



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

30 JUN 2022

COURSE CODE : CAC 207
COURSE TITLE : GENERAL FINANCIAL REPORTING
SPECIAL REQUIREMENTS : NONE
DURATION : 3 Hours
LEVEL : 2.2
DATE :

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer all questions.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []

SECTION A [30MARKS]

Instructions

Answer all questions in this section

Each question carries 2marks

Select the most appropriate answer

1. The following should be disclosed according to IAS 20, Government grants and government assistance, **except**

- A. The presentation method adopted by the entity for the government grants in the financial statements
- B. The conditions not relating to the government grants
- C. Other forms of the government assistance received by the entity, from which entity has obtained benefits
- D. Any unfulfilled conditions related to the grant which has been recognized.

2. IAS 1, Presentation of financial statements framework, identified the elements of the financial statements. Which of the following items are elements of the financial statements?

- (i) Income
- (ii) Expenses
- (iii) Assets
- (iv) Drawings

- A. (i) (ii) and (iii)
- B. (ii), (iii) and (iv)
- C. (i) (iii) and (iv)
- D. (i), (ii) and (iv)

3. Revenues should be recognised when then are actually realised. This is according to

- A. The consistency concept
- B. The going concern concept
- C. The accruals concept
- D. The prudence concept

4. Entity J operates in a country in which a state-owned entity (entity K) has a legally protected monopoly over the supply of electricity in that country. Accordingly, entity J depends on entity K to provide the energy needed to operate its plant.

Recently, the demand has exceeded the supply of electricity in that country. In response to the shortfall, entity K has rationed the supply of electricity in the jurisdiction that it supplies. The shortage of power has caused entity J to operate at suboptimal levels.

Which of the following statements is true about entity K

- A. Simply by virtue of its normal dealings with entity J, the electricity supplier (entity K) does not become a related party of entity J.
- B. Simply by virtue of its normal dealings with entity J, the electricity supplier (entity K) becomes a related party of Entity J
- C. Simply by virtue of its normal dealings with entity J, the electricity supplier (entity K) becomes a partial related party of Entity J
- D. Simply by virtue of its normal dealings with entity J, the electricity supplier (entity K) does not become a partial related party of Entity J

5. The following information is available

SEGMENTS	i	ii	iii	iv
	\$000	\$000	\$000	\$000
Consolidated Revenue				
Sales to customers	10	40	20	4
Inter-segment sales	5	-	12	6

The company includes all sales from internal accounting purposes. Which of the above segments should be disclosed in accordance with IFRS 8

- A. i, ii and iii
- B. i, ii, iii and iv
- C. i, iii and iv

D. ii. iii and iv

6) P Statement of financial position

Investment in subsidiary: 6 shares	15
Stock	20
Bank	5
	40
Share capital	30
Reserves	10
	40

S Statement of financial position

Stock	7
Bank	3
	10
Share capital	10

The goodwill to be included in the consolidated statement of financial position for P and S Ltd is

- A. 4
- B. 6
- C. 9
- D. 10

7) Using the information in question 6 above, the minority interest is

- A. 4
- B. 5
- C. 9
- D. 10

8) The following items are excluded in the calculation of segment result

- (i) extraordinary items
- (ii) interest or dividend income, including interest earned on advances or loans to other segments
- (iii) Interest paid, including interest incurred on advance or loans from other segments the difference between segment revenue and expenses.
- (iv) Segment expenses

- A. i, ii and iii
- B. i, iii and iv
- C. i, ii and iv
- D. all of the above

9) The owner of an entity used his personal funds to settle an obligation of the entity directly with a creditor of the entity. According to IAS 24, related party disclosures, the owner of the company a related party because

- A. There is transfer of economic resources from the owner to the entity as a contribution of equity to the entity
- B. The owner is also a director of the entity
- C. The owner contributed money from his personal savings
- D. There is no full transfer of economic resources from the owner to the entity as a contribution of equity to the entity

10) According to IAS 9, cash equivalents are

- A. an issued single financial instrument that contains both liability and equity (e.g. a convertible loan).
- B. short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.
- C. an issued single financial instrument that contains equity
- D. cash on hand and demand deposits with banks or other financial institutions.

11) The requirements for IFRS 8-Segmental reporting apply to

- A. Listed companies only
- B. Listed and unlisted companies

C. Unlisted Companies only

D. Small and medium enterprises

12) The conceptual framework of financial reporting, shows the qualitative characteristics of financial statements as follows

(i) Comparability

(ii) Faithful presentation

(iii) Understandability

(iv) Relevance

Which of these characteristics are **fundamental**

A. (i) and (iii)

B. (ii) and (iv)

C. (ii) and (iii)

D. (i) and (iv)

13) With reference to question 12 above, which of these characteristics are **enhancing**

A. (i) and (iii)

B. (ii) and (iv)

C. (ii) and (iii)

D. (i) and (iv)

14) A business or geographical segment shall be treated as a reportable segment, if a majority of its sales revenue is earned from sales to external customers and if it satisfies one of the following criteria:

A. its sales revenue makes up at least 10% of the total sales revenue of the entity (group of entities), including revenue from sales to other segments;

B. segment results make up at most 10% of the total operating profit (loss) of the entity (group of entities);

C. Segment assets make up at less than 10% of the total assets of the entity (group of entities).

D. its sales revenue makes up more than 10% of the total sales revenue of the entity (group of entities), including revenue from sales to other segments

Question three

Determine whether the following scenarios are related party disclosures and give reasons for your answer.

- (a) GB Investments plc operates in a country in which a state-owned entity (ZESA Enterprises) has a legally protected monopoly over the supply of electricity in that country. Accordingly, GB Investments plc depends on to provide the energy needed to operate its plant.
Recently, the demand has exceeded the supply of electricity in that country. In response to the shortfall, ZESA Enterprises has rationed the supply of electricity in the jurisdiction that it supplies. The shortage of power has caused GB Investments plc to operate at suboptimal levels. [4 MARKS]
- (b) Wood Brooke plc is funded mostly by a loan from a commercial bank (NMB Bank). The terms of the loan place a number of restrictions on Wood Brooke plc, including solvency requirements and restrictions on the extent to which Wood Brooke plc can distribute accumulated profits to its owners. [4 MARKS]
- (c) Aerodrome ltd sells a vehicle that it no longer requires to its managing director at its market value. [4 MARKS]
- (d) Brock dale plc sells a vehicle that it no longer requires to its managing director at its market value, the managing director took ownership of the vehicle as a bonus for services performed during the period. [4 MARKS]
- (e) Whiteclif plc declared and paid a cash dividend to its owner. [4 MARKS]
[20MARKS]

END OF EXAMINATION QUESTION PAPER