



COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NMAC 411: ADVANCED FINANCIAL ACCOUNTING

END OF SECOND SEMESTER EXAMINATION

APRIL 2023

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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

Entity M has operating segments M-R (below). The revenues (internal and external), profits and assets are set out below. Explain to the Accountant of Entity M how he/she should use IFRS 8 -Operating Segments to determine how many reportable segments the entity has. The figures are in the same proportions as in the previous year. (25

marks)

SEGMENT	TOTAL REVENUE	PROFIT AND LOSS	TOTAL ASSETS
M	15000	4000	35000
N	110000	20000	250000
O	35000	(5000)	70000
P	75000	10000	1550
Q	30000	(10000)	105000
R	40000	6000	70000

QUESTION TWO

Two property companies (the parties) set up a separate vehicle (Westgate-mall) 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 Westgate-mall. The following features explain the joint arrangements of Westgate-mall. Its 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.

The terms of the contractual arrangement are such that:

- a) Westgate-mall 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 Westgate-mall. If Westgate-mall 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 Westgate-mall.
- 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 Westgate-mall.

Required

Explain how Westgate-mall should be classified in accordance with IFRS 11- Joint arrangements. **(25 marks)**

QUESTION THREE

- a) Outline the criteria for assessing applicability of IAS 29- Financial reporting in hyperinflationary economies. **(5 marks)**
- b) You are the accountant for ABC company which prepares consolidated financial statements in accordance with IFRS. The year-end of ABC is 31 March, and its functional currency is the \$. Your managing director, who is not an accountant, has recently prepared a list of questions for you concerning current issues relevant to ABC company. As you know, on 1 January 2022 we purchased a machine for ZWL 2 million. At that date the exchange rate was \$1=ZWL 100. We don't have to pay for this purchase until 30 June 2022. The ZWL strengthened against the \$ in the three months following purchase and by 31 March 2022 the exchange rate was \$1 = ZWL 80. I thought these exchange fluctuations would not affect our financial statements because we have an asset and a liability denominated in ZWL which was initially the same amount. We are depreciating this machine over four years, so the future year-

end amounts won't be the same, of course. Something I heard at a seminar, but did not really grasp, made me think I could be mistaken.

Required

Explain the impact of this transaction on the financial statements for the year ended 31 March 2022. (20 marks)

QUESTION FOUR

Your company CEO recently attended a conference where developments in accounting were discussed. He has asked you to differentiate sustainability reporting and integrated reporting in preparation for the organised accounting workshop. Compare and contrast these two reporting styles. (25 marks)

END OF EXAMINATION