National University of Science and Technology

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER: 2011/2012

DATE:	**MAY 2012**
SUBJECT:	**ADVANCED FINANCIAL**
	ACCOUNTING: CAC 4201
TIME ALLOWED:	**THREE (3) HOURS**
MARKS:	**100**

INSTRUCTIONS TO CANDIDATES

1. Answer all questions
2. Use the examination book provided
3. Use black or blue pen
4. Begin each question on a new page and
5. Submit all answer books

QUESTION 1(25 Marks)

Explain the following differences:
(a)Exemptions from consolidations under the Zimbabwe Companies Act 24.3 and IAS 27. **(10)**
(b)Index Analysis and Vertical Analysis of Statement of Financial Position of any company. **(5)**
(C)DCF method and asset method of share valuation. **(5)**
(d)Functional currency rate and translation rate. **(5)**

QUESTION 2(25 Marks)

Major Ltd ,Small Ltd and Joy Ltd have issued capitals in ordinary shares of $1 each of $300 000,$100 000 and $90 000 respectively. Major acquired 80 000 shares in Small on 1 January 2007 when the retained profit showed a debit of $30 000.
Joy Ltd was acquired by Major Ltd on 1 July 2011 as a joint entity with Tall Order Ltd the holder of the remaining shares when its retained profit was $35 640.

On 30 December 2011 the summarised Statements Of Comprehensive Income showed the following:

		Major Ltd	Small Ltd	Joy Ltd
		$	**$**	**$**
Turnover		5210000	2175000	1250000
Cost of sales		4072000	1650000	920000
Gross profit		1138000	525000	330000
Distribution costs		210000	175200	120000
Administrative costs		377800	223200	163200
Operating profits		550200	126600	46800
Dividends:				
	Received	9600	0	0
	Receivable	40800	0	0
Profit before tax		600600	126600	46800
Tax expenses		286800	65760	24480
Profit after tax		313800	60840	22320
Dividends:	Interim Paid	116000	48000	18000

Other information is as follows:

(a) Revenue and expenses of Joy Ltd accrue evenly throughout the year.
(b)Major Ltd buys goods for resale from Small Ltd yielding a profit of 1/3 on selling price. At year end Major had $36 000 of unsold stocks bought from Small Ltd. $2 000 of this stock was damaged .
(c) On 1 July 2011 Major Ltd bought a machinery from Joy Ltd for $36 000 on which the company earned a profit of 40% on selling price. Depreciation is charged at 20% per annum.
(d) Retained earnings brought forward were Major Ltd $94 320 and Small Ltd $48 000.

Required:
Prepare the consolidated Statement of Comprehensive Income and the relevant brief notes in compliance with relevant IAS. **(25)**

QUESTION 3 (25 Marks)

Sipho Ltd acquired 6000 ordinary shares at par in Chipo Ltd on incorporation. Further 24000 shares were purchased on 1 January 2009 for $32000 when the loss for Chipo Ltd was $2000.Sipho Ltd also purchased 8000 preference shares in Chipo Ltd on 1 April 2010 for $7500.

The 30000 shares in Tsepo Ltd were acquired by Sipho Ltd on 1 July 2011 for $20000.The retained profit then was $2000.

The trial balances of the companies as end of 31 December 2011 were as follows:

		Sipho Ltd	Chipo Ltd	Tsepo LTD
		$	**$**	**$**
Bank overdraft				-3500
Capital reserve		-65000		
Cash at bank		13500	19375	
Depreciation	Plant	-16000	-6000	-6000
	Property	-15000		
Inventory		43500	35400	12500
Investments		65500		
Ordinary share capital	$1 each	-100000	-50000	-30000
Owed by group companies(8000 by Chipo and 6000 by Tsepo)		14000		
Owed by group companies(by Chipo)				4000
Owed to group companies(Sipho-7700,Tsepo 4000)			-11700	
Owed to group companies(Sipho-5000)				-5000
Plant		60000	26000	20000
Preference div due			-375	
Preference share capital	7.5% $1 each		-10000	
Property		80000		
Retained earnings		-41000	-7000	8000
Taxation Liability		-28000	-7000	
Trade creditors		-37500	-11000	-7000
Trade debtors		26000	22300	7000
		0	0	0

(-) = credit

Other information.
Chipo Ltd sold goods at cost plus 20 % to Sipho Ltd and at 31 December 2011 had this inventory of $9600. An amount of $1000 was sent to Tsepo Ltd on 29 December 2011 but this was only received after year end by Tsepo Ltd.

Ignore deferred tax.
Assets were properly valued at acquisition.

Required:

Write journals and consolidated proforma journals from the above information and show the goodwill and NCI amounts in the notes to the financial statements.

QUESTION 4(25 Marks)

As the Technical Partner of accounting firm ,prepare a checklist for the following:

(a) Cession of equity accounting for an associate. **(6)**

(b) Cession of capitalisation of borrowing costs. **(6)**

(C) Proper accounting for gain from bargain purchase. **(6)**

(d) Accounting disclosure for IAS 21 **(7)**

END OF EXAMINATION PAPER