



COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NMAC 411: ADVANCED FINANCIAL ACCOUNTING

END OF FIRST SEMESTER EXAMINATION

NOVEMBER 2022

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DURATION: 3 HOURS

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

Using examples, differentiate a joint venture from a joint operation under IFRS 11-Joint arrangements. (25 marks)

QUESTION TWO

a) Explain to the junior accountant how reportable segments should be identified with reference to IFRS 8-*Operating Segments* (IFRS 8) (10 marks)

b) The directors of XYZ company have agreed as part of their strategic plan to list the entity's equity shares on the local stock exchange. At a recent board meeting, the directors discussed, in overview, the additional compliance that would be required upon listing. This included compliance with the requirements of IFRS 8. The managing director commented that adherence to the requirements of IFRS 8 would be time-consuming and costly due to the additional financial information that the entity would have to prepare.

Required:

- i. Discuss whether the managing director's comment is accurate in respect of the operating segment analysis that is required in accordance with IFRS 8 (4 marks)
- ii. Explain why the information that is presented for operating segments is likely to be highly relevant to investors. (5 marks)
- iii. Discuss the potential limitations of operating segment analysis as a tool for comparing different entities. (6 marks)

QUESTION THREE

a) Differentiate functional currency and presentation currency (4 marks)

b) ABC company sold goods to an overseas company for US\$200 000 in March 2021 when the rate was P0.70: \$1. Payment was done in April 2021 when the rate was P0.75: \$1. Assume that at year-end the payment was still outstanding, and the rate was at P0.80: \$1.

Record the journal entries for the transactions

i) On the day of the sale (3 marks)

ii) On the day of payment (4 marks)

iii) At year end (4 marks)

c) An entity, with the dollar as its functional currency, purchases plant from a foreign entity for €18m on 31 May 2021 when the exchange rate was €2 to \$1. The entity also sells goods to a foreign customer for €10.5m on 30 September 2021, when the exchange rate was €1.75 to \$1. At the entity's year end of 31 December 2021, both amounts are still outstanding and have not been paid. The closing exchange rate was €1.5 to \$1. Explain to the junior Accountant how they should account for the items for the period ending 31 December 2021. (10 marks)

QUESTION FOUR

Critique one of the following developments in corporate reporting:

- a) Environmental Reporting
- b) Sustainability Reporting
- c) Integrated Reporting (25 marks)

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END OF EXAMINATION