



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

**NMAC 411: ADVANCED FINANCIAL ACCOUNTING**

**END OF SECOND SEMESTER EXAMINATION**

**APRIL 2022**

**LECTURER: DR DUMISANI RUMBIDZAI MUZIRA**

**DURATION: 3 HOURS**

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### **INSTRUCTIONS**

You are required to answer questions as instructed

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Answer **all** questions

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

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Credit will be awarded for logical, systematic and neat presentations

## QUESTION ONE

Two real estate companies (the parties) set up a separate vehicle (Supermall) for the purpose of acquiring and operating a shopping centre. The contractual arrangement between the parties establishes joint control of the activities that are conducted in Supermall. The main feature of Supermall's legal form is that the entity, not the parties, has rights to the assets, and obligations for the liabilities, relating to the arrangement. These activities include the rental of the retail units, managing the car park, maintaining the centre and its equipment, such as lifts, and building the reputation and customer base for the centre as a whole.

The terms of the contractual arrangement are such that:

- a) Supermall owns the shopping centre. The contractual arrangement does not specify that the parties have rights to the shopping centre.
- b) The parties are not liable in respect of the debts, liabilities, or obligations of Supermall. If Supermall is unable to pay any of its debts or other liabilities or to discharge its obligations to third parties, the liability of each party to any third party will be limited to the unpaid amount of that party's capital contribution.
- c) The parties have the right to sell or pledge their interests in Supermall.
- d) Each party receives a share of the income from operating the shopping centre (which is the rental income net of the operating costs) in accordance with its interest in Supermall.

You are required to explain how Supermall should be classified in accordance with IFRS 11 Joint arrangements. [25 marks]

## **QUESTION TWO**

a) Outline the objectives of IAS 21 -Effects of changes in foreign exchange rates [3 marks]

b) Differentiate the reporting currency and the functional currency [6 marks]

c) On 1 April 2021 XYZ co that uses the dollar (\$) as its functional currency, buys goods from an overseas supplier, who uses peso (₱) as its functional currency. The goods are priced at ₱54 000. Payment is made 2 months later 31 May 2021. The prevailing exchange rates are:

1 April 2021. ₱1.80: \$1

31 May 2021 ₱1.75: \$1

i) Record the journal entries for the transactions [8 marks]

ii) Record the journal entries for the transactions, assuming that payment is still outstanding at the reporting date 30 June 2021. The prevailing rates are:

1 April 2021. ₱1.80: \$1

30 June 2021 ₱1.70: \$1 [8marks]

## **QUESTION THREE**

a) Provide a brief background of IFRS 8 -Operating segments and outline how these segments can be identified [13 marks]

b) Explain the 75% rule and the 10% rule in treatment of operating segments (IFRS 8). [12marks]

## **QUESTION FOUR**

Compare and contrast sustainability reporting and integrated reporting. [25 marks]

**END OF EXAMINATION**