

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

FACULTY OF COMMERCE

MAIN EXAMINATION PAPER

May 2017

DEGREE / YEAR OF THE STUDY: BACHELOR OF COMMERCE YEAR IV (FULL- TIME) LEVEL V
& VII (PART-TIME)

Title of Paper : ADVANCED FINANCIAL ACCOUNTING -II
Course Code : AC427 /IDEAC V &VII May 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 REQUIREMENT : CALCULATOR

QUESTION NO. 1

The statement of financial position of Aura Company limited, Bona Company limited and Duke Company limited at 31st March 2017 are summarized as follows.

Particulars	Aura Com Ltd	Bona Com Ltd	Duke Com Ltd
	E	E	E
Non-Current Assets			
Free –hold property	2, 50, 000	2, 50,000	--
Plant and machinery	5, 25,000	2, 00,000	7,500
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	7, 75,000	4, 50,000	7,500
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Investment in subsidiaries			
Shares at cost	2, 75,000	15,500	--
Loan account	---	9,500	-
Current account	25,000	30,500	---
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	3, 00,000	55,500	----
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Current – Assets			
Inventories	4, 25,000	51,250	37,500
Receivables	3, 50,000	1, 25,000	2,500
Cash at bank	1, 50,000	41,250	10,000
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	9, 25,000	2, 18,000	50,000
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Total Assets	20,00, 000	7,23,000	57,500
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Equity and liabilities

Equity ordinary share capital	5, 00,000	2, 50,000	25,000
Retained Earnings	9, 49,000	3, 23,000	-2,500
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	14, 49,000	5 73,000	22,500
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Current liabilities:			
Trade payables	4, 01,000	1, 00,500	2,000
Due to Bona company ltd.	----	32,000	1,500
Due to Chime company ltd.	---	----	31,500
Taxation	1, 50,000	17,500	----
	-----	-----	-----
	5, 51,000	1, 50,000	35,000
	-----	-----	-----
Total liabilities	20, 00,000	7, 23,000	55,500
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Additional information.

- Aura Company limited acquired 75% of the shares of Bona Company limited in 2015. When the credit balance on the retained earnings of that company was E1, 00, 000. No dividends have been paid since that date.
- Bona company limited acquired 80% of the shares in duke company limited in 2016. When there was a debit balance on the retained earnings of that company of E7,500.
- During the year to 31st march 2017 Bona company limited purchased inventories from Aura company limited for E50,000, which included a profit mark-up of E10,000 for Aura company limited. At 31st march 2017 one half of this amount was still held in the inventories of Bona Company limited. Group accounting policies are to make full allowance for unrealised intra-group profits.
- It is the group's policy to measure the non- controlling interest at its proportionate share of the fair value of the subsidiaries net assets.

REQUIRED

1. Prepare Aura Company Limited group consolidated statement of financial Position at 31st March 2017 (assume no impairment of good will) (Marks: 13)
2. Prepare minority interest workings. (Marks: 03)
3. Calculate the goodwill relating to the above transactions. (Marks: 05)
4. Calculate the group retained earnings. (Marks: 04)

QUESTION NO. 02

- i. What do you mean by impairment loss in accordance with IAS 36 and List **five** circumstances that may indicate that an asset may be impaired. (Marks:08)
- ii. Duke Cease company limited has identified a cash generating unit that has been assessed for impairment. It has been determined that the unit has incurred an impairment loss of E 1, 50, 000. The carrying amounts of the assets included in cash generating unit and the allocation of the impairment loss on a **pro-rata basis** to each of the asset were determined as follows. (Marks: 08)

Particulars	Carrying Amount
Factory building	E.1, 00, 000
Machinery	E.80, 000
Equipment	E.50, 000
Plant	E.20, 000
- iii. Explain the different types of measurement methods investment properties. (Marks: 09)

QUESTION NO.03.

- i. Define financial instrument in accordance with IAS 32 and explain the different types of classification of financial instruments. (Marks: 10)
- ii. Euro company limited buys equipment for E3, 00,000 and depreciates it on a straight line basis overall is expected useful life of five years. For tax purposes, the equipment is depreciated at 25% per annum on a straight line basis. Tax losses may be carried back against taxable profit of the previous five years. In the year 2011.The entity's taxable profit was E75, 000. The tax rate is 40%. Assuming nil profits/ losses after depreciation in years 2012 to 2016 (Marks: 15)
Required.
 To show the current tax profit income statement and deferred tax profit income statement in years from 2012 to 2016 of the acquisition of the equipment.

QUESTION NO.04.

- i. Define revenue in accordance with IAS 18 and explain the criteria for recognition of revenue from the sale of goods. (Marks:10)
- ii. An inventory item is sold for R. 50,000 (excluding vat) at 1st November 2016 sale condition stipulate that the consideration is payable in two equal amounts, the first payment amount payable at the date of the transaction and the second payment amount is six month time with no interest payable based on the customer credit rating, finance would be available at a rate of 12 per annum. The company financial year – end is 31st December 2016.

Required. To calculate recognising revenue with deferred payment amounts.

(Marks: 15)