## Part 1
## Answer all questions

### Question 1:

The accountant of Wilson co. has prepared the following list of account balances as at 31 December 2017:

| | SDG 000 |
|---|---|
| SDG 0.50 ordinary shares (fully paid) | 450 |
| 10% loan notes (secured) | 200 |
| Retained earnings 1.1.2017 | 242 |
| General reserve 1.1. 2017 | 171 |
| Land and buildings 1.1.2017 (cost) | 430 |
| Plant and machinery 1.1. 2017 (cost) | 830 |
| Accumulated depreciation: | |
| Buildings 1.1. 2017 | 20 |
| Plant and machinery 1.1. 2017 | 222 |
| Inventory 1.1. 2017 | 190 |
| Sales | 2,695 |
| Purchases | 2,152 |
| Ordinary dividend | 15 |
| Loan note interest | 10 |
| Wages and salaries | 254 |
| Light and heat | 31 |
| Sundry expenses | 113 |
| Suspense account | 135 |
| Trade accounts receivable | 179 |
| Trade accounts payable | 195 |
| Cash | 126 |

### Notes:

a) Sundry expenses include SDG 9000 paid in respect of insurance for the year ending 1 September 2018. Light and heat does not include an invoice of SDG 3000 for electricity for the three months ending 2 January 2018, which was paid in February 2018. Light and heat also includes SDG 20,000 relating to salesmen's commission.

b) The suspense account is in respect of the following items:
- Proceeds from the issue of 100,000 ordinary shares
- Proceeds from the sale of plant

  Less: consideration for the acquisition of Mary Co.

c) The net assets of Mary Co. were purchased on 3 March 2017. Assets were valued as follows:

| | SDG 000 |
|---|---|
| Equity investment | 231 |
| Inventory | 34 |
| | 265 |

All the inventory acquired was sold during 2017.the equity investments were still held by Wilson at 31.12.2017. Goodwill has not been impaired in value.

d) The property was acquired some years ago. The buildings element of the cost was estimated at SDG 100,000 and the estimate useful life of the assets was fifty years at the time of purchase. As at 31 December 2017 the property is to be revalued at SDG 800,000.
e) The plant which was sold had cost SDG 350,000 and had a carrying amount of SDG 274,000 as on 1.1.2017, SDG 36,000 depreciation is to be charged on plant and machinery for 2017.
f) The management wish to provide for:
    i. Loan note interest due.
    ii. Transfer to general reserve of SDG 16,000.
    iii. Audit fees of SDG 4,000.

g) Inventory as at 31 December 2017 was valued at 220,000 SDG (cost).
h) Taxation is to be ignored.

**Required:**

Prepare the Financial statement (Financial position and income statement) of Wilson co as at 31 December 2017.

Note: Include other comprehensive income 2017.

**(25 marks)**

## Question 2:

Total acquired 60% of Shell's ordinary shares on 1 October 2012 at a price of SDG 1.06 per share.

The balance on shell's retained earnings at that date was SDG 104m. And the general reserve stood at SDG 11m.

Their respective statements of financial position as at 30 September 2016 are:

| | Total | Shell |
|---|---|---|
| | SDG m | SDG m |
| **Non-current Assets** | | |
| Property, Plant and Equipment | 2,848 | 354 |
| Patents | 45 | - |
| Investment in Shell | 159 | - |
| | 3,052 | 354 |
| **Current Assets** | | |
| Inventories | 895 | 225 |
| Trade and other receivables | 1,348 | 251 |
| Cash and cash equivalents | 212 | 34 |
| | 2,455 | 510 |
| | 5,507 | 864 |
| **Equity:** | | |
| Share capital (0.20 SDG ordinary shares) | 920 | 50 |
| Retained earnings | 2,086 | 394 |
| General reserve | 775 | 46 |
| | 3,781 | 490 |
| **Non-current liabilities:** | | |
| Long term borrowings | 558 | 168 |
| **Current liabilities:** | | |
| Trade and other payables | 1,168 | 183 |
| Current portion of long term borrowings | - | 23 |
| Total equity & liabilities | 1,168 | 206 |
| | 5,507 | 864 |

At the date of acquisition the fair values of some of Shell's assets were greater than their carrying amounts.

One line of Shell's inventory had a fair value of SDG 8m above its carrying amount. This inventory had all been sold by 30 September 2016. Shell's land and buildings had a fair value 26m. Above their carrying amount SDG 20m of this is attributable to the buildings, which had a remaining useful life of 10 years at the date of acquisition.

It is group policy to value non-controlling interests at full (or fair) value. The fair value of the non-controlling interests at acquisition was SDG 86m. Annual impairment tests have revealed cumulative impairment losses relating to recognised goodwill of SDG 20m.

## Required:

Produce the consolidated statement of financial position for the total group as at 30 September 2016.

**(25 marks)**

## Question 3:

The following is the statement of financial position of North Co for the year ended 31 March.

| | 2017<br>SDG M | 2016<br>SDG M |
|---|---|---|
| **Non-current assets:** | | |
| Property, plant and equipment | 327 | 264 |
| **Current assets:** | | |
| Inventory | 123 | 176 |
| Trade receivable | 95 | 87 |
| Short term investments | 65 | 30 |
| Cash at bank and in hand | 29 | - |
| | 312 | 293 |
| | 639 | 557 |
| **Equity:** | | |
| Share capital SDG1 shares | 200 | 120 |
| Share premium account | 30 | - |
| Revaluation surplus | 66 | 97 |
| Retained earnings | 71 | 41 |
| | 367 | 258 |
| **Non-current liabilities:** | | |
| 10% debentures | 100 | 150 |
| Current liabilities | 172 | 149 |
| Total equity & liabilities | 639 | 557 |

**Statement of profit & loss for the year ended 31 March 2017:**

| | |
|---|---|
| Revenue | 473 |
| Cost of sales | (229) |
| Gross profit | 244 |
| Distribution costs | (76) |
| Administration expenses | (46) |
| Financial income | 6 |
| Finance costs | (17) |
| Profit before tax | 109 |
| Income tax expense | (47) |
| Profit for the year | 62 |
| Dividend paid in the period | 32 |

**The following notes are relevant:**

1. Property, plant and equipment:
   During 2017 items of plant and equipment which originally cost SDG 40 M were disposed of resulting in a loss of SDG 6 M. these items have a net book value of SDG 26 M at the date of disposal.
2. Short term investments
   The short term investments meet the definition of cash equivalents per IAS7.

3. Current liabilities consist of the following:

| | 2017 | 2016 |
|---|---|---|
| | **SDG M** | **SDG M** |
| Bank overdraft | - | 22 |
| Trade payables | 126 | 70 |
| Interest payable | 7 | 3 |
| Income tax payable | 39 | 54 |
| | 172 | 149 |

4. 10% debenture:
   On 1 August 2016 SDG 50 M of 10% debentures was converted into SDG 50M of SDG 1 ordinary shares.
5. Depreciation:
   The depreciation charge for the year included in the statement of profit loss was SDG 43M.

**Required:**

a) Prepare the cash flow statement for the year ended 31 March 2017.
b) Write a memorandum to director of the North Co. summarizing major benefits a user receives from statement of cash flows.

**(25 marks)**

## Part 2
## Seven Questions
## Answer all questions

### Question 1:

Catfish had owned 75% of Shark for a number of years. During the year to 31 December 2018, Shark sold goods to catfish for SDG 75,000. Catfish had resold 40% of these goods by the year end. Shark applies a 25% mark-up on all sales.

By what amount should the consolidated retained earnings of catfish at 31 December 2018 be reduced in respect of these intra-group sales?

- **A.** SDG 33,750
- **B.** SDG 6,750
- **C.** SDG 8,438
- **D.** SDG 9,000

### Question 2:

F co acquired 80 % of T co on 1 April 2017, the individual financial statements of F&T co for the ended 31 December 2017 showed revenue of SDG 280,000 and SDG 190,000 respectively. In the post-acquisition period T co sold goods priced at SDG 40,000 to F co. 50% of these goods were still held in investment by F co at the end of the year.

What was group revenue in the consolidated statement of profit or loss for the year ended 31 December 2017?

- **A.** SDG 392,500
- **B.** SDG 402,500
- **C.** SDG 450,000
- **D.** SDG 382,500

### Question 3:

How financial assets are initially measured under IFRS9 (excluding assets held for trading or subject to specific derogation)?

- **A.** Fair value.
- **B.** Fair value plus transaction costs.
- **C.** Fair value minus transaction costs.
- **D.** Amortised costs.

### Question 4:

Which one of the following would indicate that debts has been sold by the original creditor to a factor with a full transfer of risks and rewards?

- **A.** Finance costs varies with speed of collection of debts.
- **B.** There is full recourse to the seller for losses.
- **C.** Transfer is for a single, non-returnable fixed sum.
- **D.** Seller is required to repay amounts received from the factor regard less of collection from debtors..

### Question 5:

A company motor vehicles at cost account at 30 June 2016 is as follows:

Motor vehicles A/c

| | **SDG** | | **SDG** |
|---|---|---|---|
| Balance b/d | 35,800 | Disposal | 12,000 |
| Additions | 12,950 | Balance c/d | 36,750 |
| | 48,750 | | 48,750 |

What opening balance should be included in the following periods final balance vehicles-cost 1 July 2016?

- **A.** SDG 36,750 DR
- **B.** SDG 48,750 DR
- **C.** SDG 36,750 CR
- **D.** SDG 48,750 CR

## Question 6:

An account has inserted all the relevant figures into the trade receivables account, but had not yet balanced the account.

Trade receivables account

| | **SDG** | | **SDG** |
|---|---|---|---|
| Balance b/d | 100,750 | cash at bank | 250,225 |
| Sales | 325,010 | | |

Assuming there are no other entries to be made, other than to balance off the account, what is the closing balance on the trade receivables account?

- **A.** SDG 425,760 DR
- **B.** SDG 175,535 DR
- **C.** SDG 425,760 CR
- **D.** SDG 175,535 CR

## Question 7:

Which of the following statements is /are correct?

1. An increase in a loan made to another company will be classified under investing cash flows.
2. An increase in a loan from a bank will be classified under investing cash flows.
3. Bonus issues of shares do not feature in statement of cash flows.
4. A loss on the sale of a non-current asset will be deducted from net profit in order to calculate operating cash flows using the indirect method.

- **A.** (1) and (2)
- **B.** (1) and (3)
- **C.** (3) only
- **D.** (1) and (4)

# Answer F7 (Dec 2018)

## Question 1:

**Wiston Co.**
**Statement of financial position as at 31 December 2017**

| | **SDG000** | **SDG000** |
|---|---|---|
| **Assets:** | | |
| Non-current assets | | |
| Property plant and Equipment | | |
| Property at valuation | | 800 |
| Plant (480-182) | | 298 |
| Goodwill | | 20 |
| Equity investments | | 231 |
| | | 1,349 |
| **Current assets:** | | |
| Inventory | 220 | |
| Trade accounts receivables | 179 | |
| Prepayments | 6 | |
| Cash | 126 | 531 |
| Total assets | | 1,880 |
| | | |
| **Equity & liabilities:** | | |
| **Equity** | | |
| SDG 0.50 ordinary shares | 500 | |
| Share premium | 70 | |
| Revaluation surplus | 392 | |
| General reserve | 187 | |
| Retained earnings | 319 | 1468 |
| **Non-current liabilities:** | | |
| 10% loan stock | | 200 |
| Current liabilities | | |
| Trade accounts payable | 195 | |
| Accrued expenses | 17 | 212 |
| Total Equity & liabilities | | 1,880 |

## Wiston co.
## Income statement and other comprehensive income
## for the year ended 31 December 2017

| | SDG000 |
|---|---|
| Revenue | 2,695 |
| Cost of sales (w1) | (2,156) |
| Gross profit | 539 |
| Other income (profit on disposal of plant) | 26 |
| Administration expenses (w2) | (437) |
| Finance costs | (20) |
| Profit for the year | 108 |
| **Other comprehensive income** | |
| Gain on property revaluation | 392 |
| Total comprehensive income for the year | 500 |

**Notes:**

**a)**

| | SDG000 |
|---|---|
| 1) The loan note interest accrued : | |
| Charge needed in profit or loss (10% × SDG 200,000) | 20 |
| Amount paid so far as shown in list of accounts balances | 10 |
| Accrued (6 month interest due) | 10 |
| 2) Loan not interest: | 10 |
| Light & heat | 3 |
| Audit fee | 4 |
| | 17 |

b) The misposting of SDG 20,000 to light & heat. Is also adjusted, by reducing the light & heat expense, but charging SDG 20,000 salesmen commission.

c) Depreciation on the building is calculated as $\frac{100,000}{50}$ = SDG 2,000

The carrying amount of the building is then

SDG 400,000 – 20,000 – 2,000 = SDG 40,800 at the end of the year.

When the property is revalued a reserve of

SDG 800,000 – 408,000 = SDG 392,000 is then created.

Calculated at SDG 830,000 – 350,000 = SDG 480,000.

The depreciation provision at year end is:

| | SDG 000 |
|---|---|
| Balance 1/1/2017 | 222 |
| Charge for 2017 | 36 |
| Less depreciation on disposal (350-274) | (76) |
| | 182 |

e) Goodwill arising on the purchase of Mary co. is:

| | |
|---|---|
| Consideration (per suspense account) | 285 |
| Assets valuation | 265 |
| Goodwill | 20 |

f) The other item in the suspense account is dealt with:

| | |
|---|---|
| Proceeds of issue of 100,000 ordinary shares | 120 |
| Less nominal value of (100,000×0.50) | 50 |
| Excess of consideration over par value (share premium) | 70 |

g) The transfer to general reserve increases it to:

SDG 171,000 + 16,000 = SDG 187,000

Workings:

1- Cost of sales

| | |
|---|---|
| Opening inventory | 190 |
| Purchases (2,152 + 34) | 2,186 |
| Closing inventory | (220) |
| | 2,156 |

1- Administration expenses

| | |
|---|---|
| Wages, salaries a commission | 274 |
| Sundry expenses (113 - 6) | 107 |
| Light & heat (31-20+3) | 14 |
| Depreciation: building | 2 |
| Plant | 36 |
| Audit fees | 4 |
| | 437 |

## Question 2:

**Total & shell**
**Consolidated statement of financial position as at 30 September 2016**

| | **SDG m** |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment (2,848+354+18) | 3,220 |
| Patents | 45 |
| Goodwill (w2) | 26 |
| | 3,291 |
| **Current assets:** | |
| Inventories (895+225) | 1,120 |
| Trade and other receivables (1,348+251) | 1,599 |
| Cash and cash equivalents | 246 |
| | 2,965 |
| | 6,256 |
| **Equity to owners:** | |
| Share capital | 920 |
| Retained earnings (w3) | 2,238 |
| General reserve (w4) | 796 |
| | 3,954 |
| Non-controlling interest (w5) | 202 |
| | 4,156 |
| Long term liabilities | |
| Minority interest (w7) | 44,250 |
| | 44,250 |
| **Non-Current liabilities:** | |
| Long term borrowings (558+168) | 726 |
| **Current liabilities:** | |
| Trade and other payables (1,168+183) | 1,351 |
| Current portion of long term borrowings | 23 |
| | 1,374 |
| | 6,256 |

**Workings:**

| | **SDGm** | **SDGm** |
|---|---|---|
| Goodwill | | |
| Consideration transferred (250m×60%×SDG1.00) | | 159 |
| Non-controlling interest at fair value | | 86 |
| Net assets at acquisition: | | |
| Share capital | 50 | |
| Retained earnings | 104 | |
| General revenue | 11 | |
| Fair value adjustment (w6) | 34 | |
| | | (199) |

| | | |
|---|---|---|
| Goodwill at acquisition | | 46 |
| Impairment losses to date | | (20) |
| Goodwill at year end | | 26 |

| | | |
|---|---|---|
| 3) Retained earnings | Total | Shell |
| Per question | 2,086 | 394 |
| pre-acquisition | - | (104) |
| mover net on fair value adjustment (w6) | | (16) |
| | | 274 |
| Group share of post-acquisition retained earnings | | |
| shell (274×60%) | 164 | |
| less group impairment losses to date (20×60%) | (12) | |
| | 2,238 | |
| 4) General reserve | | |
| Per question | 775 | 46 |
| Pre-acquisition | | (11) |
| Post-acquisition general reserve | | |
| shell (35×60%) | 21 | |
| | 796 | |
| 5) Non-controlling interests: | | |
| NCI at acquisition (w2) | | 86 |
| NCI share of post-acquisition | | |
| Retained earnings (w3-274×40%) | | 110 |
| General reserve (w4-35×40%) | | 14 |
| Goodwill impairment (20×40%) | | (8) |
| | | 202 |

6) Fair value adjustments:

| | Acquisition date | Movement | Year end |
|---|---|---|---|
| Inventories | 8 | (8) | - |
| Land | 6 | - | 6 |
| Building | 20 | (8) | (12) |
| | 34 | 16 | 18 |

## Question 3:

**The North Co.**
**Statement of cash flow for the year 31 March 2017**

| | SDG m | SDG m |
|---|---|---|
| Cash flow from operating activities | | |
| Profit before taxation | 109 | |
| Adjustments for: | | |
| Loss on disposal | 6 | |
| Depreciation | 43 | |
| Interest income | (6) | |
| Interest expense | 17 | |
| | 169 | |
| Decrease in inventories | 53 | |
| Increase in trade receivables | (8) | |
| Increase in trade payables | 56 | |
| Cash generated from operations | 270 | |
| Interest paid | (13) | |
| Income tax paid | (62) | |
| Net cash from operating activities | | 195 |
| Cash flow from inventory activities | | |
| Purchase of property, plan to equipment | (165) | |
| Proceeds from sale of property | 22 | |
| Interest received | 6 | |
| Net cash used in investing activities | | (137) |
| Cash flow from financing activities | | |
| Proceeds from issue of share capital | 60 | |
| Dividend paid | (32) | |
| Net cash from financing activities | | 26 |
| Net increase in cash and cash requirements | | 86 |
| Cash and cash requirements at beginning of year | | 8 |
| Cash and cash requirements at end of year | | 94 |

# PART (2)

## ANSWERS

| | |
|---|---|
| **Q1** | **(B)** |
| **Q2** | **(D)** |
| **Q3** | **(B)** |
| **Q4** | **(C)** |
| **Q5** | **(A)** |
| **Q6** | **(B)** |
| **Q7** | **(B)** |

**Answer**
**Q2**
**R.Group**
**Consaidelis sallow of financial postilios as at 31 march 2004**

| | |
|---|---|
| | SDG 000 |
| Non-Cowan's - Assets | |
| Land and bulldogs | 3,335 |
| Planted equipment (1,010 + 2,210) | 3,220 |
| Moller Vehicles (510 + 345) | 855 |
| Goodwill | 826 |
| | 8,451 |
| Current Assets | |
| Inventories (890 +352 – 7.2) | 1,234.8 |
| Trade reviles (1,372 + 514 – 39 -36) | 1,811 |
| Cash and cash equivalents (89 + 39 + 51) | 179 |
| | 3,224.8 |
| | 11,475.8 |
| Equity | |
| Share capital | 1,000 |
| Relined evening | 5,257.3 |
| Revaluates surplus | 2,500 |
| | 8,757.3 |
| | 896.5 |
| NC | 9,653.8 |
| Non concrete liabilities' | |
| 10% Deben lines | 500 |
| Current liabilities | |
| Trade payables (996 + 362 – 36) | 1,322 |
| | 11,475.8 |

Working

(1) Good will

| | | |
|---|---|---|
| Considerate 2,000 | | |
| Nc ( 125k shares at SDG 4.40) | | 550 |
| Assets acquiesce ; share capital | 500 | |
| Relined evening | 1,044 | (1,544) |
| | | 1,006 |
| Good will impaired | | (180) |
| | | 826 |

(2) Reliance earning

| | 12 | E |
|---|---|---|
| Per ecquities' | 4,225 | 2,610 |
| Pup ( ws ) | (7.2) | |
| Pre _ ecqusities reliant eaning | | 1,044 |

| | | |
|---|---|---|
| | | 1,566 |
| (3) Group share (post _ acquities ) | | |
| E (1,566 x 75% ) | 1,174.5 | |
| Impaired loss (180 x 75% ) | (135) | |
| Nc1 | 5,257.3 | |
| At acquities | 550 | |
| Post acquities (1,566 x 25% ) | 391.5 | |
| Good will impaired ( 180 x 75% ) | (45) | |
| | 896.5 | |

(4) unrealised prelist on inventers

31,200 x $^{30}/_{130}$ = 7,200

(5) Trade receivables payables

Intergroup balance is reduces to SDG 360,000 (75000-39000)

**Answer**

**Q3 Emma lli**

**Statement of cash flow for the year ended 31 daconbr 2016**

| | SDG 000 | SDG 000 |
|---|---|---|
| Cash flow from operating activities | | |
| Profit before tax | 300 | |
| depreciation charge | 90 | |
| loss an sale of PPE (45-32) | 13 | |
| profit on sale of investment | (s) | |
| invest expense (net) | 50 | |
| (increase ) decreases in inventions | (48) | |
| (increase) decreases in receivables | (75) | |
| Increase in payables | 8 | |
| | 333 | |
| Interest paid | (75) | |
| Curd end paid | (80) | |
| Tax paid (110 + 140 – 120) | (130) | |
| Net cash flow low operating aclinlies | | 48 |
| Payment to acquire fixed assets | (161) | |
| Payment to acquire fixed ineligible assets | (50) | |
| Receipts from sale of PPB | 32 | |
| Receipts from sale of investment | 30 | |
| Enlists received | 25 | |
| net cash flow from investing acluinlre | | (124) |
| cash fiow ham financing calinfies | | |
| issuer of share capital | 60 | |
| lang term loan | 80 | |
| net cash flow ham financing acluinlre | | 140 |

| | | |
|---|---|---|
| inverse in cash equraleuti | | 64 |
| cash & cash equnatetie at | 1/1/2016 | (97) |
| cash & cash equnatetie at | 31/12/2016 | (33) |

**Part B**

**Answer**

| | |
|---|---|
| **Q1** | **(A)** |
| **Q2** | **(C)** |
| **Q3** | **(B)** |
| **Q4** | **( C)** |
| **Q5** | **(A)** |
| **Q6** | **(D)** |
| **Q7** | **(D)** |