Part 1
Answer all questions

Question 1:

The following is trial balance prepared from the accounting records of melody Ltd at 31 March, 2012:

	SDG	SDG
Authorised and issued share capital		
(SDg1 ordinary shares fully paid)		25,000
Bank overdraft		3,620
Bank and loan interest	1,270	
Cost of goods sold	105,800	
Trade creditors		14,790
Trade debtors	12,920	
Disposal of fixtures & fittings		2,600
Fixtures & fittings at cost	23,170	
Freehold property at valuation	36,000	
Mortgage loan		10,000
Profit & loss a/c at 31 March 2011		20,860
Provision for depreciation of Fixtures & fittings		9,530
Sales		146,000
*Stock-in-trade at 31 March 2012	20,760	
Sundry expenses	32,480	
	232,400	232,400

*Replacement value of the stock SDG 25,000

The following information is relevant:

1) Sundry expenses consist of:

	SDG	SDG
Directors salaries-chairman	3,000	
Director A	5,000	
Director B	2,000	10,000
Depreciation of fixtures & fittings:		
For year to 31 March 2012		2,050
Entertainment expenses		430
Travel expenses		1,270
Other expenses: Distribution	13,000	
Administration	5,730	
(Includes SDG 4000 Wages)		18,730
		32,480

2) The mortgage loan is secured by mortgage over the company freehold property. It redeemable by 10 annual in statements of SDG 1,000 commencing 1 January 2014. The loan carries an interest rate of 9% P.a. and SDG 900 interest paid for the current year has been included in bank and loan interest.
3) The directors have authorised an extension to the company's premises at an estimated cost of SDG 13,000 but contracts are still being negotiated.

4) The freehold property cost SDG26,000 in 1960 three years ago the property was valued at a realisable value of SDG 36,000. The revaluation surplus was converted into a bouns issue of shares to shareholders.
5) Fixtures and fittings at cost SDG 23,170 include:
   i) The items sold during the year for SDG 2,600 which are still recorded at cost of SDG 5,000 with corresponding provision for depreciation of SDG 3,800.
   ii) Items purchased during year. Recorded at cost SDG 4,950, with corresponding provision for depreciation SDG 495.
6) Income tax at 40% on chargeable profits of SDG 6,000 for the year to 31 March 2012 will be payable on 1 January 2013.
7) Provision is to be made for a proposed dividend of 10% on share capital.

Required:

A) The income statement for the year ended 31 March 2012.

B) Financial position for melody Ltd as at 31 March 2012.

(25 marks)

Question 2:

The statements of financial position of J co. and its investees companies, P co and S co, at 31 December 2015 are shown below:

Statements of financial position as at 31 December 2015:

	J co SDG000s	P co SDG000s	S co SDG000s
Non-current Assets			
Freehold Property	1,950	1,250	500
Plant and machinery	795	375	285
Investments	1,500	-	-
	4,245	1,625	785
Current Assets			
Inventory	575	300	265
Trade receivables	330	290	370
Cash	50	120	20
Total assets	955	710	655
	5,200	2,335	1,440
Equity & liabilities:			
Equity:			
Share capital SDG1 shares	2,000	1,000	750
Retained earnings	1,460	885	390
	3,460	1,885	1,140
Non-current liabilities:			
12% loan stock	500	100	-
Current liabilities:			
Trade payables	680	350	300
Bank overdraft	560	-	-
	1,240	350	300
Total equity & liabilities	5,200	2,335	1,440

Additional information:

a) J co acquired 600,000 ordinary shares in P co on 1 January 2010 for SDG 1,000,000 when the retained earnings of P co were SDG 200,000.

b) At the date of acquisition of P co, the fair value of its freehold property was considered to be SDG 400,000 greater than its value in Pco's statement of financial position. P co had acquired the property in January 2010 and buildings element (comprising 50% of the total value) is depreciated on cost over 50 years.

c) J co acquired 225,000 ordinary shares in S co Ltd on 1 January 2014 for SDG 500,000 when the retained earnings of S co were SDG 150,000.

d) P co manufactures a component used by both J co and S co. transfers are made by P co at cost plus 25%. J co held SDG 100,000 inventory of these components at 31 December 2015. In the same period J co sold goods to S co of which S co had SDG 80,000 in inventory at 31 December 2015. J co had marked these goods up by 25%.

e) The goodwill of P co is impaired and should be fully written off, an impairment loss SDG 92,000 is to be recognised on the investment in S co.

f) Non-controlling interest is valued at full fair value P co shares were trading at SDG 1.60 just prior to the acquisition by J co.

Required:

The consolidated statement of financial position of the J group as at 31 December 2015.

(25 marks)

Question 3:

The summarised financial positions sheets of Solid P/C as at 31 December 2017 and 2018 are as follows.

	2018	2017
	SDG	SDG
Issued share capital (ordinary shares)	150,000	100,000
Share premium	35,000	15,000
Profit & loss account	36,000	11,500
Debentures	30,000	70,000
Deferred taxation	18,000	11,000
Creditors	48,000	34,000
Bank overdraft	———	14,000
Corporation tax payable	15,000	10,500
Proposed dividends	20,000	10,000
Depreciation on plant and machinery	54,000	45,000
Depreciation on fixtures fittings	15,000	13,000
	421,000	**334,000**
Freehold property (at cost)	130,000	110,000
Plant and machinery (at cost)	151,000	120,000
Freehold and fittings (at cost)	29,000	24,000
Stock	51,000	37,000
Debtors	44,000	42,800
Government stock	4,600	-
Cash at bank	11,400	200
	421,000	**334,000**

The following information is relevant:

A. There had been no disposal of freehold property in the year.
B. A machine tool which had cost 8,000 SDG (in respect of 6,000 SDG depreciation had been provided) was sold for 3,000 SDG, and firnture which had cost 5,000 SDG (in respect of depreciation of 2,000 SDG had been provided) were sold for 1,000 SDG. Profits and losses on those transactions had been dealt with through the profit and loss a/c.
C. The corporation tax liability in respect of the year ended 31 December 2017, amounting to 10,500 SDG had been paid during the year.
   The profit and loss account charges in respect of tax were: corporation tax 12,500 SDG deferred tax 9,500 SDG.
D. The premium paid on redemption of debentures was 2,000 SDG which had been written off to profit and loss account.
E. The proposed dividend for 2017 had been paid during the year.
F. Interest received during the year was 450 SDG.

And interest charged in the profit and loss account for the year was 6,400 SDG. Accrued interest of 440 SDG is included in creditors at 31 December 2017 (Nil at 31 December 2018).

Required:

Prepare a cash flow statement for the year ended 31 December 2018.

(25 marks)

Part 2
Seven Questions
Answer all questions

Question 1:

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 2:

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 3:

Python obtained 30 % of the equity shares of Cobra on 1 June 2018 for SDG 700,000. It is able to exercise significant influence over Cobra. During the year to 31 May 2019 Cobra made sales of SDG 200,000 to Python, priced at cost + 25% mark-up. Python still had 50% of these goods in inventory at the year end. Cobra's statement of profit or loss for the year ended 31 May 2019 shows a profit for the year of SDG 650,000.

What amount should be shown as "investment in associate" in the consolidated statement of financial position of Python as at 31 May 2019?

- **A.** SDG 895,000
- **B.** SDG 875,000
- **C.** SDG 835,000
- **D.** SDG 870,000

Question 4:

The trial balance of C, a limited liability company, did not agree, and a suspense account was opened for the difference.

The stem revealed a number of errors:

1) SDG 4,600 paid for motor van repairs was correctly treated in the cashbook but was credited to motor vans vehicles asset account.
2) SDG 360 received from B, a customer, was credited in error to the account of BB.
3) SDG 9,500 paid for rent was debited to the rent account as SDG 5,900.
4) The total of the discount allowed column in the cashbook had been debited in error to the discounts received account.
5) No entries had been made to record cash sale of SDG 100.

Which of the errors above would require an entry to the suspense account to correct them?

- **A.** (3) and (4)
- **B.** (1) and (3)
- **C.** (2) and (5)
- **D.** (2) and (3)

Question 5:

H, a limited liability company, acquired 75% of the share capital of S for SDG 280,000 on 1 January 2004. Goodwill grising on consolidation has been fully amortised.

Details of the share capital and reserves of the follows:

	1 January 2004	31 December 2010
	SDG	SDG
Share capital	200,000	200,000
Accumulated profits	120,000	180,000

At 31 December 2010, the accumulated profits of H amounted to SDG 480,000.

What figure for accumulated profit should appear in the consolidated financial position of H Ltd in31 December 2010?

A. SDG 530,000
B. SDG 525,000
C. SDG 485,000
D. SDG 575,000

Question 6:

At 1 January 2000 the capital structure of Q, a limited liability company, was as follows:

	SDG
Issued share capital (1,000,000 ordinary shares of SDG 0.50)	500,000
Share premium account	300,000

On 1 April 2000, the company made issue of 200,000 SDG 0.50 shares at SDG 1.30 each, and on 1 July the company made a bonus issue of one share of every four in issue at the time, using the share premium account for the purpose.

Which of the following correctly states the company share capital and share premium at 31 December 2000?

	Share capital	Share premium a/c
A.	SDG 750,000	SDG 230,000
B.	SDG 875,000	SDG 285,000
C.	SDG 750,000	SDG 310,000
D.	SDG 750,000	SDG 610,000

Question 7:

An analysis of its financial statements revealed that the accounts receivable collection period of a limited company was 100 days, when 60 days is a reasonable figure.

Which one of the following could not account for the high level of 100 days?

A. Poor per performance in the company's credit control department.
B. A large credit sale made just before the financial position date.
C. The company's trade is seasonal.
D. A downturn in the company's trade in the last quarter of the year.

Answer F7 (June 2018)

Part A

Question (1):

A):

Melody Ltd

Income statement for the year Ended 31 March 2012

	SDG
Turnover	146,000
Cost of sales	(105,800)
Gross profit	40,200
Distribution cost	(13,000)
Administrative expenses	(19,480)
	(7,720)
Interest payable	(1,270)
	6,450
Tax on ordinary activities(40% × 6,000)	(2,400)
	4,050
Extra ordinary income	1,400
	5,450
Dividends proposed	(2,500)
	2,950
Accumulated profit (31 March 2011)	20,860
Retained profits	23,810

B):

Financial position as at 31 March 2012

	SDG	SDG
Assets:		
Non-current assets		48,440
Current assets:		
Stock	20,760	
Debtors	12,920	33,680
Total assets		82,120
Equity & liabilities:		
Equity		
Share capital		25,000
Retained earnings		23,810
		48,810
Non-current liabilities:		
9% mortgage loan		10,000
		10,000
Current liabilities		
Trade Payables		23,310
		23,310
Total equity & liabilities		82,120

Notes:

Trade payables:	
Trade creditors	14,790
Income tax	2,400
Bank loan & overdraft	3,620
Proposed ordinary dividend	2,500
	23,310

Q2
J.Group
Consolidated statement of financial position as at 31 December 2015

	SDG 000
Non-current assets	
Freehold property	3,570
Plant and machinery (795 + 375)	1,170
Investment in associate	475
	5,215
Current Assets:	
Inventory	855
Receivables (330 + 290)	620
Cash	170
	1,645
Total assets	6,860
Equity & liabilities	
Equity	
Share capital	2,000
Relined earnings	1,792
	3,792
Non-current liabilities	
12% loan stock (500+100)	600
Current liabilities	
Accounts payables (680+560+350)	1,590
Total equity & liabilities	6,860

Workings:

Group structure

J co

1/1/10 60% (6 years) — P co

30% 1/1/4 (2 years) — S co

1) Fair value adjustment:

	Difference at acquisition	Difference 2015
Property	400	400
Additional depreciation	-	(30)
	400	370

Charge 30,000 to retained earnings

2) Goodwill

P co

Consideration transferred		1,000
Non-controlling interest (400×1.6)		640
Net assets acquired:		
Share capital	1,000	
Retained earnings	200	

Fair value adjustment	400	(1,600)	
		40	
Impairment loss		(40)	

3) Investment associate:

Cost of investment	500
Share of post-acquisition profit (390-150)×30%	72
Less PUP (unrealised profit)	(4.8)
Less impairment loss	(92)
	475.20

4) Retained earnings

	J co	P co	S co
Retained earnings per question adjustments	1,460	885	390
Unrealised profit	(4.8)	(20)	
Fair value adjustment		(30)	
Impairment loss		(40)	
		795	390
Less reacquisition reserves		(200)	(50)
	1,485	595	240
P co 60%×595	357		
S co 30%×240	72		
Impairment loss (S co)	(92)		
	1,792		
Non-controlling interest	640		
Share of post-acquisition retained earnings (595×40%)	238		
	878		

Solid Ltd

Cash flow statement for year ended 31 December 2018 2018

	SDG	SDG
Cash flow from operating activities		
Net Profit before tax	75,450	
Adjustments:	19,000	
Depreciation	94,450	
Increase in stocks	(14,000)	
Increase in debtors	(1,200)	
Increase in creditors	14,440	
	93,690	
Interest received	450	
Interest paid	(6,840)	
Tax paid	(10,500)	
Cash inflow from operating activities	76,800	76,800
Cash flow from inventory activities:		
Purchase of assets	(69,000)	
Receipts of assets sales	4,000	
Purchase of gout-stock	(4,600)	
Net cash out flow from investing activities		(69,600)
Cash flow from financing activities		
Issue of shares	70,000	
Redemption of debentures	(42,000)	
Dividend proposed	(10,000)	
Cash inflow from financing activities		18,000
Balance of cash requirements during year		25,200
Cash and cash requirements beginning of year		(13,800)
Cash and cash requirements at end of year		11,400

Part B

Answer

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