



**COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE**

**NMAC 404: ADVANCED ACCOUNTING AND FINANCIAL THEORY**

**END OF FIRST SEMESTER EXAMINATION**

**NOVEMBER 2022**

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**DURATION: 3 HOURS**

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### **INSTRUCTIONS**

You are required to answer questions as instructed

Answer **all** questions

Start **each** question on a new page in your answer booklet

Credit will be awarded for logical, systematic and neat presentations

## QUESTION ONE

Explain to your junior accountant the following using IFRS 13-fair value measurement:

- a) fair value (4 marks)
- b) the fair value hierarchy of inputs (9 marks)
- c) The principal market, the most advantageous market, and the fair value given the facts below: (12 marks)

Company E holds an asset that is traded in three different markets, but it usually buys and sells in Market C.

	Market A	Market B	Market C
Volume (annual)	30 000	12 000	6 000
Trades per month	30	12	10
Price	50	48	53
Transportation costs	3	3	4
Transaction Costs	1	2	2

## QUESTION TWO

P acquired 75% of the shares in S on 1 January 2021 when S had retained earnings of \$15,000. The market price of S's shares at the date of acquisition was \$1.60. P values non-controlling interest at fair value at the date of acquisition. Goodwill is not impaired.

The statements of financial position of P and S at 31 December 2021 were as follows.

	P	S
	\$	\$
Property, plant and equipment	60 000	50 000
Shares in S	<u>68 000</u>	-
	128 000	50 000
Current assets	<u>52 000</u>	<u>35 000</u>

	<u>180 000</u>	<u>85 000</u>
Share capital – \$1 shares	100 000	50 000
Retained earnings	<u>70 000</u>	<u>25 000</u>
Current liabilities	<u>10 000</u>	<u>10 000</u>
	<u>180 000</u>	<u>85 000</u>

Required:

- Prepare the consolidated statement of financial position of the P Group. (20 marks)
- X company made a 70% investment in Y, Y also invested 65% in its subsidiary Z. With the aid of a diagram, show the calculation of the non-controlling interest of X in Z. (5 marks)

### QUESTION THREE

- ABC Ltd had in issue (\$1) 100 000 shares and made a right issue of 3 for 5 on 1 Aug 2020 at \$4.20 per share. The share price at the date of the issue was \$6.50 per share

Required:

Calculate the EPS of ABC Ltd if the Profit After Tax is \$10m for the year ended 31 Dec 2020 (5 marks)

- |                        |           |
|------------------------|-----------|
| Common shares          | 50 000    |
| Distributable earnings | \$100 000 |
| Tax rate               | 40%       |

- There are 80 000, 6% preference shares par value \$10 convertible into 3 common shares.
- There are 4 000, 15% bonds, par value \$100, each bond converts into 20 ordinary shares.

Required:

Calculate the EPS for (i), (ii), and the combined effect of both (i) and (ii) according to IAS 33-*Earnings per share* showing all workings. (20 marks)

#### **QUESTION FOUR**

The Business department of Africa University has organised a seminar on current issues facing the accounting profession. You are to present on one of the following topics:

- Artificial intelligence
- Managing cybersecurity
- Big data and Data analytics
- Cloud computing

Discuss the issues that you would cover in your presentation (25 marks)

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**END OF EXAMINATION**