises fair value adjustments in other comprehensive income. The abridged consolidated financial statements of Hhohho Limited and its subsidiaries as well as the abridged financial statements of Buhleni (Pty) Ltd for the year ended 31 December 2019 are shown below:

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Hhohho Ltd group	Buhleni (Pty) Ltd
	E	E
ASSETS		
Property, plant and equipment	750,000	300,000
Investment in Buhleni (Pty) Ltd : 80 000 shares at fair value (Cost E 100 000)	112,000	-
Inventories	750,000	200,000
Total assets	1,612,000	500,000
EQUITY AND LIABILITIES		
Equity	1,360,200	400,000
Share capital	500,000	200,000
Retained earnings	698,200	200,000
Mark-to-market reserve	12,000	-
Non-controlling interest	150,000	-
Long term loans	250,000	100,000
Deferred taxation	1,800	-
Total equity and liabilities	1,612,000	500,000

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Hhohho Ltd group	Buhleni (Pty) Ltd
	E	E
Profit	800,000	600,000
Dividends received from Buhleni (Pty) Ltd	120,000	-
Profit before tax	920,000	600,000
Income tax expense	(320,000)	(240,000)
Profit for the year	600,000	360,000
Other comprehensive income		
Fair value adjustment on available for sale investment	4,000	-
Total comprehensive income for the year	604,000	360,000
Profit attributable to:	600,000	360,000
Owners of the parent	550,000	360,000
Non-controlling interest	50,000	-
Total comprehensive income attributable to:	604,000	360,000
Owners of the parent	554,000	360,000
Non-controlling interest	50,000	-

EXTRACT FROM THE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Mark-to-market reserve	Retained earnings	
	Hhohho Ltd group	Hhohho Ltd group	Buhleni (Pty) Ltd
	E	E	E
Balance at 01 January 2019	6,800	398,200	140,000
Total comprehensive income for the year	4,000	550,000	360,000
Ordinary dividends paid	-	(250,000)	(300,000)
Balance at 31 December 2019	10,800	698,200	200,000

Required: Prepare the consolidated financial statements (Statement of Comprehensive Income and Statement of Financial Position only) of the Hhohho Limited group assuming that Buhleni is classified as a joint operation for the year ended 31 December 2019.

Total:

[25 Marks]

QUESTION 4

With appropriate examples (at least 4 in each case), discuss what is meant by adjusting and non-adjusting events per IAS 10

[15 Marks]