

**THE COUNCIL OF COMMUNITY COLLEGES OF JAMAICA****BACHELOR OF SCIENCE EXAMINATION****SEMESTER II – 2019 MAY**

PROGRAMME: BUSINESS ADMINISTRATION
COURSE NAME: ADVANCED FINANCIAL ACCOUNTING
CODE: ACCT3605
YEAR GROUP: THREE
DATE: MONDAY, 2019 MAY 13
TIME: 12:00 NOON – 2:00 P.M.
DURATION: 2 HOURS
EXAMINATION TYPE: FINAL

This Examination Paper has 8 Pages

INSTRUCTIONS:

1. ANSWER ALL QUESTIONS FROM SECTION A
2. SECTION B CONSISTS OF FOUR (4) QUESTIONS. ANSWER ANY TWO (2)

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO

SECTION A

Instruction: In the booklet provided, answer ALL questions in this section.

The following information relates to Dork Ltd and its subsidiary Sark Ltd. for the year ended 31 March 2018.

	Dork Ltd.	Sark Ltd.
	\$'000	\$000
Sales revenue	3,300	1,500
Cost of sales	(1,890)	(900)
Gross profit	1,410	600
Administrative expenses	(315)	(450)
Dividend from Sark	72	—
Profit before tax	1167	150
Income tax expense	(195)	(30)
Profit for the year	972	120
Dividends paid	600	90
Profit retained	372	30
Retained earnings brought forward	1,380	318
Retained earnings carried forward	1,752	348

Additional information:

- The issued share capital of the group was as follows. Dork Ltd.: 15,000,000 ordinary shares of \$1 each. Sark Ltd.: 3,000,000 ordinary shares of \$1 each.
- Dork Ltd. purchased 80% of the issued share capital of Sark Ltd. in 2010. At that time, the retained earnings of Sark was at \$168,000.

Required:

- Insofar as the information permits, prepare the Dork group consolidated income statement for the year to 31 March 2018, showing profit attributable to both owners of the parent and non-controlling interests. **(14 marks)**
- An extract of the Statement of Financial Position showing retained earnings and non-controlling interest. Show all accompanying workings **(6 marks)**

(Total 20 marks)

END OF SECTION A

SECTION B

Instruction: In the booklet provided, answer any **TWO (2)** questions from this section.

Question 1

On 1 July 2016 Ribbers Plc entered into an agreement to lease a machine that had an estimated life of four years. The lease period is also four years at which point the asset will be returned to the leasing company. Ribbers is required to pay for all maintenance and insurance costs relating to the asset. Annual rentals of \$16,000 are payable in advance from 1 July 2016. The machine is expected to have a nil residual value at the end of its life. The machine had a fair value of \$56,000 at the inception of the lease. The lessor includes a finance cost of 10% per annum when calculating annual rentals.

- A. How should the lease be accounted for in the financial statements of Shrub for the year end 31 March 2017? **(15 marks)**
- B. Explain in a step by step process, the principles relating to recognition, measurement and presentation of leases IFRS 16. **(15 marks)**

(Total 30 marks)

Question 2

Statement of Financial position as at 31 December 2018

	John	Mark
	\$ '000	\$ '000
Non-Current Assets		
Property Plant & Equipment	900	500
Investment in Mark	800	-
Current Assets	700	600
	2,400	1,100
Share Capital	500	200
Retained Earnings	800	400
Current Liabilities	1,100	500
	2,400	1,100

Additional Information:

John bought 80% of equity shares in Molly for \$800,000 when the retained earnings were \$150,000. Non-Controlling interest is measured using the fair value method. The fair value of non-controlling interest was \$200,000 at the acquisition date.

During the year Mark sold goods to John at \$120,000 based on a mark-up of 20%. Half of the goods remain in inventory at year end.

Required:

Prepare John Group Consolidated statement of financial position as at 31 December 2018.
Show all workings.

(Total 30 marks)

Question 3

Kingtom is a public listed manufacturing company. Its draft summarized financial statements for the year ended 30 September 2013 and 2012 comparatives are:

Statements of Profit or loss and other comprehensive income for the year ended 30 September:

	2013	2012
	\$ '000	\$'000
Revenue	44,900	44,000
Cost of Sales	31,300	29,000
Gross Profit	13,600	15,000
Distribution Cost	(2,400)	(2,100)
Administrative Expenses	(7,850)	(5,900)
Investment Property – Rental Received	(350)	(400)
Fair Value Changes	700	500
Finance Costs	600	600
Profit Before Tax	2,400	7,300
Income Taxes	600	1,700
Profit for the year	1,800	5,600
Other Comprehensive Income	(1,300)	1,000
Total Comprehensive income	500	6,600

Financial Position as at September:

	2013		2012	
Assets	\$	\$	\$	\$
Non-Current Assets				
Property, Plant & Equipment		26,700		25,200
Investment Properties		4,100		5,000
		30,800		30,200
Current Assets				
Inventory	2,300		3,100	
Trade Receivables	3,000		3,400	
Bank	nil	5,300	300	6,800
Total Assets		36,100		37,000
Equity & Liabilities				
Equity				
Equity Shares @ \$1 each		17,200		15,000
Revaluation Reserve		1,200		2,500
Retained Earnings		7,700		8,700
		26,100		26,200
Non- Current Liabilities				
12 % Loan		5,000		5,000
Current Liabilities				
Trade Payables	4,200		3,900	
Accrued Finance Costs	100		50	
Bank	200		nil	
Current Tax Payable	500	5,000	1,850	5,800
		36,100		37,000

Additional Information:

1. On July 1, 2013 Kingtom acquired a new Investment Property at a cost of \$1.4M. On this date it also transferred one of its other Investment Property to Property Plant and Equipment at its Fair Value of \$1.6M as it became owner occupied on that date. Kingtom adopted the fair value model for Investment Property.
2. Kingtom also has a policy of revaluing its other properties included as Property Plant and Equipment to market value at the end of each year. Other Comprehensive Income and Revaluation Reserve both relate to these properties.
3. Depreciation of Property Plant and Equipment during the year was \$1.5M. An item of Plant with a carrying amount of \$2.3M was sold for \$1.8M during September 2013.

Required:

Prepare a Statement of Cash Flows for Kingtom for year ended September 30, 2013 in accordance with IAS 7, Statement of Cash Flows using the indirect method.

(Total 30 marks)

Question 4

Mak purchased 80% of Delv for \$600,000 two years ago when Delv retained earnings showed a balance of \$100,000

	Mak	Delv
	\$' 000	\$' 000
Non-Current assets	1,000	500
Investment in Delv	600	-
Current Assets	800	600
Total assets	2400	1100
Equity Share Capital \$1	500	200
Retained Earnings	800	400
	1300	600
Liabilities	1100	500
Total Equity & Liabilities	2400	1100

Additional Information:

Mak measures the non-controlling interest using the fair value method.
The fair value of Delv's equity shares acquired was \$200,000 at acquisition

Required:

- A. Prepare the consolidated statement of financial position for the Mak group for the year ended 31 December 2017. *(24 marks)*
- B. P has an intra-company trade receivable of \$1,500 at the year- end due from S. This does not agree with the corresponding \$1,000 trade payable in S due to a cheque of \$500 sent by S immediately prior to the year-end, which P did not receive until after the start of the new accounting year. How do you account for the cash in transit and intra-company balances? *(6 marks)*

(Total 30 marks)

END OF EXAMINATION