



"Investing in Africa's Future"

FACULTY OF MANAGEMENT AND ADMINISTRATION

COURSE TITLE: MAC 201 Intermediate Accounting 1 (Parallel)

SEMESTER 1: Final Examination October 2014

LECTURER: Mr P Paradza

TIME: 3 HOURS

INSTRUCTIONS

Answer **all five (5)** questions.

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

The marks allocated to **each** question are shown at the end of the question.

Show all your workings.

QUESTION 1 (30 marks)

The statements of financial position of A Ltd. B Ltd. and C Ltd. on 30 June 2014 were as follows:

STATEMENT OF FINANCIAL POSITION AS AT 30/06/2014

ASSETS	A LTD	B LTD	C LTD
	\$	\$	\$
Tangible Non-current Assets	1 896 000	680 400	478 800
Investment in Group Companies			
B Ltd.	525 000		
C Ltd.	332 000		
Current Assets			
Inventory	63 000	33 600	16 800
Accounts receivable	340 000	27 300	10 500
Cash at bank /on hand	84 000	23 100	25 200
	<u>3 240 000</u>	<u>764 400</u>	<u>531 300</u>
EQUITY & LIABILITIES			
Ordinary Share Capital	2 100 000	630 000	420 000
Retained Profits	1 077 000	105 000	84 000
Accounts payable	63 000	29 400	27 300
	<u>3 240 000</u>	<u>764 400</u>	<u>531 300</u>

Additional information

- (i) A Ltd purchased 85% of the share capital of B Ltd. on 1 July 2012 when the latter's retained profits amounted to \$45 000.
- (ii) A Ltd. purchased 70% of the share capital of C Ltd. on 1 July 2013 when the latter's retained profits amounted to \$32 000.
- (iii) Any goodwill arising from the acquisition of B Ltd and C Ltd. should not be amortised.
- (iv) During the year-ended 30 June 2014, A Ltd. sold goods costing \$15 000 to B Ltd. for \$20 000. Half of these goods were in B Ltd's inventory at the year-end.

- (v) Inter-company debts at the year-end were as follows:

	\$
B Ltd owed A Ltd	10 000
C Ltd. owed B Ltd.	7 500

REQUIRED

- a) Analysis of the subsidiaries' equity structures as at 30 June 2014. **(10 marks)**
- b) Consolidated statement of financial position of A Ltd and its subsidiaries as at 30 June 2014. **(20 marks)**

QUESTION 2 (25 marks)

On 1 July, 2010, X Ltd. issued \$100 000 25% debentures at par. The debentures were to be redeemed at a premium of 10% by 5 equal drawings, starting on 30 June 2011.

REQUIRED

Show journal entries (with narrations) related to the above transactions at the end of first 2 years.

QUESTION 3 (30 marks)

(a) Define the following items which are found in the financial statements of SMEs:

- | | | |
|-------|-----------|------------------|
| (i) | Asset | (3 marks) |
| (ii) | Liability | (3 marks) |
| (iii) | Income | (3 marks) |
| (iv) | Expenses | (3 marks) |

(b) Discuss the recognition of assets, liabilities and expenses in the financial statements of SMEs. Base your answer on the IFRS for SMEs. **(18 marks)**

QUESTION 4 (15 marks)

Discuss the view that the SME sector in Zimbabwe has proved to be untaxable.