Part 1
Answer all questions

Question 1:

Small PLC is a quoted company with an authorised capital of SDG 250,000 consisting of ordinary shares of SDG 1 each. The company prepares its accounts as on 31 March in each year and the trial balance, before final adjustments, extracted on 31 March 2005 showed:

	SDG	SDG
Ordinary share capital issued and fully paid-up	-	200,000
Retained profit as on 1 April 2004	-	61,000
6% debentures stock (secured on leasehold factory)	-	60,000
Leasehold factory (cost)	200,000	-
Accumulated depreciation at beginning of year	-	26,000
Plant and machinery		
Cost at beginning of year	80,000	-
Accumulated depreciation	-	30,000
Additions in year	10,000	-
Creditors and accrued expenses	-	170,000
Stock as 31 March 2005	160,000	-
Debtors	100,000	-
Prepayments	80,000	-
Balance at bank	90,000	-
Profit for the year (subject to any items in The following notes)		111,000
Sale proceeds of plant		12,000
	720,000	**720,000**

You ascertain that:

1. The debenture stock is repayable at par by six equal annual drawings starting on 31 December 2005.
2. The lease of the factory has 56 years at 31 March 2005.
3. Annual depreciation is calculated as to:

Leasehold factory	2% on cost
Plant and machinery	20% reducing balance on net book value as at 31 March 2004 plus additions less disposals

4. Plant disposed of originally cost SDG 16,000. Accumulated depreciation is SDG 3,200.
5. A dividend of 20% is proposed.
6. The directors have placed contracts for new plant costing SDG 5,000. These have not been provided for but should be disclosed.

Required:

Prepare financial position of the company as on 31 March 2005 together with accompanying notes. **(25 mark)**

Question 2:

R. purchased 75% of E Co for SDG 2 million ten years ago when the balance on the retained earnings was SDG 1,044,000. The statements of financial position of the 2 companies as at 31 March 2004 are:

	R	E
	SDG000	SDG000
Non-current Assets		
Investment in E	2,000	-
Land and buildings	3,350	-
Plant and Equipment	1,010	2,210
Motor vehicles	510	345
	6,870	2,555
Current Assets		
Inventories	890	352
Trade receivables	1,372	514
Cash and cash equivalents	89	51
	9,221	3,472
Equity:		
Share capital - SDG 1 ordinary	1,000	500
Retained earnings	4,225	2,610
Revaluation surplus	2,500	-
	7,725	3,110
Non-current liabilities:		
10% debentures	500	-
Current liabilities:		
Trade payables	996	362
Total equity & liabilities	9,221	3,472

The following additional information is available:

1. Included in amounts of trade receivables of R are amounts owed by E of SDG 75,000. The current accounts do not at present balance due to a payment of SDG 39,000 being in transit at the year end from E.
2. Included in the inventories of E are items purchased from R during the year for SDG 31,200. R marks up the goods by 30% of selling price.
3. SDG 180,000 of goodwill is to be written off due to impairment losses.
4. E shares were trading at SDG 4.40 just prior to acquisition by R and this price is used to value non-controlling interest.

Required:

Prepare the financial position of R group as at 31 March 2004. It is the group policy to value NCI at full (or fair) value.

(25 marks)

Question 3:

Set out below are the financial statements of Emma co.

statement of profit and loss for the year ended 31 December 2016:

	SDG 000
Revenue	2,553
Cost of sales	(1,814)
Gross profit	739
Other income (interest received)	25
Distribution cost	(125)
Administrative expenses	(264)
Finance costs	(75)
Profit before tax	300
Income tax expense	(140)
Profit for the year	160

Statement of financial position as at 31 December

	2016 SDG 000	2015 SDG 000
Assets:		
Non-current assets:		
Property, plant and equipment	380	305
Intangible assets	250	200
Investments	-	25
Current assets:		
Inventories	150	102
Receivables	390	315
Short term investments	50	-
Cash in hand	2	1
Total assets	1,222	948
Equity & liabilities:		
Equity:		
Share capital (SDG 1 ordinary shares)	200	150
Share premium account	160	150
Revaluation surplus	100	91
Retained earnings	260	180
Non-current liabilities :		
Long term loan	130	50
Environmental provision	40	-
Current liabilities:		
Trade payables	127	119
Bank overdraft	85	98
Taxation	120	110
Total equity & liabilities	1,222	948

The following information is available:

1. The proceeds of the sale of non-current asset investments amounted to SDG 30,000.
2. Furniture and fittings with an original cost of SDG 85,000 and a net book value of SDG 45,000 were sold for SDG 32,000 during the year.
3. The following information relates to property, plant and equipment:

	31/12/2016	**31/12/2015**
	SDG 000	**SDG 000**
Cost	720	595
Accumulated depreciation	(340)	(290)
	380	305

4. On 31 December 2016 Emma purchased a quarry from which extraction will take place for 5 years. At the end of that time Emma will be obliged to close off the quarry and make the area safe. The cost of this has been estimated and discounted to present amount of the quarry and shown as a provision 40,000 SDG.
5. 50,000 SDG 1 Shares were issued during the year at a premium of SDG 0.20 per share.
6. The short term investments are highly liquid and close to maturity.
7. Dividends of SDG 80,000 were paid during the year.

Required:

Prepare statement of cash flow for the year end 31/12/2016.

(25 marks)

Part 2
Seven Questions
Answer all questions

Question 1:
Which one of the following is an enhancing qualitative characteristic of financial information according to the conceptual frame work?

- **A.** Timeliness.
- **B.** Materiality.
- **C.** Relevance.
- **D.** Accruals.

Question 2:
Which one of the following is not an item which is required to be shown on the face of the statement of financial position according to IAS (1)?

- **A.** Inventories.
- **B.** Biological assets.
- **C.** Irrevocable debts provision.
- **D.** Investment property.

Question 3:
W. acquired a property on 1 January 2001 for SDG 250,000, being SDG 200,000 for building and SDG 50,000 for the land. The building has a useful life 50 years. On 1 January 2006 the properly was independently valued which resulted in an increase of SDG 100,000 to the carrying amount of the building and SDG 50,000 to the carrying amount of the land. The useful life is unchanged.

What is the depreciation charge for the year ended 31 December 2006?

- **A.** SDG 5,520
- **B.** SDG 6,222
- **C.** SDG 6,273
- **D.** SDG 6,818

Question 4:
Which one of the following could be capitalised as an intangible asset?

- **A.** Internally generated goodwill.
- **B.** Training cost related to a new product.
- **C.** A purchased brand name.
- **D.** Business start-up costs.

Question 5:

A company set up a gas exploration site on 1 January 2016 which will operate for 5 years at the end of the 5 years the site will need to be dismantled and the landscape restored. The amount required for dismantling and restoration discounted at the company's capital of 8%, is SDG 1.2 million, and a provision is set up for the amount.

What is the total charged to profit or loss for the year ended 31 December 2017 in respect of these dismantling and restoration cost?

A. SDG 343,680
B. SDG 336,000
C. SDG 103,680
D. SDG 96,000

Question 6:

Which one of the following would not arise due to the upward revaluation of non-current assets?

A. Asset values would be higher.
B. ROCE would be lower.
C. Capital employed would be higher.
D. Profit would be increased.

Question 7:

On April 2007 a company rents a warehouse under a 2-year operating lease for SDG 240,000 SDG per annum. As an incentive to sign the contract it is given the first two months rent-free.

What amount in respect of lease rental should be charged to profit or loss for the year ended 31 December 2007?

A. SDG 228,000
B. SDG 168,000
C. SDG 133,000
D. SDG 171,000

Answer F7 (June 2017)

Question 1:

Small plc
Financial position as at 30 June 2015

	SDG	SDG
Assets:		
Non-current assets		157,760
Current assets:		
Stock	160,000	
Debtors	180,000	
Cash at Bank and in band	90,000	
		430,000
Total assets		587,760
Equity & liabilities:		
Equity		
Share capital		
Ordinary share capital		200,000
Retained earnings		117,760
		317,760
Non-current liabilities:		
6% debentures stock		50,000
Current liabilities		220,000
Total Equity & liabilities		587,760

Notes:

Debtors	
Trade debtors	100,000
Prepayment and accrued income	80,000
	180,000
Current liabilities:	
Debenture loan	10,000
Trade creditors	170,000
Proposed dividend	40,000
	220,000

Income statement for the year ended 30 June 2015

	SDG	SDG
Gross profit for the period		
40,754		
General and Administration expenses:		
Wages and Salaries	14,100	
Rates & insurance (705-75)	630	
Postage and telephone	310	
Light and heat (608+274)	882	
General expenses	1,554	
Depreciation:		
Vehicles	1,940	
Office fittings	3,348	
Bad debts	170	
Debenture interest	800	
Director's fees (1250+2500)	3,750	
Audit fee	600	
(28,084)		
Net profit		
12,670		

Statement of changes in Equity

Accumulated profit

Balance b/d 30 June 2014	12,126
Net profit	12,670
Proposed dividend: ordinary	(6,000)
8% preference	(1,600)
Transfer to general reserve	(6,000)
Balance 30 June 2015	11,196

Question 2:

P Ltd & D Ltd
Consolidated financial position as at 31 December 2009

	SDG	SDG
Non-current assets		
Fixed assets (320,600+1,125)		321,752
Current assets (w2)		149,500
Total assets		471,225
Equity & liabilities:		
Equity		
Share capital		200,000
Accumulated profit		127,310
		327,310
Long term liabilities		
Minority interest (w7)		44,250
		44,250
Current liabilities:		
Accounts payable	78,200	
Proposed dividend	20,000	
Minority dividend payable (w3)	1,465	99,665
Total assets & liabilities		471,225

Workings:

Consolidated current assets		
P Ltd	113,100	
D Ltd	43,400	
Less: provision for unrealised profit (stock)	(7,000)	149,500
Stock – urealised profit:		
P Ltd – stock	42,000	
Unrealised profit (20/120 × 42,000)	7,000	
Group share 75%	5,250	
Minority interest 25%	1,750	

Proposed dividend

	Ordinary SDG	Preference SDG	Total SDG
Proposed dividend	2,500	1,400	3,900
Less: cancelled with dividend			
Receivable by P Ltd (2,435)	(1,875)	(560)	
Dividend payable to minority	625	840	1,465

Goodwill:

Cost of investment		73, 000
Less:		
Ordinary share capital	50,000	
Profit &less account	20,000	

	70,000	
75%		(52,500)
		20,500
Preference share capital	40,000	
40%		(16,000)
		4,500
Amortisation charge 4,500 × 75/100		(3,375)
		1,125
Consolidated reserves:		
P Ltd: pre-acquisition	120,000	
Dividend receivable	2,435	122,435
D Ltd: (38,000 – 1,000 – 20,000)3/4		8,250
Less goodwill amortised		(3,375)
		127,310
Minority interest		
Net assets of D Ltd		
Ordinary share capital	50,000	
Profit &less account	31,000	81,000
25% 25/100 × 81,000		20,250
Profit share capital	40,000	
60%		24,000

Question 3:

ABC Ltd

Statement of cash flow for the year ended 31 March 2009

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

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)**