



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ACCOUNTING, FINANCE AND HUMAN CAPITAL MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CAC 221
COURSE TITLE : FINANCIAL ACCOUNTING 2B
SPECIAL REQUIREMENTS :
DURATION : 3 Hours
LEVEL : 2.2 11 OCT 2023
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 [30 marks]

Answer all questions

1). According to **IFRS 8**, Segmental reporting, a segment result can be defined as

- A. the excess of segment expenses over segment revenue
- B. the excess of segment revenue over segment expenses
- C. the excess of segment assets over segment liabilities
- D. the excess of segment liabilities over segment assets

2) **IAS 1**, Presentation of financial statements framework, identified the elements of the financial statements. Which of the following items are not part of the elements of the financial statements?

- (i) Depreciation
 - (ii) Liabilities
 - (iii) Assets
 - (iv) Drawings
- A. (iii) only
 - B. (ii) only
 - C. (i) and (iv)
 - D. (ii) and (iii)

3) With reference to **IAS 24**, a joint venture can be defined as

- A. the contractually agreed sharing of control over an economic activity
- B. the contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.
- C. an entity, including an unincorporated entity such as a partnership, over which

the investor has significant influence and that is neither a subsidiary nor an interest

in a joint venture

D. individual ownership of an entity

4. Only a single depreciation method should be used by a firm for a certain financial period This is according to

A. The consistency concept

B. The going concern concept

C. The accruals concept

D. The prudence concept

5. The following information is available

SEGMENTS	i	ii	iii	iv
	000	000	000	000
Consolidated Revenue				
Sales to customers	20	40	15	6
Inter-segment sales	5	-	12	6

The company includes all sales from internal accounting purposes .Which of the above segments should not be disclosed in accordance with **IFRS 8**

A. (i) only

B. (ii) only

C. (iii) only

D. (iv) only

6. **P Statement of financial position**

Investment in subsidiary: 7 shares	16
Stock	20

Bank	14
	50
Share capital	40
Reserves	10
	50

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. 3
- 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
- (v) 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

15) (a) A person or a close member of that person's family is a related party to a reporting entity if that person:

(i). is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

(ii). has control over the reporting entity

(iii). do not have joint control or significant influence over the reporting entity or has significant voting power in it.

(iv). is not a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

The following are the definitions of a related party except

A. (i) only

B. (ii) only

C. (i) and (ii)

D. (iii) and (iv)

SECTION B. [70MARKS]

Answer questions in this section

Question One

Greenhill Ltd erected a number of buildings at a cost of \$3 500 000, which was settled on 1 January 2017 in cash. These buildings have an economic life of 10 years and were completed and put into use on 1 January 2017.

Greenhill Ltd received a government grant of \$350 000 on 1 January 2017, since it is important for the national government to provide houses for the whole population.

This government grant complies with the definition of gross income and no exemption applies to this government grant. An income tax allowance of 10% per annum on the straight-line method is allowed on the total cost of all houses.

Assume a profit before tax prior to the above transactions of \$600 000.

Assume a tax rate of 30%

Required

(a) Prepare the journals for the year ended 31 December 2017, in respect of the above transactions if it is assumed that the government grant is presented in the statement of financial position as deferred income (IAS 20)

[10MARKS]

(b) Prepare the journals for the year ended 31 December 2017, in respect of the above transactions if it is assumed that the government grant is presented in the

statement of financial position by deducting the government grant from the carrying amount of the asset.

[10 MARKS]

(c) With the aid of practical example, distinguish clearly between a grant related to asset and a grant related to income **[5MARKS]**

Question Two

(a) Immediately after Zegu and Family Ltd had acquired control of Son One Ltd and Son Two Ltd the following Statement of financial positions were drawn up. You are to draw up a consolidated Statement of financial position.

Zegu and Family Statement of financial position

	\$
Investments in subsidiaries:	
Son One Ltd (10,000 Ordinary £1 shares)	16,000
Son Two Ltd (12,000 Ordinary £1 shares)	18,000
Fixed assets	73,000
Current assets	33,000
	140,000
Share capital – Ordinary £1 shares	110,000
Profit and loss account	30,000
	140,000

Son One Statement of financial position

	\$
Fixed assets	11,000
Current assets	4,000
	15,000
Share capital – Ordinary £1 shares	10,000
Profit and loss account	2,000
General reserve	3,000
	15,000

Son Two Statement of financial position

	\$
Fixed assets	19,000
Current assets	6,000
	25,000
Share capital – Ordinary £1 shares	15,000
Profit and loss account	6,000
General reserve	4,000
	25,000

[10 MARKS]

(b) Briefly explain the implications of the following risks to the operation of an enterprise

(i) Currency risk; **[5MARKS]**

(ii) Interest rate risk **[5MARKS]**

(iii) Liquidity risk.

[5MARKS]

Question Four

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]

END OF EXAMINATION QUESTION PAPER

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