



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
DATE : 10 JUN 2025

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. [20 marks]

Answer all questions in this Section

Each question carries 2 marks

1. 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

2. 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

3) 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

4) Using the information in question 3 above, the minority interest is

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

5) The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction is known as the

- A. Fair Value
- B. Financial instrument
- C. Net Book Value
- D. Depreciable amount

6) Which of the following is a condition for classification as a discontinued operation under IFRS 5?

- A) The operation is a separate major line of business.
- B) The operation is held for sale.
- C) The operation is abandoned.
- D) The operation is a non-current asset.

7) How should a non-current asset (or disposal group) classified as held for sale under IFRS 5 be measured?

- A) At cost
- B) At fair value less costs to sell

- C) At recoverable amount
- D) At net realizable value

8) What is the primary objective of financial reporting according to the Conceptual Framework?

- A) To provide information about an entity's financial position and performance
- B) To provide information about an entity's management and governance
- C) To provide information about an entity's social and environmental impact
- D) To provide information about an entity's future prospects and risks

9) Which of the following is a fundamental qualitative characteristic of useful financial information according to the Conceptual Framework?

- A) Rélevance
- B) Faithful representation
- C) Comparability
- D) All of the above

10) What is the definition of an asset according to the Conceptual Framework?

- A) A resource controlled by an entity as a result of past events
- B) A liability that is probable and can be measured reliably
- C) An equity instrument issued by an entity
- D) A revenue transaction recognized in the income statement

SECTION B. [80 MARKS]

Answer all questions in this Section

Question One

a) Give brief notes about the following branches of accounting:

- I. Financial accounting [2 marks]
- II. Tax accounting [2 marks]
- III. Cost Accounting [2 marks]
- IV. Audit accounting [2 marks]

b) Chamunhombegwa owns a building which it has used for many years as a factory. On 1 January 2022 the building had a carrying value of \$15m with an estimated useful economic life of 15 years. Chamunhombegwa uses the cost model under IAS 16 to account for buildings. On 1 April 2022 Chamunhombegwa commenced operations in a new building, and the old one was placed on the market as it was no longer being used. The estimated proceeds of sale were \$13 million, less selling costs of \$0.2 million. It was seen as highly probable at that date that the building would sell at that price. By year end, 31 December 2022, the building remained unsold, so Chamunhombegwa reduced the asking price to \$11m. The estimate of selling costs remained the same. The directors of plc Chamunhombegwa believed at that date it was highly probable the sale would occur within 12 months at the lower price.

Required: Explain how the old building should be treated in the books of Chamunhombegwa plc for year ended 31 December 2022 as prescribed by IFRS 5. [15 marks]

Question Two

The following consolidated segment information is available:

Segments	X	Y	Z
	\$000	\$000	\$000
Segment Revenue	800	600	400
Segment Rent	300	100	50
Segment Wages	100	100	50
Segment Rates	150	100	50

The following items must be accounted for:

	\$000
Interest received	40
Interest paid	60
Income tax expense	400

Minority interest	60
Income from associate	300

Required

Which of the above segments should be disclosed in accordance with Statements of Generally Accepted Accounting Practice, IFRS 8, Justify your answer? **[15 marks]**

Question Three

Below are two statements of financial positions for Mburinga and Chanzos public limited companies which are a parent and a subsidiary respectively.

You are required to draw up a consolidated statement of financial position as at 31 December 2024. **[20] Marks**

Mburinga plc statement of financial position as at 31 December 2024

Non-current assets	\$	\$
Property Plant and equipment		6 000
Motor vehicle		2 000
Fixtures		1 000
Investment in a subsidiary (6000 shares bought at 31/12/24)		9 700
Current assets		
Inventory		3 100
Trade receivables		4 900
Bank		1 100
Total		27 800
Financed by		
Share capital		20 000

Retained earnings: As at 31/12/23	6 500	
Loss for 2024	(2 500)	
		4 000
Payables		3 800
		27 800

Chanzos Plc. statement of financial position as at 31 December 2024

Non-current assets	\$	\$
Property Plant and equipment		2 000
Motor vehicle		2 000
Fixtures		1 200
Current assets		
Inventory		7 200
Trade receivables		3 800
Bank		1 400
Total		17 600
Financed by		
Share capital		10 000
Retained earnings: As at 31/12/23	3 500	
Loss for 2024	2 000	
		5 500
Payables		2 100
		17 600

Question Four

Bhuru plc: Statement of Profit or Loss and Other Comprehensive Income for year ended 31 December 2019

	\$m
Revenue	800
Cost of sales & expenses	(560)
Profit before tax	240
Tax	(115)
Profit after tax	125

The division being disposed of was a component of Bhuru plc, and was a major line of business which is now ceasing permanently and in its entirety. The division contributed revenue of \$200m, costs of \$275m and a tax refund of \$15m in the year ended 31 December 2019 (net loss 60). These amounts are included in the above figures. The assets to be sold have a combined fair value less costs to sell of \$39m below their carrying value. This has not yet been recognised.

Required: Redraft the above SPLOCI to comply with IFRS 5. [10marks]

Question five

IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance)

(a) On 1 January 2022, XYZ Ltd. received a government grant of \$100,000 to purchase new equipment. The grant is conditional upon the company maintaining a minimum level of employment for the next 2 years. How would you record this transaction in the books of XYZ Ltd.? [2 marks]

(b) On 31 December 2022, ABC Inc. received a government subsidy of \$50,000 to compensate for losses incurred due to a natural disaster. The subsidy is non-refundable. How would you record this transaction in the books of ABC Inc.? [2 marks]

(c) On 1 July 2022, DEF Ltd. purchased a piece of land for \$200,000. The government provided a grant of \$50,000 towards the purchase price. The grant is not repayable if the company uses the land for its intended purpose. How would you record this transaction in the books of DEF Ltd.? [2 marks]

(d) On 31 March 2023, GHI Inc. repaid a government loan of \$150,000, which was received 5 years ago. The loan had a interest rate of 5% per annum. How would you record this transaction in the books of GHI Inc.? [2 marks]

(e) On 30 September 2022, JKL Ltd. received a government grant of \$75,000 to cover part of the costs of a research project. The grant is conditional upon the company completing the project within the next 12 months. How would you record this transaction in the books of JKL Ltd.? [2 marks]

END OF EXAMINATION QUESTION PAPER

1/20 AM