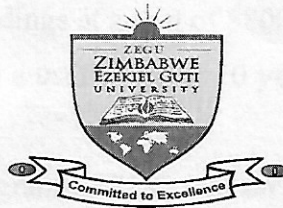


# ZIMBABWE EZEKIEL GUTI UNIVERSITY



## DEPARTMENT OF ACCOUNTING AND FINANCE

### B. Com (Hons) Accounting

COURSE: GENERAL FINANCIAL REPORTING

COURSE CODE: CAC207

DURATION: 3 HOURS 29 NOVEMBER 2018

#### INSTRUCTIONS TO CANDIDATES

1. Answer **ALL** questions.
2. Begin each question on a new page.
3. The number of marks allocated to each question or part question is shown in brackets.
4. Hand-held, self-powered, non-programmeable, silent calculators are allowed into the examination.
5. Show all workings and presentation must be in accordance with the requirements of International Financial Reporting Standards and International Accounting Standards.

### **Question One**

House Ltd erected a number of buildings at a cost of \$800 000, which was settled on 1 January 2010 in cash. These buildings have a useful life of 10 years and were completed and put into use on 1 January 2010.

House Ltd received a government grant of \$180 000 on 1 January 2010, since it is important for the national government to provide houses for all its citizens.

Assume a profit before tax prior to the above transactions of \$500 000 for the year ended 31 December 2010 to 31 December 2012

### **Required**

- (a) Prepare the journal entries for the years ended 31 December 2010 to 31 December 2012 in respect of the above transactions if it is assumed that the government grant is presented as deferred income in the statement of financial position. **[10marks]**
- (b) Prepare the journal entries for the years ended 31 December 2010 to 31 December 2012 in respect of the above transactions if it is assumed that the government grant is presented by deducting the grant from the carrying amount of the asset. **[10marks]**
- (c) Explain the disclosure of both grants related to assets and grants related to income, according to IAS 20. **[5marks]**

### **Question Two**

Mr Aerodrome holds 11% of the issued share capital and of the voting rights of Develop Ltd. His five year holds 40% of these voting as he has inherited shares from his late uncle who was a shareholder of Develop Ltd

- (a) Explain the concept of issued share capital **[5marks]**
- (b) Discuss the concept of 'dilution of ownership' in company ownership **[5marks]**
- (c) Discuss whether Mr Aerodrome is a related party to Develop Ltd? **[10marks]**
- (d) How would your answer in (a) change if Mr Aerodrome's son was 25-year-old? **[10marks]**

### Question Three

P Ltd bought 40,000 shares in S1 Ltd and 27,000 shares in S2 Ltd on 31 December 2016. The following statement of financial position were drafted as at 31 December 2017.

#### **P Statement of financial position as at 31 December 2017**

	\$	\$
Investments in subsidiaries		
S1 Ltd 40,000 shares		49,000
S2 Ltd 27,000 shares		30,500
Fixed assets		90,000
Current assets		80,500
		<b><u>250,000</u></b>
Share capital		200,000
Profit and loss account:		
As at 31.12.2016	11,000	
Add Profit for 2017	16,000	
		27,000
General reserve		23,000
		<b><u>250,000</u></b>

#### **S1 Statement of financial position as at 31 December 2017**

	\$	\$
Fixed assets		38,200
Current assets		19,200
		<b><u>57,400</u></b>
Share capital		50,000
Profit and loss account:		
As at 31.12.2016	3,000	
Less Loss for 2017	(1,600)	
		1,400
General reserve (as at 31.12.2016)		6,000
		<b><u>57,400</u></b>

#### **S2 Statement of financial position as at 31 December 2017**

	\$	\$
Fixed assets		31,400
Current assets		14,600
		<b><u>46,000</u></b>
Share capital		36,000
Profit and loss account:		
As at 31.12.2016	4,800	
Add Profit for 2017	3,400	
		8,200
General reserve (as at 31.12.2016)		1,800

46,000

**Required**

- a) You are to draw up a Consolidated Statement of financial position as at 31 December 2017. [15 Marks]
- b) Clearly outline the difference between a subsidiary and an associate [5marks]

**Question Four**

Analyse the following risks to which financial instruments expose the enterprise, with reference to IFRS 9 and IAS 32.

- (a) Currency Risk [6marks]
- (b) Credit Risk [6marks]
- (c) Liquidity Risk [6marks]
- (d) Cash-flow Risk [7marks]

**END OF PAPER**