



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

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**FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS**

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**DEPARTMENT OF ACCOUNTING, FINANCE AND HUMAN CAPITAL  
MANAGEMENT**

**EXAMINATION PAPER**

**COURSE CODE** : CAC407/CAC422  
**COURSE TITLE** : GROUP FINANCIAL REPORTING/  
ADVANCED FINANCIAL ACCOUNTING  
**DURATION** : 3 Hours  
**LEVEL** : 4.2  
**DATE** : 11 APR 2024

**INSTRUCTIONS TO CANDIDATES:**

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

**SECTION A [20 Marks]**

**ANSWER ALL QUESTIONS (Each question carries two marks)**

**SELECT THE MOST APPROPRIATE ANSWER**

1. Hanirai acquired 70% of Sarai's equity shares on 1 July 2023 for \$342,000. On 1 July 2023 the property plant and equipment of Sarai had a fair value of \$325,000 and a book value of \$350,000. On the acquisition date Sarai also has an internally generated brand name worth \$50,000 and disclosed a contingent liability with a value of \$20,000. The fair value of the NCI on the 1 July 2023 was 50,000 Sarai has \$200,000 \$1 equity shares in issue and at 1 July 2023 its reserves comprised share premium of \$40,000 and retained earnings of \$62,000.

What is the value of the goodwill arising on the acquisition of Sarai?

- A. \$35,000
- B. \$85,000
- C. \$45,000
- D. \$135,000

**The following information relates to questions 2, 3 & 4:**

Nketa acquired 80% of Paisa's equity shares on 1 July 2020 for \$550,000. On 1 July 2020 the property plant and equipment of Paisa had a fair value of \$400,000 and a book value of \$325,000. The property plant and equipment had a useful economic life of 5 years at that time. On the acquisition date Paisa also has an internally generated brand name worth \$30,000 which was assessed to have a useful economic life of 30 years. The fair value of the NCI on the 1 July 2023 was \$80,000 On 30 June 2023 the goodwill arising on acquisition was impairment tested and found to be impaired by 20%. Paisa has \$300,000 \$1 equity shares in issue at 1 July 2020 and had retained earnings of \$162,000. By 30 June 2023 Paisa had retained earnings of \$260,000 and Nketa had retained earnings of \$827,000

2. What is the value of the goodwill arising on the acquisition of Paisa?
- A. \$134,400
  - B. \$74,400
  - C. \$63,000
  - D. \$50,400
3. What is the value of the NCI at 30 June 2023?
- A. \$87,480
  - B. \$92,520
  - C. \$90,000
  - D. \$127,480
4. What is the value of the Group retained earnings at 30 June 2023?
- A. \$877,080
  - B. \$867,000

- C. \$856,920
- D. \$866,920

5. On 1 November 2023, Funasi acquired 65% of Aneswi 50,000 equity shares by means of a share exchange of three new shares in Funasi for every five acquired shares in Astuta. In addition, Funasi issued to the shareholders of Aneswi two \$100 10% loan note for every 2,500 shares it acquired in Aneswi. The share price of Funasi on the date of acquisition was \$5 whilst the share price of Aneswi was \$2.

What was the value of the consideration paid for Aneswi?

- A. \$152,600
  - B. \$41,600
  - C. \$100,100
  - D. \$98,800
6. On 1 July 2023, Wanai acquired 70% of the equity share capital of Muchena. Extracts of their statements of profit or loss for the year ended 30 September 2023 are:

	Wanai \$'000	Muchena \$'000
Revenue	35,000	26,000
Cost of sales	(23,000)	(14,000)

Sales from Wanai to Muchena throughout the year ended 30 September 2023 had consistently been \$500,000 per month. Wanai made a mark-up on cost of 30% on these sales. Muchena had \$260,000 of these goods in inventory as at 30 September 2023. What would be the cost of sales in Wanai's consolidated statement of profit or loss for the year ended 30 September 2023?

- A. \$27.00 million
  - B. \$28.56 million
  - C. \$35.56 million
  - D. \$27.06 million
7. On 1 January 2023, Jenya acquired 70% of the equity share capital of Pingai. Extracts of their statements of profit or loss for the year ended 30 September 2023 are:

	Jenya \$'000	Pingai \$'000
Revenue	50,000	23,000
Cost of sales	(32,000)	(11,000)

Sales from Jenya to Pingai throughout the year ended 30 September 2023 had consistently been \$200,000 per month. At the date of acquisition some plant that was valued at \$30m in the Financial Statements of Pingai had a fair value of \$33m and a remaining useful economic life of 10 years.

What would be the cost of sales in Jenya's consolidated statement of profit or loss for the year ended 30 September 2023?

- A. \$38.450 million
- B. \$38.675 million
- C. \$41.425 million
- D. \$40.250 million

8. On 1 July 2023, Deke acquired 70% of the equity share capital of Karu. Extracts of the Group statements of profit or loss for the year ended 30 September 2023 are:

	\$
Revenue	700,000
Cost of sales	465,000
Distribution costs	64,000
Taxation	32,000

At the date of acquisition some plant that was valued at \$80,000 in the Financial Statements of Karu had a fair value of \$100,000 and a remaining useful economic life of 5 years. Sales from Karu to Deke were \$134,000 at a margin of 20% since the acquisition of which 40% has been sold on by Deke. These adjustments have already been reflected in the above figures.

What is the Profit attributable to the NCI in the consolidated Statement of Profit or Loss to 30 September 2023?

- A. \$41,700
- B. \$35,876
- C. \$38,184
- D. \$36,576

9. Howe sold goods to Soda, its 100% owned subsidiary on 1 February 2023. The goods were sold to Soda for \$48,000. Howe made a profit of 33.33% on the original cost of the goods. At the year-end, 30 June 2023, 40% of the goods had been sold by Soda, the balance were still in Soda's inventory and Soda had not paid for any of the goods.

Which ONE of the following states the correct adjustments required in the Howe group's consolidated statement of financial position at 30 June 2023?

- A. Reduce inventory and retained earnings by \$7,200 and Reduce payables and receivables by \$7,200
- B. Reduce inventory and retained earnings by \$9,600 and Reduce payables and receivables by \$9,600
- C. Reduce inventory and retained earnings by \$7,200 and Reduce payables and receivables by \$48,000
- D. Reduce inventory and retained earnings by \$9,600 and Reduce payables and receivables by \$48,000

10. Dowi sold goods to Pari. Dowi is PR's 80% owned subsidiary on 1 February 2023. The goods were sold to Pari for \$90,000. Dowi made a profit of 25% on the

original cost of the goods. At the year-end, 30 June 2023, 30% of the goods had been sold by Pari, the balance were still in Pari's inventory and Pari had not paid for any of the goods.

Which ONE of the following states the correct adjustments required in the Dowi group's consolidated statement of financial position at 30 June 2023?

- A. Reduce inventory and retained earnings by \$12,600 and Reduce payables and receivables by \$12,600.
- B. Reduce inventory by \$12,600, the NCI by \$2,520, retained earnings by \$10,080 and Reduce payables and receivables by \$90,000.
- C. Reduce inventory and retained earnings by \$15,750 and Reduce payables and receivables by \$15,750.
- D. Reduce inventory by \$15,750, the NCI by \$3,150, retained earnings by \$12,600 and Reduce payables and receivables by \$90,000.

**[Total 20marks]**