PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

JANUARY- APRIL 2023

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: BUA 4113

COURSE TITLE: FINANCIAL ACCOUNTING IV

EXAM DATE: APRIL 2023

TIME:

INSTRUCTIONS

- This examination script consists of **Six (6)** questions.
- Answer question **FOUR** Questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

Question One (10 marks)

A Company held share in D company which it bought for shs. 21,000 in 2012 when the index of the general prices stood at 105. At the end of 2021 the market price of the shares was shs.18, 000 and the index 125. At the end of 2202 the market share was shs.20, 000 and index 130.

a. Calculate the Current Purchasing Power (CPP) value of the shares at the end of 2021 and 2022 using the conversion method. (6 marks)
b. Under CPP account what gain or loss will be shown in respect to the shares (4marks)

Question Two (10 Marks)

The lessee of a mine is to pay **shs1** for each ton of ore extracted. The minimum rent is to be **shs. 400 per annum**. Any payments for short working are recoupable only in the two years following that in which they occurred. The following table shows the effect of extraction figures:

Year	Calculation of Royalty	Minimum rent	Payment	Short workings		
				Current	Written off	Recoverable
1	310	400	400	90	-	-
2	560	400	470	-	-	90
3	280	400	400	120	-	-
4	440	400	400	-	-	40
5	450	400	400	-	30	50

From the above table open the following ledger accounts:

i. Royalty account (2 marks)
ii. Land lord account (4 marks)
iii. Short workings account (4marks)

Question Three (10 Marks)

From the information given below, prepare a cattle statement to ascertain profits or losses made by the cattle rearing section of Z farm 31/12/22

	No.	**Value**
Opening stock	50	9,000,000
Closing stock	60	11,000,000
Purchase of cattle during the year	110	20,500,000

Sales of live cattle	95	21,200,000
Sale of slaughtered cattle	6	1,200,000
Sales of carcasses	4	1,000,000
Cattle food		1,800,000
Wages		4,500,000
Slaughter house expenses		500,000

Additional information

2. Crops worth sh:5,000,000 grown in a farm had been used for feeding cattle
3. Out of the calves born 2 died and their carcasses realized shs. 10,000.

Required: Prepare a cattle statement

Question Four **(10 Marks)**

a. Discuss **revenue test** as used in segment reporting . (2 marks)
b. Explain **four** situations which call for capital reconstruction. (8 marks)

Question Five **(10 marks)**

Explain the following methods under construction contracts:

i. Percentage of completion method (5 marks)
ii. Cost-to-cost Approach (5 marks)

Question Six **(10 marks)**

a. Discuss the term business combination using relevant examples. (2 marks)
b. According to IFRS 3, an entity shall account for each business combination by applying the acquisition method. Applying the acquisition method requires:
   i. identifying the acquirer;
   ii. determining the acquisition date;
   iii. Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
   iv. Recognising and measuring goodwill or a gain from a bargain purchase

Required

Discuss the four requirements stated above. (8 marks)