PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF BUSINESS LEADERSHIP

SEPTEMBER-DECEMBER 2019

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BUA4113

COURSE TITLE: FINANCIAL ACCOUNTING IV

EXAM DATE: THURSDAY 5th DECEMBER 2019

DURATION: 2 HOURS

TIME: 9:00AM-11:00AM

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- *Write clearly and legibly.*
- This exam script consists of **Six (6)** questions.
- Answer question **ONE** and ANY other **three** Questions.
- *ALL PAC University's examination rules and regulations apply*

QUESTION ONE: COMPULSORY

a) Outline five issues that may be addressed by a company's social responsibility report. (5 Marks)

b) Explain benefits that a company may obtain from reporting its social responsibility activities (5 marks)

c) The summarized statement of financial position of X Ltd and Y Ltd at 31st December 2014 is as follows.

	X Ltd	Y Ltd
Fixed assets at book value	60,000,000	46,000,000
Investment in Y Ltd	75,000,000	-
Current Assets:		
Stock	32,000,000	13,000,000
Debtors	27,000,000	17,000,000
Bank	1,000,000	2,000,000
	195,000,000	78,000,000
Financed by:		
Share capital (ordinary shares)	80,000,000	40,000,000
Preference share capital	20,000,000	10,000,000
Retained profits	70,000,000	12,500,000
	170,000,000	62,500,000
Current liabilities	25,000,000	15,500,000
	195,000,000	**78,000,000**

Additional information

i. X Ltd purchased the entire share capital of Y Ltd on 31st December 2014. The fixed assets of Y Ltd are considered to posse a fair value of shs 54,000,000 but there is no material difference between the book value and the fair values of the remaining assets.

ii. Good will as at 31st December 2016 was tested for impairment and was found to be worth shs. 6,000,000.

Required

a) Calculate

i. The groups Goodwill amount (4 Marks)

ii. Post-acquisition profits of Y Ltd (3 Marks)

iii. Minority interest (3 Marks)

b) Prepare the consolidated statement of financial position of the group as at 31st December 2016 (10 Marks)

QUESTION TWO

The following balances were extracted from the books of Mavellous Traders Ltd at 31st January 2016.

Ordinary shares of shs. 1 each fully paid	1,200,000
10% Preference shares of shs. 1 each, fully paid	200,000
Share premium	160,000
8% Loan stock	200,000
Trade creditors	296,000
Trade debtors	660,000
Sales	9,600,000
Purchases	8,440,000
Discount allowed	10,000
Discount received	26,000
Freehold building at cost	1,000,000
Provision for depreciation on freehold building	100,000
Fixtures and fittings at cost	1,280,000
Provision for depreciation on fixtures and fittings	512,000
Stock at 1at February 2013	840,000
Returns outwards	160,000
Establishment expenses	706,000
Bad debts written off	8,000
Provision for doubtful debts	36,000
Profit and loss account at 1st February 2013	724,000
Good will	320,000
Bank overdraft	50,000

Additional information

i. The provision for doubtful debts at 31st January 2014 is to be 5% of trade debtors at that date.
ii. Gross profit for the year is at a rate of 16% of sales.
iii. Depreciation is to be provided annually on the cost of fixed assets held at the end of the year at the following rates:
    - Freehold buildings 2%
    - Fixtures and fittings 10%
iv. The company's directors propose that preference share dividend be paid, a dividend of 10% on the ordinary shares be paid and transfer an amount of shs. 500,000 to general reserve.

Required

a) Prepare published income statement for the year ended 31st December 2014 (10 Marks)

QUESTION THREE

The following financial information was extracted from the books of Mapera commercial Bank Ltd for the year ended 30th September 2015.

Interest incomes:	
- Loans and advances to customers	5,014,000
- Finance leases	4,680,000
- Government bonds	2,410,000
- Deposits with other banks	1,008,000
Interest expenses on customers deposits	2,500,000
Interest on deposits with other banks	56,000
Fees and commissions received	1,864,000
Foreign exchange commission receivable	110,000
Other operating incomes	1,500,000
Fees and other expenses	150,000
Impairment loans and advances	840,000
Administration costs	3,860,000
General operating expenses	3,140,000
Income tax expense	2,100,000
Retained profits (1 October 2014)	16,640,000
Cash and balances with central bank	12,800,000
Deposits and balances due from other banks	19,200,000
Government bonds and other securities	15,400,000
Loans and advances to customers	132,270,000
Other assets	715,000
Deferred tax assets	60,000
Other investments	156,000
Property, plant and equipment	2,250,000
Intangible assets	2,150,000
Ordinary shares (shs.10 each)	5,085,000
Share premium	90,000
Revaluation reserves	460,000
Statutory reserves	1,910,000
Customers deposits	150,995,000
Deposits from other banks	2,200,000
Current tax liabilities	1,145,000
Other liabilities	1,100,000
Deferred tax liabilities	1,446,000

Additional information:

1. Property, plant and equipment is to be revalued to shs. 4,250,000
2. An allowance for unservised loans is to be created at 2% on outstanding loans and advances to customers.
3. Intangible assets were impaired at 20% at the end of the year.

Required
Prepare Income statement for the year ended on 30th September 2015 (10 Marks)

QUESTION FOUR

H Ltd acquired 70% of the ordinary shares of S Ltd on 1st January 2013. As at the date of acquisition the retained earnings for S Ltd stood at 200,000,000. The following is a summarized income statement of the two companies for the year ended 31st December 2015

	H LTD	**S LTD**
Turnover	4,000,000	3,000,000
Cost of sales	(2,500,000)	(2,000,000)
Gross Profit	1,500,000	1,000,000
Operating expenses	(700,000)	(600,000)
Profit before tax	800,000	400,000
Taxation	(350,000)	(180,000)
Profit after tax	450,000	220,000
Dividends paid	(200,000)	(100,000)
Retained profits for the year	150,000	120,000
Retained profits bal b/d	2,000,000	1,100,000
Retained profits bal c/d	2,150,000	1,220,000

Additional information

i. During the year S Ltd sold some of its stock to H Ltd for shs 300,000
ii. Goodwill impairment at the end of the period amounted to shs 150,000.

Required

Prepare a consolidated income statement for H Ltd for the year ended 31st December 2015 . (10 Marks)

QUESTION FIVE

a) Outline four users of environmental accounting reports (4 Marks)
b) Explain three benefits a firm may achieve by preparing environmental financial reports (6 Marks)

QUESTION SIX

a) A Ltd acquired 80% of B Ltd on 1st Jan 2010. The share capital Of B Ltd stood at Shs 2,000,000 while its revenue reserve stood at shs 800,000. A Ltd paid shs 7,000,000 for the purchase of B Ltd. On 31st December 2012 revenue reserves of B Ltd stood at shs 1,000,000.
Required

i. Determine the goodwill on acquisition (5 Marks)

ii. Compute the amount of minority interest as at 31st December 2012. (5 Marks)